GRINDROD
LIMITED

INTEGRATED ANNUAL REPORT 2012
for the year ended 31 December

CONTENTS

For convenience, additional information of the integrated annual report is available on the website, **www.grindrod.co.za** where indicated.

The icon denotes a reference to information contained elsewhere in the integrated annual report.




SCOPE OF THIS REPORT

The integrated annual report aims to provide a balanced and accurate assessment of the Grindrod group strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

This report provides commentary on Grindrod's financial and non-financial performance for the year ended 31 December 2012. It demonstrates the group's long-term strategy integral to growing the business in order to create sustained shareholder value. It also includes information relating to the performance of Grindrod Limited, its subsidiaries, joint ventures and associates based locally and internationally. The focus of the report is on the main businesses within each of the divisions which have a material impact on the achievement of the group's strategy and long-term sustainability.

Information describing the various operating activities has been provided for key stakeholders, shareholders, investment analysts, employees, trade unions, regulators including the JSE Limited, customers, suppliers, service providers, governments and communities to achieve understanding of the group's business activities. The consolidated annual financial statements have been audited by Deloitte & Touche, as set out in the independent auditors' report on page 111. Limited assurance procedures have been performed by Deloitte & Touche on selected aspects of the sustainability information within this report.

Grindrod Limited is an investment holding company, listed on the JSE Limited. It is a global company, headquartered in South Africa, operating through four divisions:

- Freight Services
- Trading
- Shipping
- Financial Services

Refer to divisional reports on pages 36 to 67
for detailed commentary

The integration of Grindrod's divisions provide for the movement of various types of cargo from point of origin to final destination by road, rail and sea utilising specialised assets and infrastructure in the commodity supply chain.

In compiling this report, Grindrod considered:

- The Companies Act, No 71 of 2008 (the Companies Act), as amended;
- The JSE Listings Requirements;
- The King Report on Governance for South Africa 2009 (King III);
- Global Reporting Initiative standards and framework and guidelines for sustainability reporting; and
- International Financial Reporting Standards and the adoption of new accounting standards in 2012.

This report should be read in conjunction with the unabridged consolidated annual financial statements available on the Grindrod website at www.grindrod.co.za.

GRINDROD LIMITED

ABBREVIATIONS

Full descriptions of abbreviations used in the integrated annual report are listed in the following tables:

Abbreviation	Definition
ASEAN	Association of South-East Asian Nations
B-BBEE	Broad-Based Black Economic Empowerment
BCI	Baltic Capesize Index
BCTI	Baltic Clean Tanker Index
BCM	Business Continuity Management
BDI	Baltic Dry Index
BEE	Black Economic Empowerment
BHSI	Baltic Handysize Index
BPI	Baltic Panamax Index
BSI	Baltic Supramax Index
C	Carbon
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFM	Ports and Railway Company of Mozambique
CIS	Collective Investment Scheme
COA	Contract of Affreightment
CTRM	Commodity Trading Risk Management
DTI	Department of Trade and Industry (South Africa)
DWT	Deadweight Tonne
EBITDA	Earnings Before Interests, Tax, Depreciation and Amortisation
ECA	Emission Control Area
EEDI	Energy Efficiency Design Index
EEOI	Energy Efficiency Operational Indicator
EFT	Electronic Funds Transfer
EIA	Environmental Impact Assessment
EMS	Environmental Management System
ESG	Environmental, Social and Governance
ETF	Exchange Traded Fund
EU	European Union
FFA	Forward Freight Agreement
FSB	Financial Services Board
FSP	Forfeitable Share Plan
FTE	Full Time Equivalent
GAFTA	Grain and Feed Trade Association
GHG	Greenhouse Gas
GRI	Global Reporting Index
HDV	Heavy Duty Vehicle
HSFO	High Sulphur Fuel Oil
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IMO	International Maritime Organisation
IPO	Initial Public Offering
IRR	Internal Rate of Return
IT	Information Technology

Abbreviation	Definition
IVS	Island View Shipping
JIBAR	Johannesburg Interbank Agreed Rate
JSE LR	JSE Listing Requirements
KING III	The King Report on Governance for South Africa 2009
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LSFO	Low Sulphur Fuel Oil
LTIFR	Lost Time Frequency Rate
MARPOL	International Convention for the Prevention of Pollution from Ships
MDO	Marine Diesel Oil
MPDC	Maputo Port Development Company
MR	Medium-range
NBI	South African National Business Initiative
NEPAD	New Partnership for Africa's Development
NGO	Non Profit Organisation
NLP	New Limpopo Bridge Projects Limited
NLPI	NLPI Limited
NM	Nautical Mile
NO_x	Nitrogen Oxide
PASA	Payment Association of South Africa
PPP	Public/Private Partnerships
PBCF	Propeller Boss Cap Fins
SA	South Africa
SACOB	South African Chamber of Business
SAFEX	South African Futures Exchange
SAGIS	South African Grain Information Service
SAMSA	South African Maritime Safety Authority
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SED	Social and Economic Development
SEEMP	Ship Energy Efficiency Management Plan
SHE	Safety, Health and Environmental
SHEQ	Safety, Health, Environment and Quality
SO_x	Sulphur Oxide
SRI	Social Responsibility Index
SSA	Sub-Saharan Africa
TBT	Tributylin
TCE	Time Charter Equivalent
TCOE	Total Cost of Employment
TETA	Transport, Education and Training Authority
TEU	Twenty Foot Equivalent Unit
The Companies Act	The Companies Act, No 71 of 2008 (South Africa)
UN	United Nations
VCSA	Vitol Coal South Africa B.V.
WACC	Weighted Average Cost of Capital
WCSA	West Coast South America

AT A GLANCE

Grindrod's divisions – **freight services, trading, shipping** and **financial services** – integrate to provide for the movement of cargo from origin to final destination by **road, rail and sea,** using specialised assets and infrastructure and focusing on **drybulk, liquid bulk, containerised, wheeled cargo** and **various financial services**.

GROUP HIGHLIGHTS

Economic

- Earnings per share up 30% to 144,6 cents (2011: 111,0 cents)
- Cash generated from operations R1,4 billion
- Net interest-bearing debt to total shareholders' interest 7% (2011: 10%)
- Book net asset value per share up 11% to R16,09 (2011: R14,54)

Non-financial highlights

SOCIAL

- Value being delivered globally by 7 295 employees in the group's diverse businesses (2011: 6 879)
- A total of 4 103 (2011: 6 473) training interventions attended by employees during the year
- Employee training spend of R12,5 million (2011: R9,8 million), of which 82% was in respect of designated groups
- 186 learnership programmes implemented (2011: 242)
- Graduate development programme launched with nine participants
- 25 cadets enrolled in the Grindrod Shipping cadet training programme (2011: 24 cadets)
- 215 courses completed by Unicorn seafarers (2011: 206)
- Total occupational, health and safety investment up 20% to R23,6 million (2011: R19,6 million)
- Transformation progress of top level management
- Maintained average broad-based black economic empowerment (B-BBEE) contributor level of 3 and concluded a number of additional B-BBEE equity transactions during the year
- R5,6 million on social and economic development (SED) during the year, focusing on education
- Launched an HIV/AIDS awareness campaign "Be a Hero, work towards Zero"

Financial and operating highlights

FREIGHT SERVICES

- **Earnings up 150%** to R793,3 million (including profit of R414,9 million on disposal of 35% of Maputo coal terminal) (2011: R317,8 million)
- **Drybulk terminals** volumes **up 26%** to 12,0 million tonnes (2011: 9,5 million tonnes), despite coal product shortages
- **Port of Maputo** volumes **up 27%** to 15,0 million tonnes (2011: 11,8 million tonnes)
- Strong growth in rail operations, with an acquisition of a **46,4% interest in New Limpopo Bridge Projects Limited (NLP)** concluded during the second half of 2012
- **Intermodal's mining and minerals** handling business volumes **increased 90%** on the prior year
- Commenced construction of permanent Maputo intermodal container facility in **partnership with Dubai Ports World**
- Conclusion of a number of **joint ventures and acquisitions** in the **Logistics businesses**

TRADING

- **Earnings** (adjusted for marine fuels joint venture) **up 12%** to R113,5 million (2011: 100% earnings R143,9 million)
- **Operating margin** per tonne **up 17%** to US$3,90 (R32,02) from US$3,33 (R24,22) in 2011
- Conclusion of the **sale of 50%** of the **marine fuels business** to Vitol
- **Marine fuels business performed exceptionally** well through improved volumes, improved margins and changes to the product mix
- Formulation of **a sustainable, integrated value chain strategy** for the agricultural commodity business
- **Good result** from the **coal trading** business concluded in partnership with Vitol

- Attributable income up **61%** to **R853,3 million** *(2011: R530,9 million)*
- Headline earnings per share up **22%** to **121,9 cents** *(2011: 99,6 cents)*
- Final ordinary dividend up **28%** to **15,4 cents per share** *(a total of 32,9 cents per share for the year)*

Review of 2012 key focus areas

Maximise asset utilisation	In progress
Execution on capital projects	In progress
Improve operating efficiencies and costs	In progress
Conclusion of strategic partnerships facilitating execution and reducing risk	Achieved
Develop new shipping, infrastructure and logistics opportunities	Achieved

ENVIRONMENTAL

- "Best Practice" result for Environmental Performance and for Climate Change in JSE SRI Social Responsibility Index (SSRI)
- Shipping achieved zero significant oil spills (less than one barrel of oil) for the seventh consecutive year
- Overall score of 88B in the annual Carbon Disclosure (2011: 63E)
- ISO 14001 Environmental Management Systems (EMS) developed and implemented throughout all the Shipping, Freight Services' and certain Trading businesses, excluding new acquisitions, which will be completed during 2013
- Implementation of defined safety, health, environment and quality (SHEQ) strategies for agricultural commodity and industrial raw materials businesses
- Marine fuels business achieved ISO 9001:9008 accreditation
- A 16% improvement in the electricity and water consumption eco-efficiency of the Durban (SA) office buildings since 2010
- Progress with achieving objectives and targets

SHIPPING

- **Revenue up 2%** to R4 010 million (2011: R3 915 million)
- **Loss of R169,7 million** (2011: R6,8 million profit) includes impairments to vessels of R173,3 million
- **Income before ship impairments remained positive** despite the Baltic Dry Index (BDI) average falling by 60% and the Baltic Clean Tanker Index (BCTI) falling by 17%
- Average earnings per day **outperformed average spot rates** for the year across all sectors
- **Expanded dry cargo operations**, particularly handymax
- **South African tanker** operations **performed well**
- **Medium-range (MR) tankers operated well** under commercial management with Vitol
- Commenced transfer of handysize bulk carriers from Lauritzen pool to **own management**

FINANCIAL SERVICES

- **Earnings up 12%** to R65,1 million (2011: R58,4 million)
- **Assets under management up 80%** to R11,0 billion (2011: R6,1 billion)
- **Bank deposits increased 60%** to R4,7 billion (2011: R2,9 billion)
- **Advances increased** 25% to **R3,2 billion** (2011: R2,6 billion)
- Acquired **Plexus Asset Management**
- A total of **5,5 million** South African Social Security Agency (SASSA) bank cards in issue at 31 December 2012
- **Capital raised** through the listing of a **R500 million** three-year bond on the JSE

BUSINESS PROPOSITION

Vision

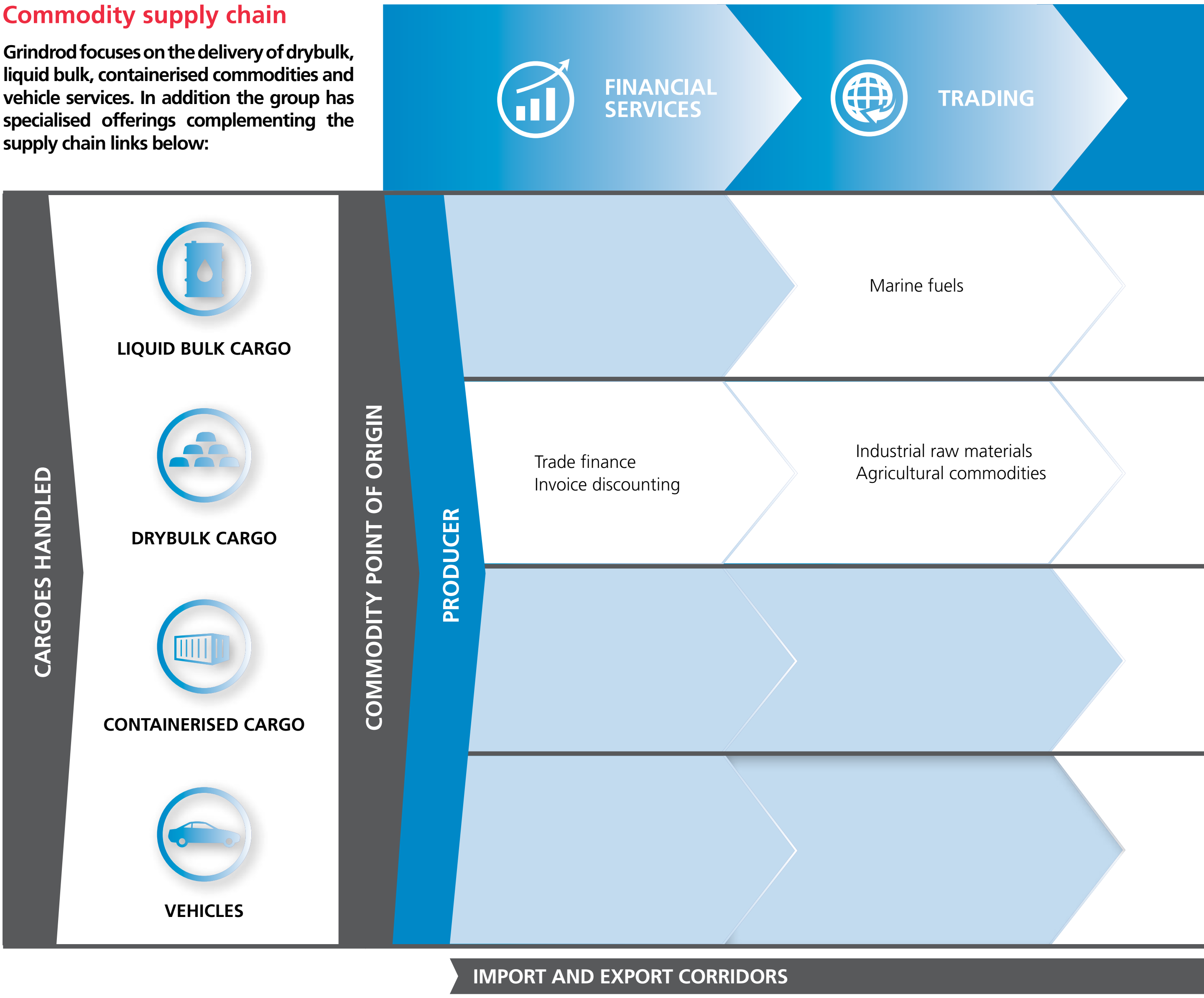
The Grindrod group's vision is to create sustainable returns and long-term value for stakeholders.

Business overview

The Grindrod group offers end-to-end commodity supply chain solutions in the movement of cargo by road, rail and sea, through integrated logistics services utilising specialised assets and infrastructure, including vehicles, locomotives, ships, ports, terminals, warehouses and depots.

Commodity supply chain

Grindrod focuses on the delivery of drybulk, liquid bulk, containerised commodities and vehicle services. In addition the group has specialised offerings complementing the supply chain links below:

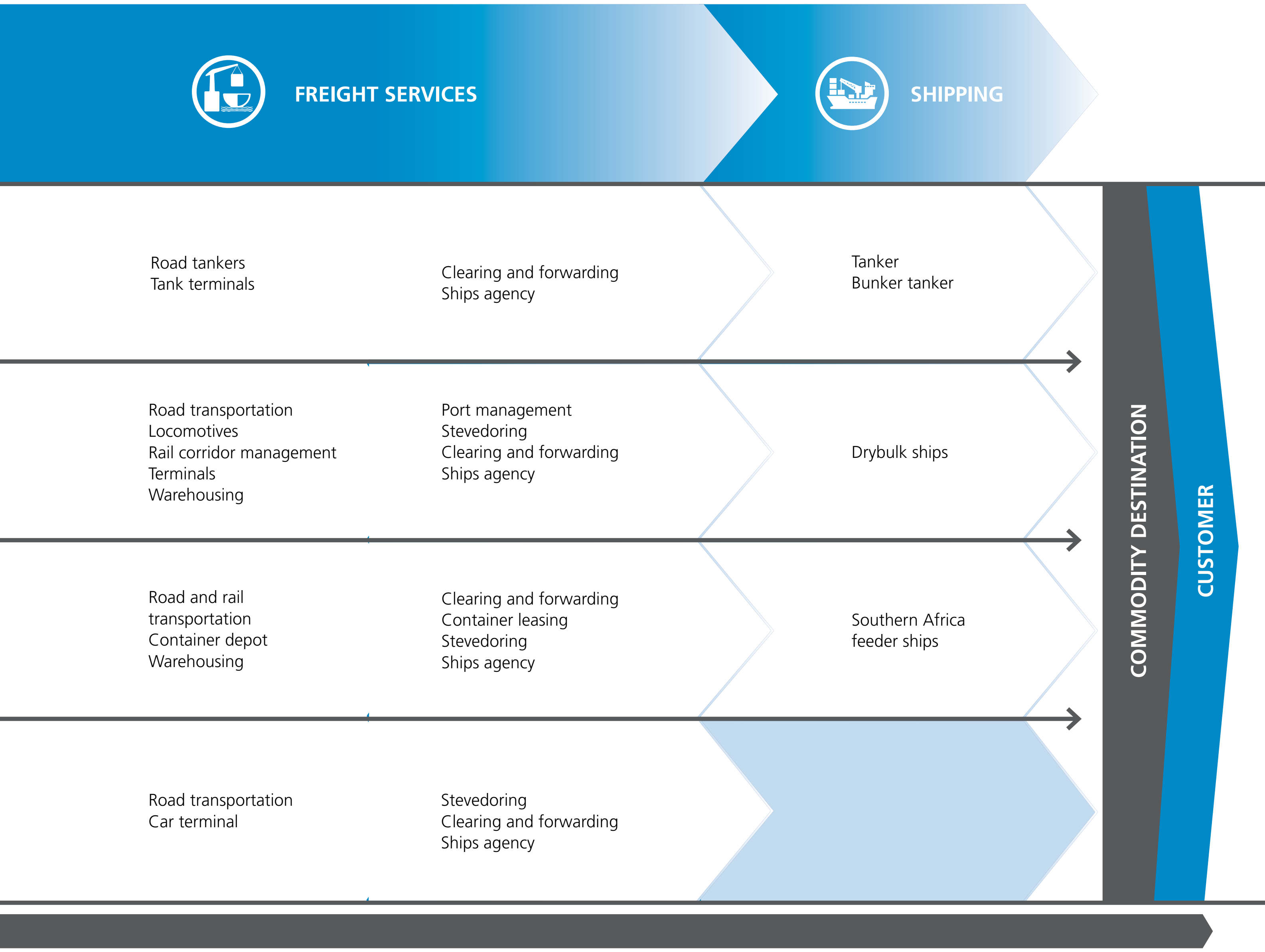


Strategic positioning

- A global business with representation in 34 countries
- South African origin uniquely positions the group to service African trade flows
- As commodity and shipping markets are cyclical, cargoes are influenced by different market/commodity cycles offering diversification of revenue and risk mitigation
- Investment in assets and opportunities with high barriers to entry
- Offers a full end-to-end service, a key competitive advantage which results in improved returns from the group's assets and service offerings provided by the four operating divisions of the group

Key strategic actions undertaken in 2012

- Increased terminal capacity and rail capability
- Repositioning of the road transport businesses
- Ensured stability, profitability and growth in the trading businesses
- Proficiently managed the Shipping business under the current market conditions
- Expanded Financial Services base through further capital injection and business development
- Expansion of the group through strategic capital projects aligned to commodity flows in developing markets
- Concluded a number of major joint ventures and acquisitions across coal, fuel, seafreight, rail and agency service businesses



BUSINESS PROPOSITION continued

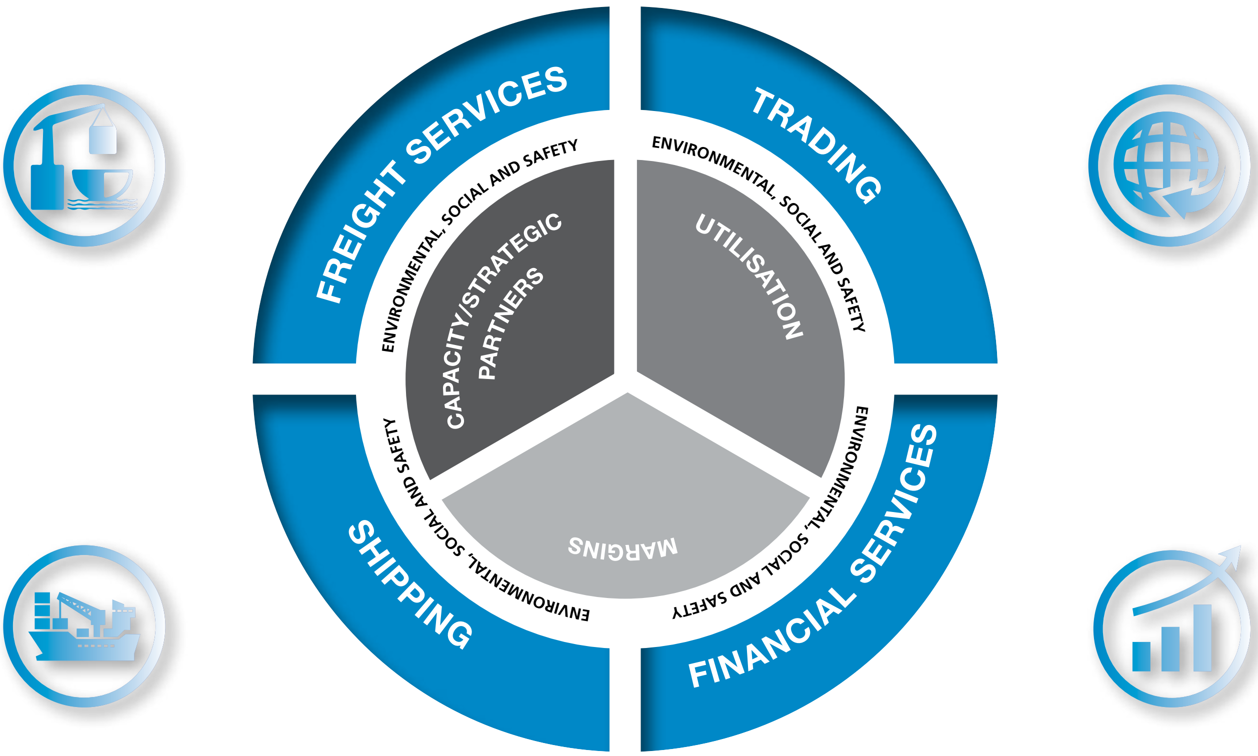
Key business drivers

FREIGHT SERVICES

- Global growth and commodity demand
- Rail resources (impacts on volumes handled through Ports and Terminals)
- Volumes (or market capacity) and rates in Logistics business
- Supply chain efficiencies, including port efficiencies
- Operating margins
- Execution on capital projects
- B-BBEE

TRADING

- Global growth and commodity demand
- Volumes traded
- Margin per metric tonne
- Working capital management



SHIPPING

- Global growth and commodity demand
- Spot rates for drybulk and tanker ships
- Volumes shipped by operating business/operating margin per tonne
- Quantum and rate of long-term contract cover

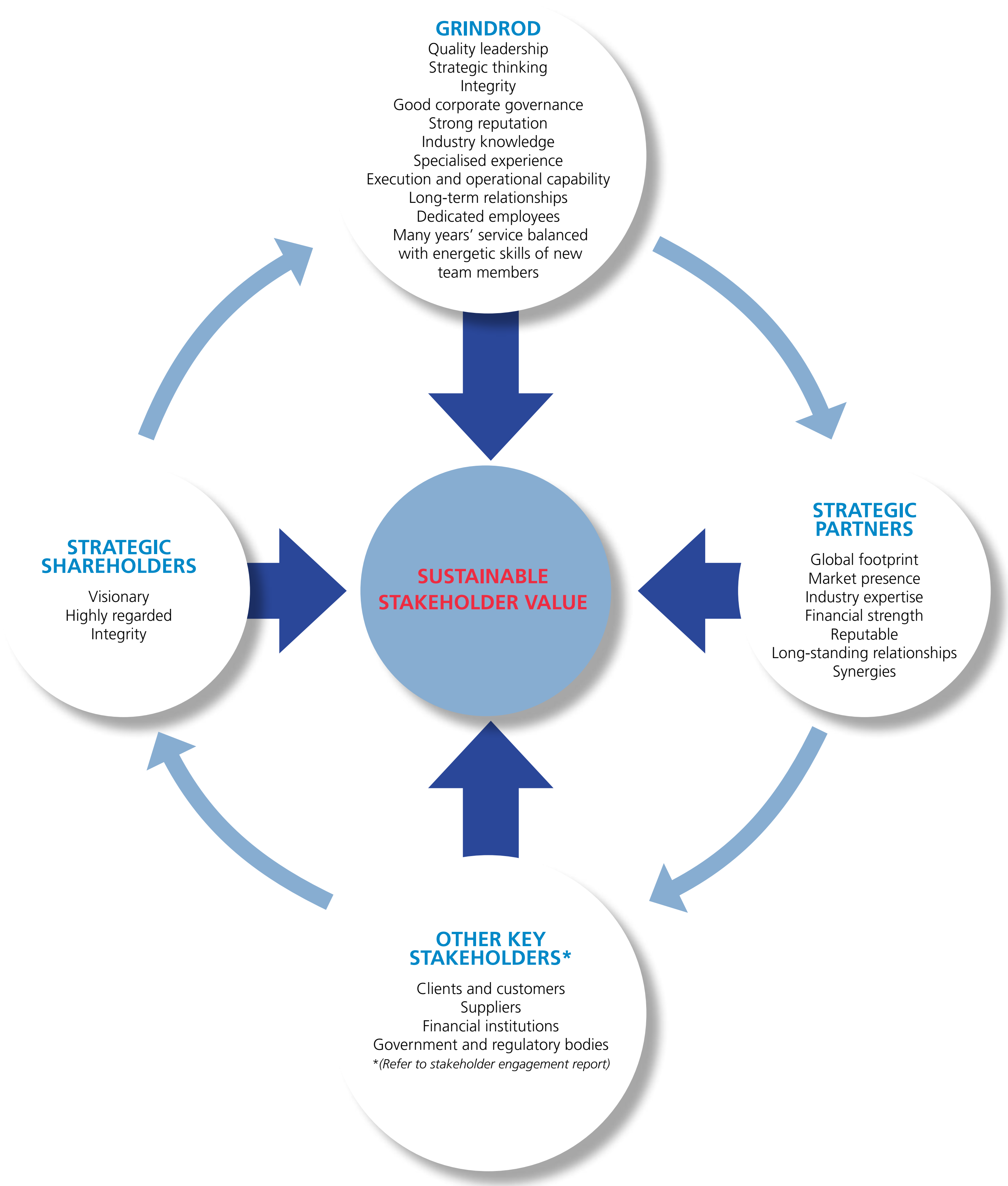
FINANCIAL SERVICES

- Net interest margins
- Growth in assets under management
- Level of South African corporate activity

ENVIRONMENTAL, SOCIAL AND SAFETY

- Environmental and climate change impact
- Health and safety standards
- Social economic development
- Employee wellness

GRINDROD'S SUSTAINABILITY



OPERATING ENVIRONMENT

Business environment

- Demand remains for iron ore, copper and coal from India and China
- Marginal growth in oil demand continues
- Food security is becoming more prevalent
- Continued growth in seaborne freight
- Continued oversupply of ships despite scrapping reaching record levels
- Infrastructure development is gaining momentum in the rest of Africa

BUSINESS ENVIRONMENT

The demand for experienced operators in the logistics sector is high. Combined with the access to valuable strategic assets and infrastructure projects, the Freight Services and Trading divisions are well positioned for growth. Despite the weak shipping markets, reputable shipping counter parties are sought after.

RISKS

STRATEGY EXECUTION

CAPACITY

- Timely investments in strategic areas where anticipated demand exceeds current available infrastructure capacity
- Investment in terminal capacity and rail capability

UTILISATION

- Continue to maintain and develop long-standing customer relationships
- Develop point-to-point integrated services
- Improve efficiencies through strategic supply chain projects
- Secure long-term contracts
- Continue to develop corridor knowledge and experience
- Assist in enabling the delivery of services (such as rail) by other stakeholders
- Grow the group through strategic capital projects aligned to commodity flows in developing markets

MARGINS

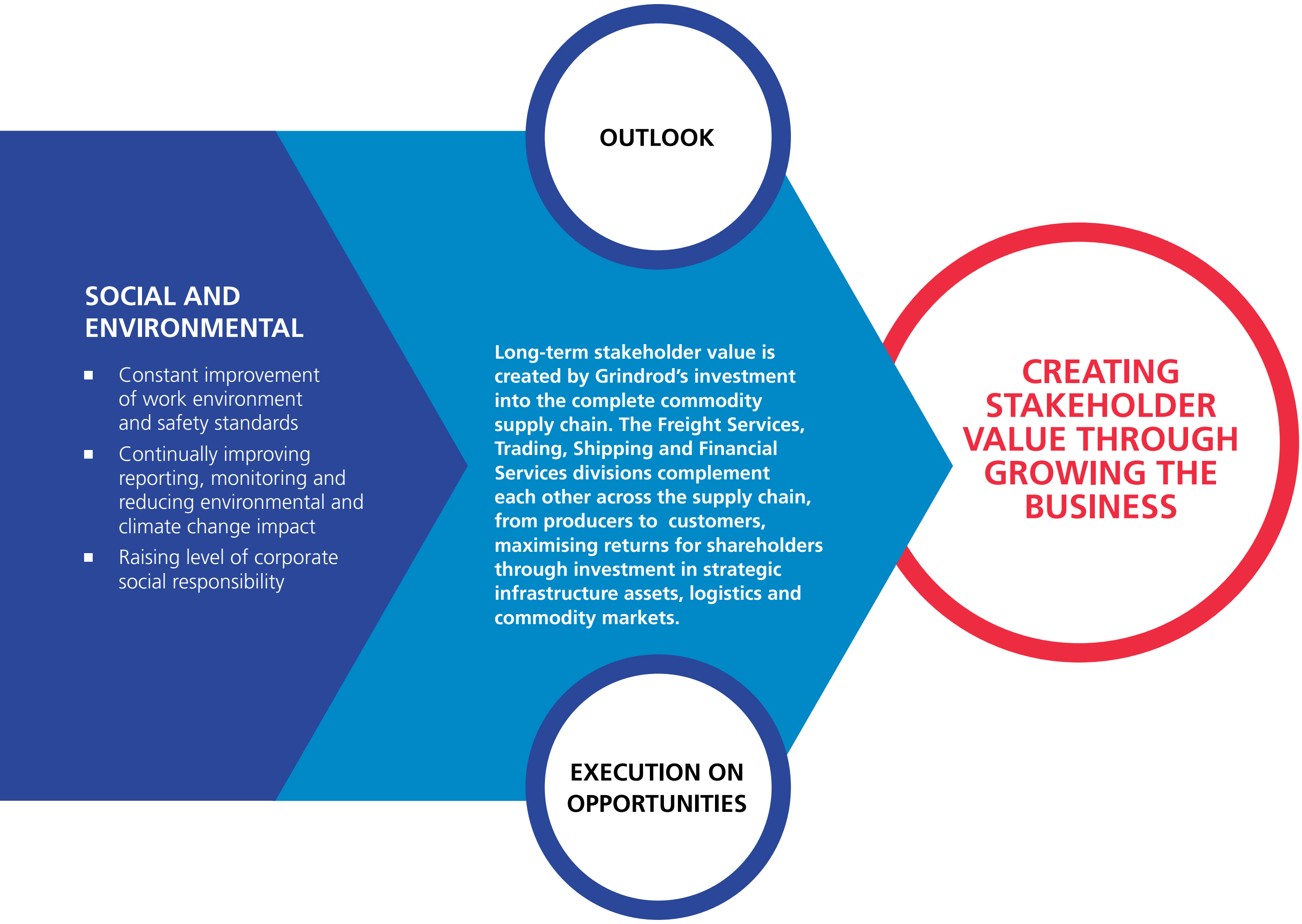
- Secure long-term take or pay agreements on key facilities
- Integrate the businesses to further enhance margins
- Enhance value through investment in areas where capacity demand is high
- Contract to perform in excess of Shipping spot market rates

Risks

- Commodity demand and commodity price risk
- Container volumes and freight rates
- Industrial action and labour market volatility
- Availability of rail resources
- Expansion into African and other emerging territories
- Volatility of global exchange rates relative to the Rand
- Global credit concerns and counterparty risk
- Level of contracted shipping profit
- Excess drybulk supply capacity
- Continuing piracy threat

Outlook

- Demand for experienced operators in the logistics sector in Africa is high
- Strengthening internationally reputable businesses
- Expanding strategic assets through good quality pipeline of capital projects
- Continue to retain and attract skilled and dedicated people
- Build on strong customer, supplier and banking relationships
- Leverage off respected joint venture partnerships



Execution on opportunities

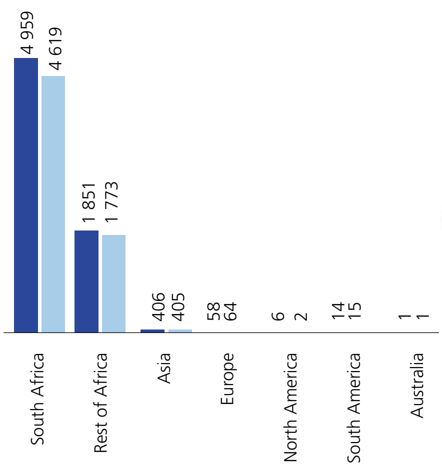
- Drive to enhance integration across businesses and along the commodity supply chain
- Expansion of Maputo coal terminal to 7,3 million tonnes to be commissioned in 2013
- Maputo coal terminal Phase 4 expansion to 20 million tonnes feasibility in process
- Operational fleet of 63 locomotives at year-end with a strong order book for 2013
- Expansion of rail business through the acquisition of rail concessions in Africa
- Acquisitions and mergers in logistics fuel and agency services businesses
- Four medium-range products tankers to deliver into a joint venture operation with Vitol
- Two long-term chartered medium-range products tankers and two handysize bulk carriers to deliver in 2013
- Marine fuels joint venture with Vitol providing opportunities for growth
- Expansion of agricultural commodities business into the value chain, gaining entry into new markets with new opportunities
- Authorised and contracted capital commitments, including joint ventures, of R751 million

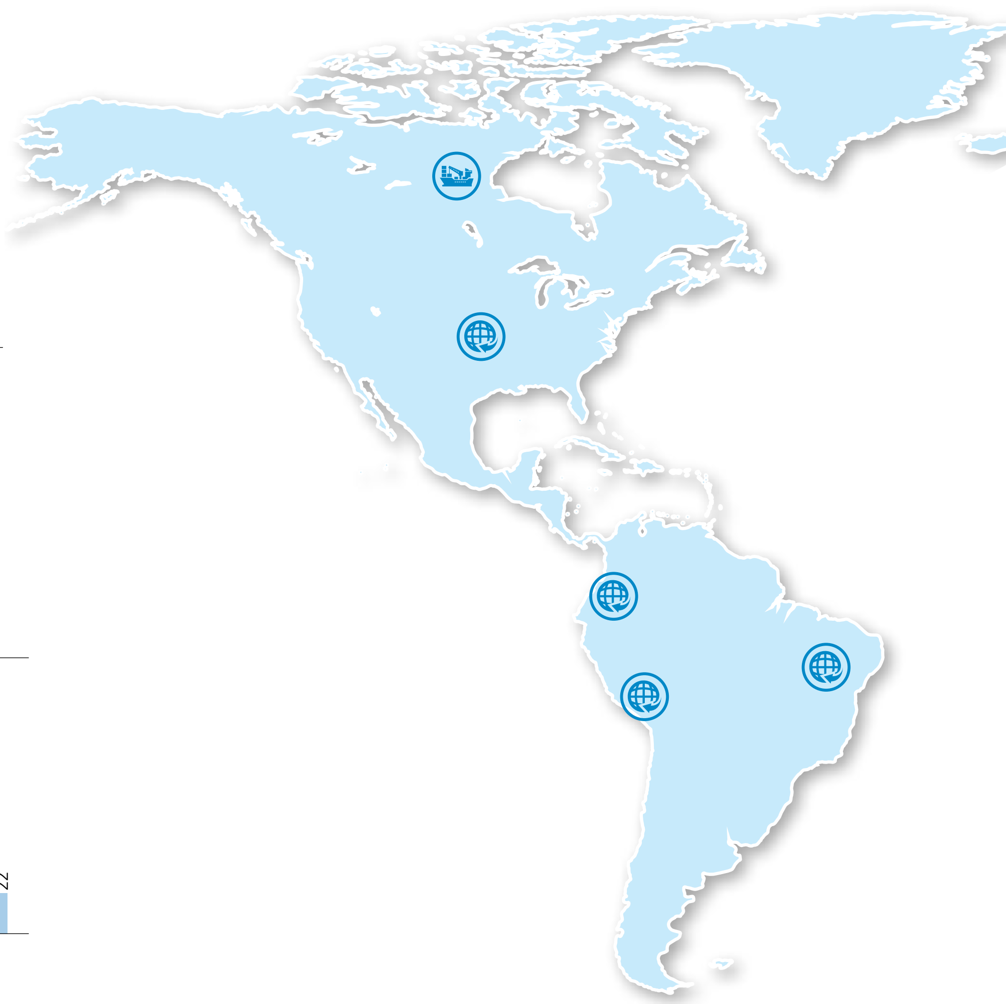
GEOGRAPHIC PROFILE

Worldwide representation

LOCATION	ANGOLA	AUSTRALIA	BOTSWANA	BRAZIL	CANADA	CHINA	CONGO BRAZZAVILLE	DEMOCRATIC REPUBLIC OF THE CONGO	DENMARK	DUBAI	ECUADOR	FRANCE	HONG KONG	ISLE OF MAN	JAPAN	KENYA
Freight Services	●		●				●	●								●
Trading		●		●		●			●	●	●	●	●			●
Shipping					●									●	●	
Financial Services																

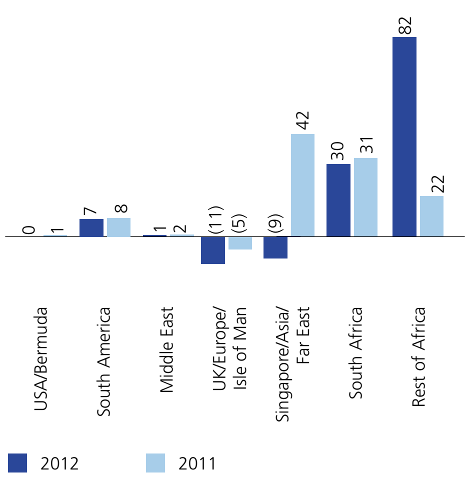
Geographic distribution of group human resources complement





Global segmental analysis

Attributable income
(%)



	KOREA	LESOTHO	MAURITIUS	MOZAMBIQUE	NAMIBIA	THE NETHERLANDS	NIGERIA	PERU	SIERRA LEONE	SINGAPORE	SOUTH AFRICA	SWAZILAND	TANZANIA	UKRAINE	UNITED KINGDOM	USA	ZAMBIA	ZIMBABWE
		●	●	●	●		●		●	●	●	●	●				●	●
	●		●	●		●		●		●	●			●	●	●		●
				●						●	●				●			
											●							

GRINDROD TIMELINE 1910 – 2012

1910
Captain John Grindrod establishes Grindrod & Company, a clearing and forwarding agency.

1922
Captain John Grindrod and Mr Leon Renaud purchase the 150-tonne steamer 'Frontier'.

1933
African Coasters, the forerunner of Unicorn Shipping, formed in Durban by Leon Renaud to trade to Lourenço Marques (now Maputo) with Grindrod & Company as the agents.

1934
WB Grindrod and Xavier de Gersigny form Grindrod, Gersigny and Company (Pty) Ltd which acquired the business of Grindrod & Company.

1957
Murray Grindrod joins Grindrod Gersigny.

1966
African Coasters merges with Smith's Coasters and Thesen's Steamship company to form Unicorn Lines.

1971
Unicorn Lines introduces containerisation and opens SA's first container depot and commences first weekly container service between Durban and Cape Town.

1985
Grindrod & Company celebrate 75 years in the shipping industry.

1986
Grindrod Unicorn Group Ltd (Grincor) forms as the holding company of the group and lists on the Johannesburg Stock Exchange.

1988
The group starts the process of internationalising its shipping operations through the establishment of a presence in key centres across the world.

1992
Grincor's London office is established.

1999
Island View Shipping (IVS) is purchased by Grincor, marking 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.

Grincor's share price is R1 (20 cents equivalent) and market capitalisation is R100 million.

2000
Execute strategy of partnering with shipping operators and purchasing ships at low costs.

2001
Grindrod Unicorn Group Limited becomes Grindrod Limited, launching a new brand and logo. Fleet continues to increase and long-term charters are contracted.

2002
Shipping markets start to turn.

2003

Land-based growth plans/diversification plans announced.

N-Ordinary share structure dismantled through a simple one for one conversion to ordinary shares.

Development of Richards Bay drybulk terminal operations completed.

2004

Grindrod wins Marine Money Award in New York as the top listed international shipping company and takes top place in the Sunday Times/Business Times Top 100 companies award.

2005

Grindrod acquires a 100% share of Marriott Corporate Property Bank Limited and changes its name to Grindrod Bank.

The Trading division is established with the acquisition of an agricultural commodity trading business Atlas Trading & Shipping, 50% industrial commodity trading business, Oreport and 50% of Cockett Marine Oil. Grindrod acquires African Portland Industrial Holdings Limited (API), the owner of Matola coal terminal in Maputo.

Grindrod wins Marine Money Award in New York and Sunday Times/Business Times Award for second consecutive year.

Issue and listing of preference shares. Five to one ordinary share split.

2006

King & Sons ships agency celebrates its 125th anniversary.

Grindrod acquires the remaining 50% of Auto Carriers (now Grindrod Logistics) and 12,5% of Portus Indico (PI). PI owns 51% of Maputo Port Development Company (MPDC), which operates the Maputo Port.

2007

CEO Ivan Clark retires and Alan Olivier appointed as his successor.

Ivan Clark appointed deputy chairman and subsequently chairman when Murray Grindrod retired after 21 years as chairman and 50 years of service with the group.

Commencement of infrastructural development in the Port of Maputo.

Freight Services activities restructured.

Grindrod acquires Tate & Lyle SA's tank terminals business.

Grindrod acquires 50% of Vanguard Rigging and remaining 50% of the Intermodel business. Maputo car terminal built.

Grindrod increases its share in port of Maputo to 48,5%.

2008

BEE deal concluded between Unicorn Shipping and Calulo Services to develop maritime activities in southern Africa.

Grindrod acquires the remaining shares in the marine fuels and the industrial raw materials businesses.

Grindrod enters road transportation in the petrochemical sector.

First two harbour bunkering tankers delivered to Unical.

Grindrod Limited grows its market capitalisation on the JSE by 120 times in less than 10 years; from R100 million in 1999 to R12 billion in 2008.

2009

Grindrod top listed company over 10 years (Sunday Times Business Times).

Grindrod concludes a B-BBEE transaction between Grindrod (SA) (Pty) Ltd, Calulo and Adopt-A-School Foundation.

Grindrod re-enters the rail sector through the investment in RRL Grindrod and extends operations to include new locomotive production.

2010

Acquisition of Fuelogic, a petrochemical road transport business.

Grindrod group celebrates its centenary.

2011

Grindrod invests US$225 million in the Maputo Port.

R2 billion equity raised from Remgro.

Conclusion of Oiltanking Grindrod Caluto joint venture.

2012

Grindrod introduces Vitol as a strategic partner in the coal and fuel related businesses.

Grindrod expands its relationship with Calulo into the agency service businesses.

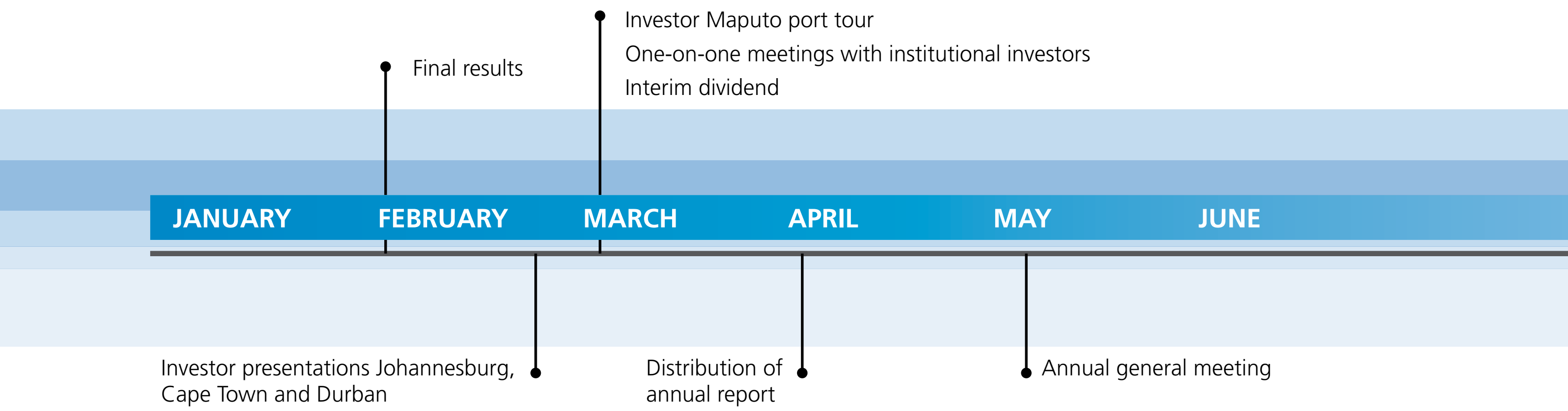
Expansion of rail through increased manufacturing capacity and investment into rail technology and rail concession businesses.

STAKEHOLDER ENGAGEMENT

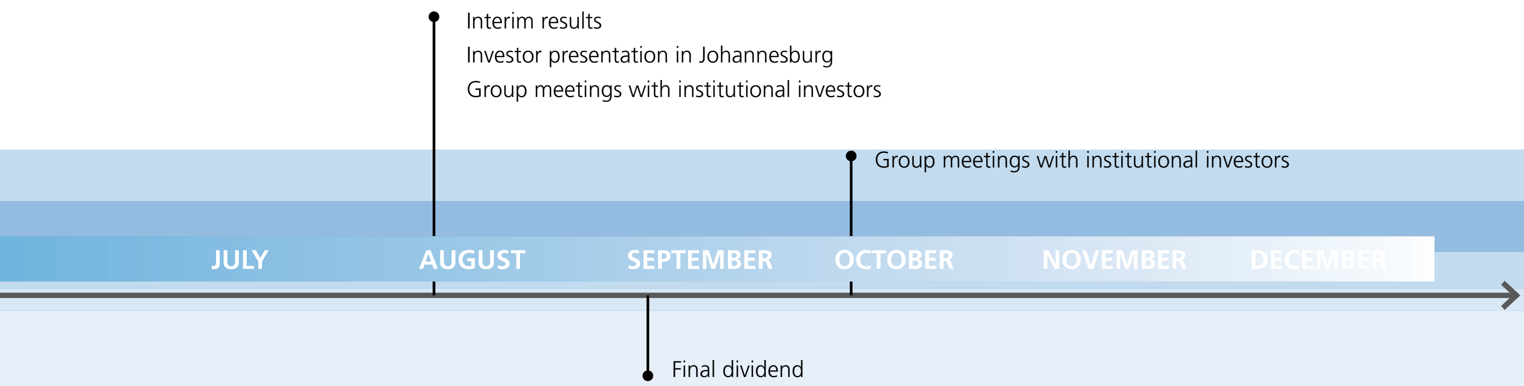
Grindrod's operations and/or activities have an impact on various stakeholders ranging from communities to investors. Grindrod is therefore committed to building and maintaining open, sustainable relationships with a range of stakeholder groups particularly in relation to long-term strategic direction and focus on sustainable practices. Grindrod's stakeholder engagement can be summarised as follows:

Stakeholder and why Grindrod engages	Who/how Grindrod engages with	Subject
Shareholders and the investment community Keeping interested parties updated on developments	■ Annual general meetings ■ Meetings with analysts and investors ■ Analyst site visits ■ Results announcements ■ SENS announcements ■ Trading updates ■ Group website ■ Annual reports	■ Group performance ■ Market trends and impacts ■ Dividend policy ■ Share price performance ■ Future prospects ■ Sustainability/Environmental, Social and Governance (ESG) performance
Employees Employees are considered the key factor to Grindrod's success Grindrod recognises the importance of engaging with employees on different levels	■ Induction for new staff members ■ Training needs analyses ■ Employee wellness programme ■ Transport Education and Training Authority ■ Durban University of Technology ■ World at Work – non-profit organisation (NGO) ■ South African Reward Association ■ Cross-marketing bi-annual regional forums ■ Results presentations ■ Performance reviews ■ Talent management ■ Tip-offs Anonymous ■ Intranet ■ Group website, brochures ■ Internal publications ■ Group presentations	■ Employee wellness ■ Graduate programmes ■ Staff training ■ Statutory submissions ■ Discretionary grant requests, Guidance on learnerships ■ Drivers AIDS awareness programme ■ Communicating group services and new developments
Potential employees	■ Group website – careers page	■ Information on careers at Grindrod ■ Group vision and mission
Employee organisations, bargaining councils and unions	■ Unions and bargaining councils	■ Wage negotiations ■ Consultations

INVESTOR TIMELINE 2012



Stakeholder and why Grindrod engages	Who/how Grindrod engages with	Subject
Customers Customer service	■ Integrated service offering in collaboration with customer ■ Regular communication with partners and key customers ■ Group website, brochures ■ Tradeshows, exhibitions, conferences ■ Newsletters ■ Videos ■ Group presentations ■ Media	■ Ensuring efficiency in delivery ■ Growth in internal inter-company support ■ Communicating group services and new developments within the group
Media	■ Broadcast media ■ Digital media ■ Print media ■ Press announcements ■ Press conferences ■ Editorials ■ Interviews with Grindrod CEO and Executive ■ Press invitations to investor feedback presentations, annual general meetings and other functions ■ Maputo port site visit	■ Keeping public and interested parties up to date with developments in Grindrod
Suppliers	■ Newly formed procurement department	■ Tenders and quotes ■ Quality of service offering ■ Environmental impact concerns ■ Latest advances and trends providing benefit to Grindrod
Environmental organisations Environment and climate change	■ National Business Initiative ■ JSE's Socially Responsible Investment Index ■ Carbon Disclosure Project (CDP) ■ International Maritime Organisation (IMO) ■ KwaZulu Natal (KZN) Wildlife ■ South African Department of Environmental Affairs ■ Richards Bay Clean Air Association and other community and environmental interest NGOs ■ Environmental and climate change experts and specialists	■ Emissions reductions regulations (e.g. South African Carbon Tax) ■ Maritime pollution prevention ■ Legal compliance ■ Community and environmental interest group concerns during planning Environmental Impact Assessment (EIAs) and operations ■ Best practice monitoring and reporting



STAKEHOLDER ENGAGEMENT continued

Stakeholder and why Grindrod engages	Who/how Grindrod engages with	Subject
Government/ non-governmental departments	■ South African Maritime Safety Authority (SAMSA) ■ SA Department of Transport	■ SA ship ownership matters ■ Sharing of expertise in respect of port related matters ■ Industry education and transformation
	■ Transnet	■ Efficiency and capacity in the port and rail networks
	■ SA Port Regulator	■ Tariff applications
	■ Ethekwini Maritime Cluster	■ Durban port and environs ■ Environmental matters
	■ South African (SA) Treasury Department ■ JSE Limited, Financial Services Board (FSB) ■ SA Reserve Bank (SARB) ■ Local Municipalities ■ SA Department of Environmental Affairs ■ SA Department of Water Affairs ■ Customs ■ Coega Industrial Development Zone ■ SA Health Department ■ SA Department of Agriculture, Forestry and Fisheries ■ Department of Transport and Communications in Mozambique ■ Mozambique Customs Authority ■ National Railways Zimbabwe ■ Tezara – Tanzania and Zambia Rail Authority ■ Ghana Rail Company and Development Authority ■ State Rail Congo Brazzaville ■ Transnamib Holdings – Rail Authority ■ Nampower ■ Namport ■ Nautical Authority of Mozambique ■ Maritime Authority Mozambique	■ Phytosanitary Certificates
Banks	Local ■ ABSA Bank ■ FirstRand Bank ■ Investec Bank ■ Nedbank ■ The Standard Bank of SA Foreign ■ ABN AMRO ■ Bank of America Merril Lynch ■ Barclays ■ Baltic Capesize Index (BCI) Mozambique ■ BNP Paribas ■ Crédit Agricole Corporate and Investment Bank ■ China Construction Bank ■ DVB Group Merchant Bank (Asia) ■ First National Bank ■ Hong Kong & Shanghai Banking Corporation (HSBC) ■ Investec Bank (Mauritius) ■ Millennium BIM Mozambique ■ Mitsui & Co. Financial Services (Asia) ■ Rand Asia ■ Société Générale ■ Standard Chartered Bank ■ Standard Bank Mauritius ■ The Bank of Tokyo-Mitsubishi UFJ, Ltd ■ The Royal Bank of Scotland	■ Financing facilities ■ Foreign exchange ■ Project finance ■ Advisory services ■ Expansion and investment opportunities

Stakeholder and why Grindrod engages	Who/how Grindrod engages with	Subject
Industry associations and community forums	■ South African Association of Ship Operators and Agents ■ Institute of Chartered Ship Brokers ■ Container Liner Operators Forum ■ Maputo Corridor Logistics initiative ■ Multi Consult ■ Association of Shipping Lines ■ Ethekweni Maritime Cluster ■ Leaseholders Association ■ Durban and Johannesburg Chamber of Commerce ■ SAFFA, Harbour Carriers ■ SA Shippers Council ■ SA Coal Roadmap ■ Nepad Business Forum ■ Animal Feed Manufacturers Association ■ National Milling Council ■ South African Futures Exchange (SAFEX) ■ Registered with all the major co-ops in SA ■ Exporters Club ■ Women in Shipping and Trading Association ■ Grain and Feed Trade Association (GAFTA) members and affiliated with South African Grain Information Service (SAGIS) ■ Conferences; Exhibitions; Trade fairs: e.g. Freight into Africa; Maputo Port Conference; SAMSA Maritime Career Day; African Ports and Maritime Conference, Coaltrans, and Mozambique Investment Forum.	■ Agency and industry matters ■ Community matters ■ Industry education and transformation ■ Industry issues and trends ■ Grindrod brand exposure ■ Careers in Maritime industry ■ Assessment and reaction to market sentiments

Grindrod Terminal at Richards Bay.

DIRECTORATE

THE BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

IAJ CLARK (69)

CA(SA)

Non-executive chairman

Appointed June 1993

Chairman of Grindrod Bank Limited and Chemical Specialities Limited. Non-executive director of BSi Steel Limited. Ivan was employed by the group in 1977 and held various senior financial and executive positions in the Shipping division. He served as the group's chief executive officer (CEO) from 1999 to 2006, thereafter he was appointed deputy chairman of the group. He was appointed chairman on the retirement of WM Grindrod in 2007.

Member of the remuneration/nomination committee

IM GROVES (67)

CA(SA)

Lead independent director

Appointed August 1986

Non-executive director of Grindrod Bank Limited and Value Group Limited. Mike was managing director of the group from 1986 to 1999. He has many years' experience in the shipping industry and in the role as a non-executive director of listed companies.

Chairman of the audit committee

Member of the remuneration/nomination committee

H ADAMS (60)

Pr Tech Eng (Civil Engineering)

Independent non-executive director

Appointed December 2000

Non-executive director of Grindrod Bank Limited, Chairman of Afripark Parking Management (Pty) Ltd, Business Venture Investment 575 (Pty) Ltd, Grand Parade Investment Holdings (Pty) Ltd, SunWest International (Pty) Ltd, Quintessence Opportunities (Pty) Ltd and Worcester Casino (Pty) Ltd. Hassen is a consulting engineer and has diversified business interests in engineering, project management, leisure, gaming and property developments.

AC BRAHDE (58)

BSc (Hons), MSBA, CEng MRINA

Independent non-executive director

Appointed January 2013

Non-executive director of Grindrod Shipping Limited and Grindrod Trading and Shipping Limited. Managing Director of Tufton Oceanic (Isle of Man) Limited. Cato qualified as a naval architect at the University of Newcastle upon Tyne, gained a Master of Science in Business Administration from Boston University, and holds a Diploma in Company Direction. He has many years of international shipping experience.

JJ DURAND (46)

BAcc (Hons); MPhil (Oxon); CA(SA)

Non-executive director

Appointed May 2012

Chief Executive Officer of Remgro Limited and a director of a number of companies, including Discovery Holdings Limited, Distell Group Limited, Mediclinic International Limited, Rainbow Chicken Limited, RMI Holdings Limited and Unilever South Africa Holdings (Pty) Ltd. Peter Liddiard is his alternate.

Member of the remuneration/nomination committee

MR FAKU (46)

BA (Law)

Non-executive director

Appointed December 2009

Chairman of Grindrod (SA) (Pty) Ltd, group executive chairman and founder of Calulo Investments (Pty) Ltd and director of various Calulo group companies. Mkhuseli has extensive experience in the South African oil industry and has served on the boards of the South African Petroleum Industry Association, African Minerals and Energy Forum and World Petroleum Congress (SA).

Member of the social and ethics committee

WD GEACH (58)

Advocate; BA LLB; MCom; CA(SA); FCIS

Independent non-executive director

Appointed July 2008

Non-executive director of Grindrod Bank Limited. Walter is an Advocate of the High Court of SA and a senior professor at the University of the Western Cape. Walter's areas of specialisation are Financial Accounting, Taxation, Corporate Governance, Business Law and Financial Services.

Member of the audit committee

GG GELINK (63)

BCompt (Hons); BCom (Hons); CA(SA); H Dip Education; Dip Public Administration

Independent non-executive director

Appointed January 2013

Non-executive director of Altron Limited, Eqstra Holdings Limited, MTN Zhakele Limited and Santam Limited. Grant has had extensive work experience within Deloitte & Touche which spans over 26 years and he served as chief executive from 2006 until his retirement from the firm in 2012.

MJ HANKINSON (63)

BCom; (CA)SA

Independent non-executive director

Appointed December 2009

Chairman of The Spar Group Limited and Brandcorp Holdings (Pty) Ltd. Non-executive director of Illovo Sugar Limited. Mike is a former chief executive of Dunlop Tyres International (Pty) Ltd and Romatex Limited.

Chairman of the remuneration/nomination committee and social and ethics committee

Member of the audit committee

PJ LIDDIARD (47)

BCom; PDA; CA(SA)

Alternate non-executive director

Appointed May 2012

Investment executive at Remgro Limited, director of Dark Fibre Africa (Pty) Ltd and MARC Group Limited. Peter is alternate to Jannie Durand.

SDM ZUNGU (45)

BSc (Mechanical Engineering); MBA

Independent non-executive director

Appointed December 2009

Executive chairman and founding member of Zungu Investments (Pty) Ltd and previous director of Aflease Gold Limited and Uranium One Africa Limited. Sandile serves on the Presidential Advisory Council on Black Economic Empowerment and is a member of the World Economic Forum in his capacity as Young Global Leader.

DIRECTORATE continued

THE BOARD OF DIRECTORS




EXECUTIVE DIRECTORS

AK OLIVIER (52)

CA(SA)

Chief executive officer

Appointed May 1999

Director of Grindrod Bank Limited and director of major local and international subsidiaries and associates, including Grindrod (SA) (Pty) Ltd. Deputy chairman of The United Kingdom Mutual Steamship Assurance Association (Bermuda) Limited. Alan was employed in 1986 in the Shipping division and held senior treasury and financial positions before his appointment as chief executive of Unicorn Shipping in 1995. He has 26 years of service with the group.

DA POLKINGHORNE (48)

BCom; MA (Oxon)

Chief executive officer – Financial Services

Appointed November 2006

Managing director of Grindrod Bank Limited and executive director of all the Financial Services division group companies. Director of The Umhlathuzi Valley Sugar Company Limited and Trustee of two charitable trusts. David has been involved in the financial services sector for more than 20 years. He has had exposure to all areas of corporate and investment banking and, in particular, has extensive experience in commercial property finance, private equity and corporate finance. He has 13 years of service with the group.

DA RENNIE (52)

Marine Captain

Chief executive officer – Ports, Terminals and Rail

Appointed October 2002

Director of major local and international subsidiaries and associates, including Grindrod (SA) (Pty) Ltd, Grindrod Mauritius, MPDC S.A., Oiltanking Grindrod Calulo (Pty) Ltd, Vitol Coal South Africa B.V. and RRL Grindrod (Pty) Ltd. Dave was employed in 1978 and has diverse port, terminal, rail and freight logistics experience. He has 34 years of service with the group.

MR WADE (53)

Chief executive officer – Shipping

Appointed November 2011

Director of major international subsidiary companies. Martyn has 34 years of international shipping experience and has worked for shipowners, operators and brokers in London, Johannesburg, New York and Singapore. Martyn was a member of the original Baltic Exchange for 10 years. He has four years of service with the group.

THE EXECUTIVE COMMITTEE




AG WALLER (50)

CA(SA)

Group financial director

Appointed March 2011

Director of major local and international subsidiaries. Andrew was previously a partner of Deloitte & Touche for 15 years during which time he was responsible for a number of South African listed companies. He has two years of service with the group.

Member of the social and ethics committee

EXECUTIVE COMMITTEE MEMBERS

The executive committee comprises the executive directors and three executive committee members.

HJ GRAY (43)

NDip (Finance and Business Management)

Chief executive officer – Logistics

Appointed to the executive committee in 2011

Director of major local subsidiary companies and associates, including Grindrod (SA) (Pty) Ltd, JFM Sturrock Holdings (Pty) Ltd, Röhlig-Grindrod (Pty) Ltd and Vanguard Rigging (Pty) Ltd. Hylton has over 15 years of freight forwarding experience.

WP HARTMANN (50)

B Com; BSc (Eng)

Chief executive officer – Trading

Appointed to the executive committee in June 2012

Director of major international subsidiaries. Wayne has 26 years of oil industry experience covering, *inter alia,* African operations, oil refining, trading and shipping. He was previously a director of Engen Petroleum Limited and a director of subsidiary companies in the Engen group.

B NTULI (35)

CA(SA)

Executive – Corporate Services

Appointed to the executive committee in December 2012

Director of major local subsidiary companies and associates, including Grindrod (SA) (Pty) Ltd, Oiltanking Grindrod Calulo (Pty) Ltd and Röhlig-Grindrod (Pty) Ltd. Bongiwe joined Freight Services in May 2008 as chief financial officer. She previously held various finance, treasury and risk management positions within Anglo American at their head office and in their subsidiaries in different countries, including SA, Canada and London.

CHAIRMAN'S REPORT

Overview

Grindrod continues to position itself for growth in the medium to long-term.

The group has taken the opportunity to diversify into areas such as ports, terminals and rail and has made significant commitments in infrastructure development and working capital in these areas in recent years. These investments will bear fruit going into the future as the export demand for commodities in southern Africa continues to be high and there is a need for infrastructure revival to meet this demand.

Shipping markets remained weak with both the charter rates and ship values remaining low. Grindrod has a substantial investment in shipping and therefore this weak market has impacted on our results. Shipping markets will improve when world economies recover and there is a rebalance in supply versus demand.

This infrastructural spend in southern Africa, a recovery in shipping markets and growth in the group's other activities of freight logistics, trading and banking, will reward the longer term shareholder.

A conservative investment policy, particularly with regard to the investment in ships over recent years and the introduction of new capital to the group, positions the group with a strong balance sheet to take advantage of growth in the global economy, showing some signs of recovery.

Governance

Good corporate governance has always been at the heart of the way in which Grindrod conducts business. The board has embraced the new SA Companies Act, The King Report on Governance for South Africa 2009 (King III) requirements and the new banking legislation during the year.

The group maintains high ethical standards which will not be compromised.

Sustainability

Grindrod is making progress in moving towards a more holistic approach to managing environmental, ESG aspects of business in the firm belief that these are inextricably linked to stakeholder value. Each division within the group continues to establish long-term goals which are reviewed regularly to ensure they address the evolving concepts of sustainability. In particular there has been excellent improvement in the quality and scope of environmental practices and reporting within the group.

Grindrod is a company with a history that extends more than 100 years and has a solid shareholder and asset base from which it maintains and grows a sustainable business into the future. Its approach to financial gearing remains conservative as part of its sustainability strategy.

POSITIONED FOR GROWTH

Directorate/executive

Grindrod remains in the hands of a high quality board of directors with a culture of transparency which encourages strong debate in the boardroom. I wish to thank the board members for their contributions in another meaningful year in the history of Grindrod.

The required skills and experience of the non-executive directors continues to be reviewed. The current year's plan included the identification of additional board members to ensure appropriate succession planning. In this regard we were pleased to welcome to the board on 1 January 2013 Messrs GG Gelink, with his years of financial and governance experience and AC Brahde, with his comprehensive knowledge of shipping and global markets. Both these directors are independent.

In the short time that Mr MH Visser interacted with the group and as a board member, he made a considerable impact. The board is deeply saddened by his passing. Mr JJ Durand, previously an alternate director to Mr MH Visser and Mr PJ Liddiard (alternate), were appointed to the board with effect from 9 May 2012.

Mr AF Stewart resigned from the board as chief executive of the Trading division with effect from 31 May 2012. He was replaced on the executive by Mr WP Hartmann.

Mr CAS Robertson resigned as group company secretary with effect from 1 February 2013 and Mrs CI Lewis has been appointed in his stead.

The board of directors wishes to express its appreciation to Messrs AF Stewart and CAS Robertson for their contributions to the group over a number of years.

Finally I wish to thank Alan Olivier, the management team and all employees for the good work in the current year. The board and I are extremely confident in their ability to execute the approved strategy of the group and to continue to ensure the success of Grindrod in the years ahead.

IAJ Clark
Chairman

Durban
26 February 2013

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

Grindrod's businesses are focused on offering end-to-end commodity supply chain solutions in the movement of liquid bulk, drybulk, containerised and vehicle commodities and a concerted effort was made in 2012 to remain focused on strategy: executing on investments; managing risks; and meeting financial targets.

Strategy

Grindrod continues to progress the strategy of delivering an integrated freight and logistics service and to invest in infrastructure assets and opportunities with high barriers to entry.

The deployment of the R2 billion raised in equity continues to be carefully monitored and utilised on board approved investments.

Notable strategic initiatives achieved in the current year include:

- developing infrastructure to expand the capacity of the Port of Maputo;
- increasing the capacity of the Maputo coal terminal;
- investing in rail through increasing the locomotive manufacturing capacity and investments in rail technology and rail concession businesses;
- partnering with Vitol, one of the world's largest energy trading businesses, in a number of Grindrod's coal and fuel related businesses to increase access to global markets;
- merging with Calulo ships agency and clearing and forwarding businesses achieving empowerment and increasing the agency network through Africa;
- acquiring our partner's interests in the southern African container feeder line;
- expanding the agricultural investment in crop financing and processing capability; and
- implementing the banking process for SA's social security grant payment system.

These initiatives along with a number of others, are positioning the group for further growth.

Whilst the drybulk shipping markets continue to underperform and are forecast to remain weak throughout 2013, the liquid bulk mid-range sector in which the Shipping division operates, has improved. The decision to order four new-buildings (in a 50% joint venture) and two chartered mid-range products tankers with the latest eco-design for delivery in 2013, is well timed. In addition, two handysize drybulk ships will deliver in 2013. Demand for drybulk ships should increase to absorb further idle capacity before additional newbuildings are contracted. In the interim Shipping has expanded the commercial and technical management operations which should redefine our service offering in the market.

The group continues to work on its core strengths of strong customer and strategic partner relationships, sustaining the business and enabling it to respond to opportunities and to create value for stakeholders.

Managing risks

Risk management, recognised as a key contributor to sustainability, continues to be a main focal point. In addition to the regular monthly management meetings within the divisions, a comprehensive risk management process is followed and reported through to the full complement of the board. The residual risk heat map (detailed in the risk management report on pages 70 to 75) ensures that there is appropriate attention paid to critical and high risk areas.

With significant investments and projects being executed, the associated risks, which include related political or sovereign risks, are the subject of considerable focus. Addressing these risks has required that projects are executed within the scope and justification approved by the board. The group has developed highly specialised, competent project teams with appropriate skills ensuring that proper due diligence procedures and potential risks are evaluated, monitored and addressed.

Financial targets

Notwithstanding the on-going long-term investment into infrastructure assets, the returns from the group's Freight Services and Financial Services divisions are now reaching acceptable levels. The Freight Services ports, terminals and rail operations were ahead of their targets for the year whilst the logistics operations are still in a recovery phase. Returns from the Trading division remain below par. A new management

FOCUSED ON STRATEGY THROUGH EXECUTING ON INVESTMENTS, MANAGING RISK AND MEETING FINANCIAL TARGETS

team is working to improve the business model in the Trading agricultural and mineral segments which underperformed. The Trading marine fuels business continues to perform well. The Shipping division returns will recover when the vessel oversupply in the market is absorbed.

High priority

Focus remains on maximising the utilisation of the logistics assets and improving operating efficiencies and cost. Capacity exists in all the terminal operations and in the rail manufacturing facility providing the opportunity to improve returns. Similarly, the road transport businesses which are now under improved management control, are well placed for the year ahead. Cross-division marketing teams continue to address projects in a focused manner to deliver cost effective solutions to Grindrod's long-standing customer base. The competence and ability of these teams, who by necessity work hand in hand with the port and rail authorities of southern Africa, is clearly evident through the results which have been achieved.

The execution of capital projects in the current markets has been achieved by applying a high degree of diligence, ensuring sound decisions and maintaining a low cost base. Significant progress is planned in the year ahead in the coal, fuel and rail businesses, which will enhance the long-term sustainability of Grindrod.

The relationships with new partners developed in the past year are generating value which is expected to increase as the group involves them in actively pursuing growth in their respective markets.

Outlook

Grindrod will continue to take advantage of the many opportunities being presented to the group and pro-actively meet the challenges anticipated for the year ahead. The demand for a quality team to operate in the logistics sector in Africa is extremely high. Similarly, the Shipping business continues to be actively engaged as a reputable shipping counterpart.

Grindrod is well positioned for growth, however, drybulk shipping markets are likely to remain under pressure which will continue to impact the shipping earnings.

Management and employees

The group continues to attract and retain talented people with a sound work ethic. Their entrepreneurial spirit continues to uncover opportunities enabling the group to grow and develop the business and, as a consequence, themselves.

We are deeply saddened by the two fatalities that occurred during the year and have reinforced that both management and employees are focused on a safe working environment.

Wayne Hartmann joined the group during the year to head up the Trading division after Tony Stewart's resignation. Wayne has brought a keen focus and discipline to this division in a short time. I express my appreciation to Tony for the many years he contributed to the growth of Grindrod.

Bongiwe Ntuli was appointed to the executive team as Corporate Services executive. Bongiwe was previously chief financial officer of the Freight Services division. Her focus on human resources and information technology (IT) will be invaluable to Grindrod after a prolonged period of growth.

Craig Robertson leaves the group after 11 years' service in the role of group company secretary. He is succeeded by Cathie Lewis. I thank Craig for his contribution and wish Cathie success in her new role.

I thank my executive and all our employees for their contribution and hard work. They have certainly risen to the challenge of adverse markets. I look forward to your continued support and commitment in the current year.

I am, as always, grateful to the chairman, Ivan Clark and the non-executive directors of the board for their advice and support during the past year.

AK Olivier
Chief Executive Officer

Durban
26 February 2013

FINANCIAL DIRECTOR'S REPORT

Financial strategy

To support the group in achieving its strategy, focus during the current year was centred on evaluating investment opportunities, assessing disposal opportunities and appropriately allocating equity.

In addition, strategic financial focus was given to:

- careful consideration of currency requirements;
- assessing the adequacy of returns within the businesses; and
- consideration of funding requirements and gearing levels in the plan period (2013 to 2015).

A number of corporate actions were undertaken in the coal, fuel, seafreight, rail and agency services businesses during the year. These have provided the group with a platform for growth in targeted markets, through Africa and across the globe together with our chosen partners. The introduction of these partners has also enabled the group to reposition equity for alternative deployment.

Attention was also paid to directing the focus of the operations to maximise earnings and cash generation and the building of strong businesses which will contribute to funding new strategic investments and increase shareholder value.

Group earnings

The current year has seen a large growth in earnings from joint venture companies, which is primarily as a result of the sale of a share in the Maputo coal terminal and marine fuels businesses. The consequence is a decrease in comparison to the prior year of revenue by 24% from R35,9 billion to R27,3 billion; EBITDA by 5% to R953,8 million (2011: R1 006 million) and operating profit by 16% to R541,4 million (2011: R642,6 million).

For an analysis of the income statement in the manner in which management reviews the results on a monthly basis (i.e. proportionate ownership basis) refer to the segmental report on page 118 of the abridged annual financial statements.

The sale of a 35% interest in the Maputo coal terminal and 50% of the marine fuels business generated non-trading earnings of R396,1 million. This was partially offset by ship impairments of R173,3 million.

The recognition of earnings from the Maputo coal terminal and marine fuels joint ventures, coupled with improved volumes and earnings in the Port of Maputo and Röhlig-Grindrod joint venture increased the group's share of income from joint ventures and associates by 195% to R349,4 million (2011: R118,3 million).

Although long-term and short-term borrowings continued to grow in 2012, net interest paid decreased by 58% to R20,5 million (2011: R48,9 million) due to interest earned on higher cash and cash equivalents. The effective tax rate decreased from 22,8% to 13,9% due to the introduction of dividends tax and earnings from joint ventures being disclosed net of tax.

The group profit attributable to ordinary shareholders of R853,3 million (2011: R530,9 million) increased by 61%.

Statement of financial position

Shareholders' equity increased from R9 217 million to R10 114 million as a result of the above increased earnings and a gain in the foreign currency translation reserve. The increase of R261,2 million to the foreign currency translation reserve was due to the weakening of the Rand/US Dollar exchange rate from R8,11/US$ to R8,48/US$.

Borrowings, cash flow and liquidity

Long-term debt increased by 27% to R2 842 million (2011: R2 227 million) largely through long-term debt instruments issued in the Financial Services division. Short-term borrowings remained unchanged.

The increased debt was offset by an increase in cash and cash equivalents of 47% to R4 250 million (2011: R2 901 million), the majority arising from increased retail deposits in the Financial Services division.

The assets and liabilities of the Tank Terminals and Oreport businesses have been included in non-current assets and liabilities held for sale as a portion of these businesses are expected to be disposed of in 2013.

Cash generated from operations was R1 423 million (2011: R195,0 million absorbed by operations). The increase is

EVALUATION OF INVESTMENT OPPORTUNITIES, ASSESSMENT OF DISPOSAL OPPORTUNITIES AND APPROPRIATE ALLOCATION OF EQUITY

attributable to a reduction in the utilisation of working capital of R532,5 million, largely as a result of the disposal of half of the marine fuels business, now treated as a joint venture.

Capital expenditure (before joint ventures) and investments of R1 305 million (2011: R1 196 million) evidences the continued investment in infrastructure and strategic assets across the group.

Dividends of R238,2 million were paid to ordinary and preference shareholders for the 2012 financial year.

The above cash flows had the impact of reducing the net debt position from R889,7 million at 31 December 2011 to R745,5 million at 31 December 2012. Net debt:equity decreased to 7,3% (2011: 9,6%).

Net debt:equity excluding Financial Services is 11,4% (2011: 10,7%). The difference to the group net debt ratio of 7,3% is attributable to the fact that joint venture net debt is reported in the investments in joint ventures line and is not included in the net debt:equity calculation.

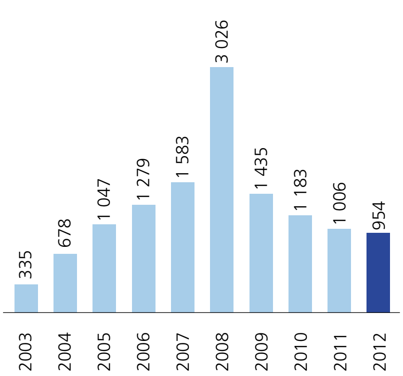
Capital expenditure

The group is confident that it has adequate funding for all capital commitments through its cash resources and bank borrowings.

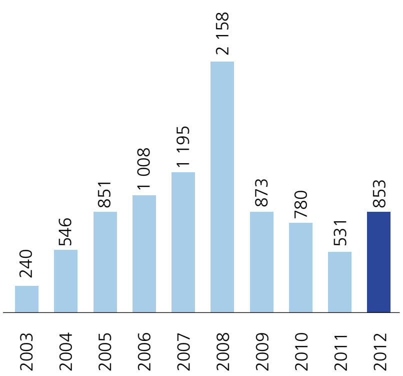
	Capital expenditure	Capital commitments				Split as follows	
R million	2012	2013	2014	2015+	Total	Approved not contracted	Approved and contracted
Freight Services	**982**	597	84	18	699	442	257
Logistics	**219**	252	66	–	318	198	120
Ports and Terminals	**189**	329	18	18	365	244	121
Rail	**574**	16	–	–	16	–	16
Trading	**203**	32	1	1	34	10	24
Shipping	**591**	470	8	–	478	9	469
Drybulk	**359**	103	8	–	111	9	102
Tankers	**232**	367	–	–	367	–	367
Financial Services	**66**	–	–	–	–	–	–
Group	**7**	6	4	3	13	12	1
	1 849	**1 105**	**97**	**22**	**1 224**	**473**	**751**
Split as follows:							
Subsidiaries	**1 370**	537	89	22	648	461	187
Joint ventures	**479**	568	8	–	576	12	564

FINANCIAL DIRECTOR'S REPORT continued

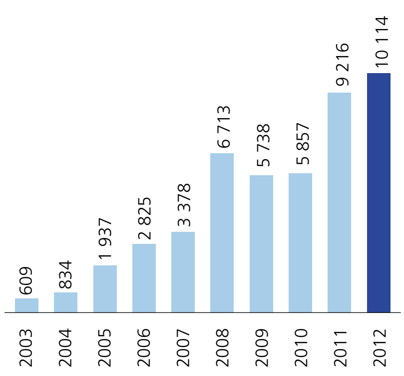
Trading profit (EBITDA)
(R million)



Attributable income
(R million)



Shareholders' funds
(R million)



Capital expenditure, including joint ventures, was R1 849 million, 85% of which was expansionary and the balance, maintenance or replacement capital. Funds were invested in two handysize drybulk ships and two mid-range products tankers, the Maputo coal terminal Phase 3,5 expansion project, locomotives, a rail concession business and coal trading contracts.

Capital commitments of R1 224 million were approved as at 31 December 2012. The commitments are for the completion of the expansion of terminal capacity and the procurement of further locomotives and ships.

The strategic projects, planned to expand the terminal capacity in Maputo and Richards Bay, with a new terminal project planned for Coega, are progressing and are not as yet committed.

The capital commitments table includes R478,7 million (2011: R365,0 million) relating to joint ventures.

During the year, the locomotive fleet increased from 31 to 65 and the shipping fleet decreased from 38,5 ships to 36,5 ships.

The recovery of claims of R379,1 million (2011: R380,6 million) with the SANFU shipyards in China is progressing. One was awarded in favour of the company in 2012 with the repayment received in 2013. The second hearing is scheduled for the fourth quarter of 2013.

During the year, the group reviewed its weighted average cost of capital (WACC) calculation and project hurdle rates to ensure these reflected current market conditions and market outlook. The project hurdle rates, using equity internal rate of return (IRR) are set out in the table below:

Equity IRR investment hurdle rates		
	High risk	Medium risk
ZAR	18%	15%
US Dollar emerging markets	18%	n/a
US Dollar/Euro	12%	10%

Foreign currency exposures

The currency requirements of the capital commitments continue to be monitored. The group has US$860,3 million net assets based outside of SA with US Dollar cost bases, generating US Dollar revenues. Local and global market events resulted in a turbulent year which saw the Rand weaken from R8,11/US$ to R8,48/US$ at the end of the year. Appropriate board approved policies continue to be enforced to mitigate foreign exchange risks.

Interest rate exposures

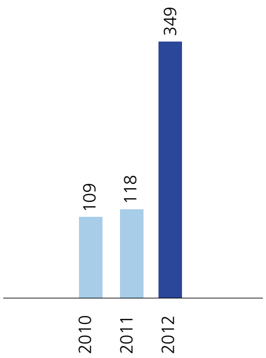
The group's South African interest rate exposure is currently not fixed. Some of the group's non-South African joint venture operations have fixed interest rates in line with group policy. The current interest rate cycle continues to allow the group to take advantage of the lower interest rates. Opportunities to lock-in low rates continue to be evaluated and will be entered into at the appropriate time to limit exposure to increasing interest rates, in line with the group's interest cover policy.

Financial controls and risk management

Key financial personnel are employed across the group to manage the financial departments which monitor and support the operations through the analysis and reporting of results. These finance teams, with the support of financial systems, ensure that financial information reported is complete, accurate, relevant and timely.

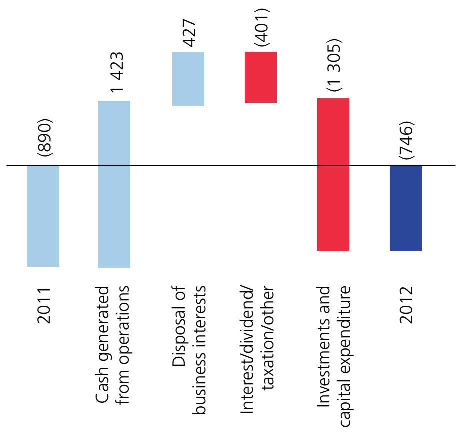
Internal control systems are designed to provide reasonable assurance against material losses, misstatement of financial results and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is another important aspect of internal control.

Income from joint ventures and associates (R million)

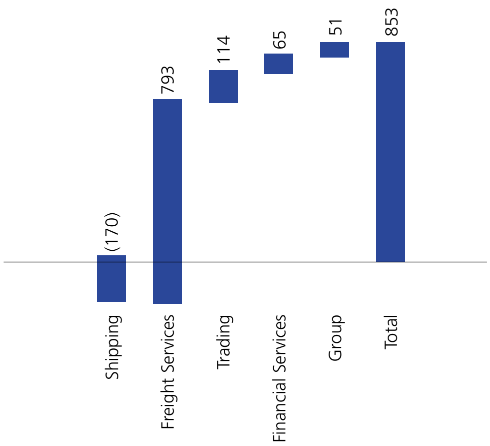


No comparative exists prior to 2010, as it was not an IFRS requirement to disclose joint venture and associate income separately.

Net debt analysis (R million)



2012 Attributable income by division (R million)



Principal features of the group's internal financial controls are:

- an organisational structure comprising clearly defined reporting lines, responsibilities and levels of authority;
- policies, procedures and guidelines to ensure that best practice standards are maintained and achieved;
- a system of financial planning, budgeting and reporting which enables performance to be monitored against predetermined objectives;
- internal financial controls which are supported by the group's IT systems;
- a finance team with the appropriate level of skill and technical training; and
- independent oversight by the internal audit division.

During 2012, the internal financial control framework was tested by the internal audit division at a number of locations. Shortcomings were reported to ensure management improved the control environment in order to address the risk of material misstatements of financial results.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2012 and the AC 500 standards issued by the Accounting Practices Board or its successor. The annual financial statements comply with Schedule 4 of the South African Companies Act, No 71 of 2008 and the disclosure requirements of the JSE Listings Requirements.

The annual financial statements were approved by the board of directors on 26 February 2013.

The accounting policies adopted and methods of computation used in the preparation of the consolidated financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those of the annual financial statements for the year ended 31 December 2011.

Refer to note 1 of the annual financial statements for further detail on new standards and interpretations not yet adopted.

Critical judgements in applying the group's accounting policies/key sources, are dealt with in detail in the accounting policies section in the annual financial statements.

Abridged financials

Condensed consolidated financial statements have been included in this integrated annual report.

Post balance sheet events

There were no material post balance sheet events to report subsequent to 31 December 2012.

Focus for 2013

In addition to the strategic financial areas outlined under financial strategy, key financial focus areas for 2013 will be:

- improving management accounting analysis;
- enhancing operating efficiencies and cost;
- managing strategic partnerships to facilitate execution and reducing risk; and
- careful deployment of group equity.

AG Waller
Group Financial Director

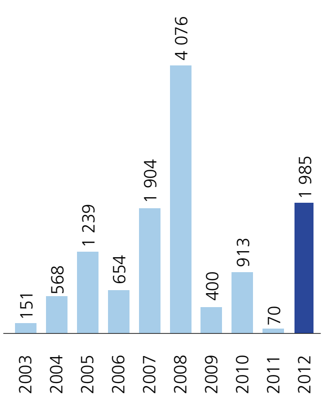
Durban
26 February 2013

The full set of annual financial statements and notes are available on www.grindrod.co.za

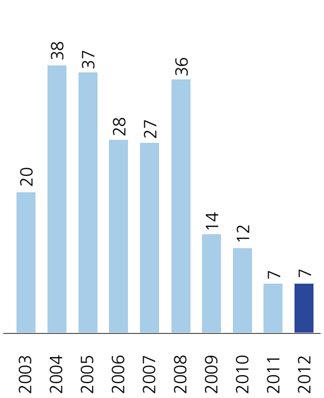
GROUP FINANCIAL REVIEW

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
GROUP STATEMENT OF FINANCIAL POSITION										
Ships, property, terminals, vehicles and equipment	**5 444**	5 268	4 564	3 923	4 541	3 047	2 337	2 069	1 536	961
Investments	**2 504**	1 115	1 138	367	367	307	337	178	201	265
Investment property	**34**	22	–	–	–	–	–	–	–	–
Intangible assets	**680**	548	649	831	713	521	351	251	50	37
Loans and advances to bank customers	**3 188**	2 542	1 710	1 483	1 050	966	506	–	–	–
Liquid assets and short-term negotiables	**626**	190	129	104	139	229	174	–	–	–
Financial assets	**3**	–	3	102	141	92	21	1	–	50
Recoverables on cancelled ships	**379**	381	–	239	–	–	–	–	–	–
Deferred taxation	**107**	89	162	159	159	138	70	69	37	7
Current assets	**9 108**	10 366	5 539	5 423	6 874	4 628	3 474	2 410	822	773
Total assets	**22 073**	**20 521**	**13 894**	**12 631**	**13 984**	**9 928**	**7 270**	**4 978**	**2 645**	**2 094**
Share capital and premium	**2 067**	2 052	66	49	13	199	515	498	8	84
Reserves and accumulated profit	**8 047**	7 164	5 791	5 689	6 700	3 179	2 310	1 439	826	525
Shareholders' funds	**10 114**	9 216	5 857	5 738	6 713	3 378	2 825	1 937	834	609
Minority interest	**127**	94	114	98	62	61	(2)	7	8	7
Total equity	**10 241**	9 310	5 971	5 836	6 775	3 439	2 823	1 944	842	616
Deferred taxation	**147**	125	117	22	19	33	24	20	4	2
Interest-bearing loans	**4 016**	4 244	3 328	2 246	1 964	2 306	1 829	1 534	974	856
Financial services funding instruments	**1 007**	131								
Financial liabilities	**26**	19	16	181	37	49	12	83	50	76
Other liabilities	**6 636**	6 692	4 462	4 346	5 189	4 101	2 582	1 397	775	543
Total funding	**22 073**	20 521	13 894	12 631	13 984	9 928	7 270	4 978	2 645	2 093
Net current assets/(liabilities)	**5 034**	**4 504**	**1 147**	**1 691**	**2 491**	**679**	**453**	**301**	**(211)**	**9**

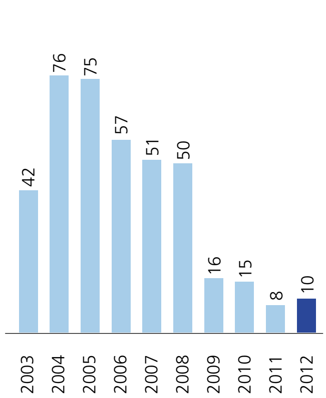
Cash available from operations (R million)



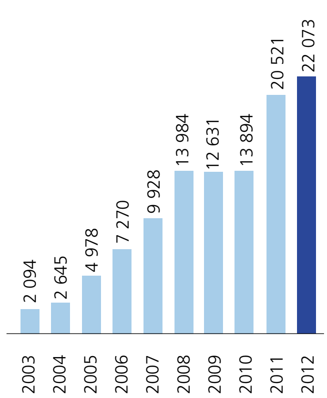
Return on net assets (%)



Return on ordinary shareholders funds (%)



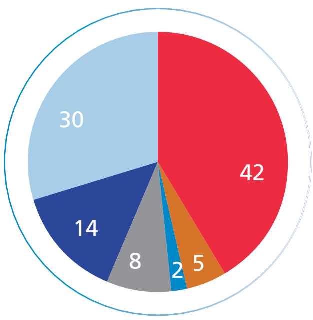
Total assets (%)



	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
GROUP INCOME STATEMENT										
Revenue	**27 262**	35 885	29 391	27 692	33 737	17 947	12 507	7 449	2 974	1 927
Earnings before interest, taxation and depreciation and amortisation (EBITDA)	**954**	1 006	1 183	1 435	3 026	1 583	1 279	1 047	678	335
Depreciation	**(412)**	(363)	(295)	(292)	(241)	(218)	(154)	(122)	(76)	(55)
Operating profit before net interest and taxation	**542**	643	888	1 143	2 785	1 365	1 125	925	602	280
Non-trading items	**200**	60	13	14	(164)	4	(39)	3	2	–
Net interest paid	**(21)**	(49)	(51)	(91)	(175)	(131)	(71)	(87)	(62)	(67)
Profit before share of associates' profit	**721**	654	850	1 066	2 446	1 238	1 015	841	542	213
Share of associate and joint venture companies' profit	**349**	118	109	76	66	63	128	89	53	32
Profit before taxation	**1 070**	772	959	1 142	2 512	1 301	1 143	930	595	245
Taxation	**(149)**	(175)	(114)	(188)	(243)	(16)	(76)	(65)	(48)	(5)
Profit after taxation	**921**	597	845	954	2 269	1 285	1 067	865	547	240
Minority interest	**(11)**	(13)	(6)	(12)	(20)	(13)	5	1	(1)	–
Profit for the year before preference dividends	**910**	584	839	942	2 249	1 272	1 072	866	546	240
Preference dividends	**(57)**	(53)	(59)	(69)	(91)	(77)	(64)	(15)	–	–
Profit attributable to ordinary shareholders	**853**	531	780	873	2 158	1 195	1 008	851	546	240
Ordinary shareholders' interest in non-trading items	**(134)**	(60)	(13)	(16)	164	(4)	(2)	(2)	1	–
Headline earnings	**719**	471	767	857	2 322	1 191	1 006	849	547	240
GROUP CASH FLOW										
Cash available from operations (excluding dual purpose assets)	**1 985**	70	913	400	4 076	1 904	654	1 239	568	151
Distribution/dividends paid	**(215)**	(230)	(300)	(461)	(604)	(331)	(104)	(201)	(61)	(30)
Cash retained from operations	**1 769**	(160)	613	(61)	3 472	1 573	550	1 038	507	121
Proceeds on disposal of property, terminals, vehicles and equipment, investments and other items	**500**	111	70	51	341	73	669	16	121	481
Cash available for investment	**2 269**	(49)	683	(10)	3 813	1 646	1 219	1 054	628	602
Cash invested	**(1 135)**	(343)	(366)	(587)	(2 175)	(1 828)	(1 084)	(1 704)	(581)	(348)
Net finance (raised)/repaid	**1 134**	(392)	317	(597)	1 638	(182)	135	(650)	47	254

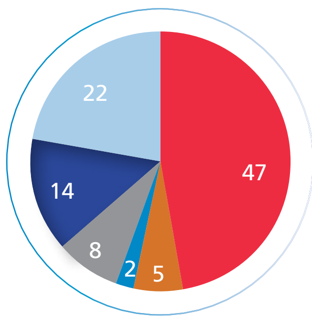
Distribution of wealth (%)

2012



- Employee remuneration and service benefits
- Taxation on income
- Providers of share capital
- Providers of loan capital
- Depreciation
- Accumulated profit

2011



GROUP FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2012

		Objectives	2012	2011	2010	2009	2008	2007	2006
ORDINARY SHARE PERFORMANCE									
Number of ordinary shares in issue net of treasury shares	(000's)		**590 486**	589 536	455 803	454 203	450 252	455 459	449 179
Weighted average number of ordinary shares on which earnings per share are based	(000's)		**590 097**	478 234	454 591	452 278	453 640	452 934	455 719
Earnings per share	(cents)		**144,6**	111,0	171,6	193,0	475,7	263,9	221,2
Headline earnings per share	(cents)		**121,9**	99,6	167,7	189,6	511,7	263,1	220,8
Price/earnings ratio*	(times)		**11,0**	12,6	11,0	9,2	3,2	8,9	11,7
EV/EBITDA	(times)		**14,9**	13,6	7,9	5,6	2,9	3,6	3,6
Dividend/distribution per share	(cents)		**32,9**	29,5	54,0	60,0	136,0	78,0	66,0
Dividend/distribution cover	(times)		**4,4**	3,8	3,2	3,2	3,5	3,4	3,4
Dividend yield	(%)		**2,1**	2,1	2,8	3,4	8,9	3,3	2,6
EBITDA per share	(cents)		**161,6**	210,3	260,2	317,3	665,4	349,7	280,7
EBITDA dividend/distribution cover	(times)		**4,9**	5,8	4,8	5,3	4,9	4,5	4,3
Net worth per share at book value	(cents)		**1 609**	1 454	1 147	1 122	1 340	590	461
PROFITABILITY									
Operating margin**	(%)		**2,0**	1,8	3,0	4,1	8,3	8,0	9,0
Operating margin including JV entities	(%)		**2,6**	2,2	3,3	–	–	–	–
Operating margin excluding bulk product trading	(%)		**6,1**	7,3	10,9	12,2	27,8	21,8	25,9
Return on net assets	(%)	12,0	**7,4**	7,1	11,5	13,8	35,9	26,8	28,4
Return on ordinary shareholders' funds – minimum	(%)	15,0	**9,6**	7,8	15,4	15,9	50,2	50,8	57,2
Effective rate of taxation excluding joint ventures	(%)		**20,6**	26,8	11,9	16,5	9,7	1,2	6,6
LEVERAGE AND LIQUIDITY									
Total liabilities to total shareholders' interests	(%)		**24,7**	48,5	70,6	75,8	73,3	152,0	115,7
Net interest-bearing debt to total shareholders' interests – maximum	(%)	75,0	**7,3**	9,6	30,7	4,4	(4,8)	28,5	19,7
Net debt to EBITDA – maximum	(times)	3,0	**0,8**	0,9	1,6	0,2	(0,1)	0,6	0,4
Debt:service cover ratio			**1,3**	(0,5)	2,8	3,2	2,7	5,2	11,0
Interest cover – minimum	(times)	3,0	**33,0**	14,2	17,8	12,7	14,9	10,5	15,9
Current ratio – minimum		1,0	**2,2**	1,9	1,3	1,5	1,6	1,2	1,2
EMPLOYEES									
Number of employees									
– subsidiaries			**2 772**	4 026	4 849	3 829	3 999	3 955	3 695
– joint ventures			**4 523**	1 151	782	648	651	1 375	1 448
Profit per employee	(R000)		**170**	115	149	210	499	257	229
Assets per employee	(R000)		**4 385**	4 439	2 652	3 041	3 233	2 138	1 645

* *The share price used in calculating the PE ratio is R15,85.*

** *The operating margin has been calculated on the legal basis (JVs equity accounted).*

Prior year figures from 2004 have been adjusted for the 5:1 share split.
2004 figures have been restated for IFRS and operating lease adjustments.
2010 and 2011 figures have been restated for IFRS 11 (JV's equity accounted).
2002 to 2009 figures include JVs on a management basis (proportionately accounted).

2005	2004	2003	
461 626	454 610	480 685	
458 490	450 220	477 710	
185,7	121,3	50,2	Profit attributable to ordinary shareholders divided by weighted average number of shares in issue during the year under review.
185,3	121,4	50,2	Headline earnings divided by weighted average number of shares in issue during the year under review.
7,0	6,5	4,7	Share price at end of year under review divided by earnings per share.
3,3	2,7	4,3	Total equity plus interest-bearing loans divided by EBITDA (earnings before interest, taxation, depreciation and amortisation).
52,0	35,0	12,0	Total ordinary dividend/distribution declared relating to the year under review.
3,5	3,4	4,2	Earnings per share divided by dividend/distribution per share.
4,0	4,4	5,0	Dividend per share divided by the share price at the end of the year under review (expressed as a percentage).
228,4	150,6	72,0	EBITDA divided by the weighted average number of shares on which earnings per share are based.
4,4	4,3	6,0	EBITDA divided by (total ordinary dividend/distribution declared relating to the year under review multiplied by the number of ordinary shares in issue net of treasury shares).
314	183	127	Total equity less preference share equity divided by the total number of ordinary shares in issue net of treasury shares.
12,4	20,2	14,5	Operating profit before interest and taxation, expressed as a percentage of revenue.
–	–	–	
24,2	20,2	14,5	Operating profit before interest and taxation excluding Trading expressed as a percentage of revenue, excluding Trading revenue.
37,1	37,7	19,9	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.
74,6	75,7	42,4	Profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' funds.
7,0	8,1	1,8	
130,2	156,3	125,6	Other liabilities and interest-bearing debt (interest-bearing loans including Bank customer deposits after netting off bank balances, cash on deposit included in financial assets, banks advances and liquid assets and short-term negotiables) expressed as a percentage of total shareholders' funds (ordinary shareholders' funds plus minority interest). In the prior year, other liabilities were netted off with financial assets and financial liabilities and interest-bearing debt was netted off with non-current assets held for sale as disclosed separately and included in inventory.
33,0	53,3	61,0	Interest-bearing loans including Bank customer deposits after netting off bank balances, cash on deposit included in financial assets, banks' advances and liquid assets and short-term negotiables expressed as a percentage of total shareholders' funds. In the prior year, interest-bearing debt was netted off with non-current assets held for sale as disclosed separately and included in inventory.
0,6	0,7	1,1	Interest-bearing loans divided by EBITDA (earnings before interest, taxation, depreciation and amortisation).
3,7	2,6	1,7	Free cash flow divided by short-term and long-term debt repayments and interest paid.
10,7	9,7	4,2	Operating profit before interest and taxation, including non-trading items divided by net interest paid.
1,3	0,9	1,0	Current assets divided by current liabilities excluding current portion of long-term borrowings.
2 322	1 516	1 139	
2 248	1 180	889	
247	259	150	Total revenue divided by the number of employees, including Grindrod's proportionate share of the joint venture employees.
1 445	1 255	1 321	Total assets divided by the number of employees, including Grindrod's proportionate share of the joint venture employees.

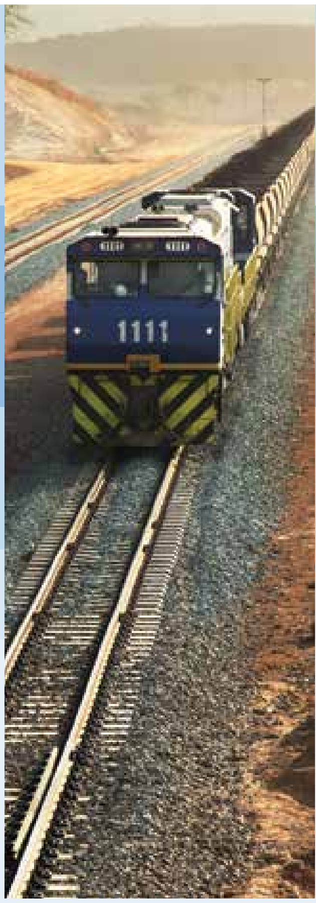
DIVISIONAL REVIEWS

FREIGHT SERVICES

R793 million
ATTRIBUTABLE INCOME

15,85 million tonnes
DRYBULK TERMINAL CAPACITY

Grindrod Intermodal container depot.



Locomotive operating in Sierra Leone.

Maputo Coal Terminal.

KEY OBJECTIVES FOR THE STRATEGIC PLAN PERIOD 2013 TO 2015

- Alignment of supply chain strategy with commodity demand to maximise throughput
- Expansion of strategic assets and supply chain capabilities to service key customers effectively
- Leverage infrastructure investment on the African continent for growth
- Rationalise and attain full capacity utilisation for Logistics businesses
- Maintain a level 3 B-BBEE rating and improve the Black Economic Empowerment (BEE) status of the South African operation
- Continually pursue cross-marketing initiatives within the group
- Full compliance with applicable legislation with zero fatalities and a reduction of the lost time frequency rate (LTIFR) by 20% year on year
- Finalisation of ISO accreditation at four out of 34 sites, not yet accredited

Refer to the risk management report on pages 70 to 75 for an overview of the risk facing the Freight Services division.

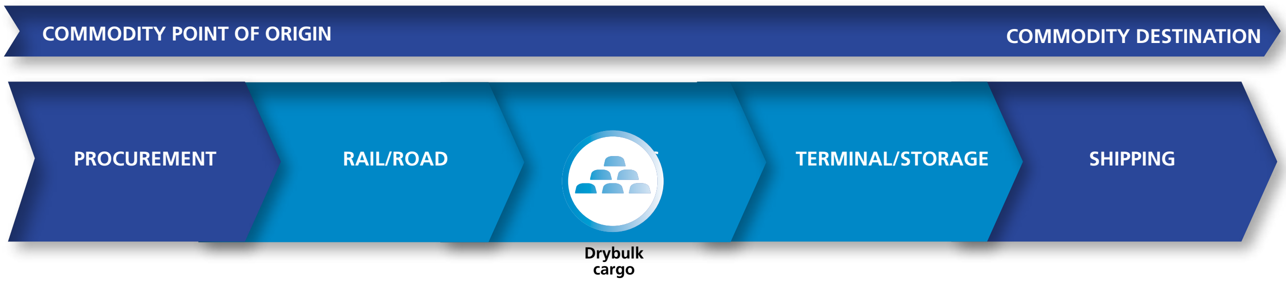
Freight Services comprises the group's investment in Ports, Terminals, Rail and Logistics businesses. The Freight Services division offers an integrated logistics service solution to its customers and aims to deliver superior services from pit to port on corridors where it operates.

Maputo car terminal.

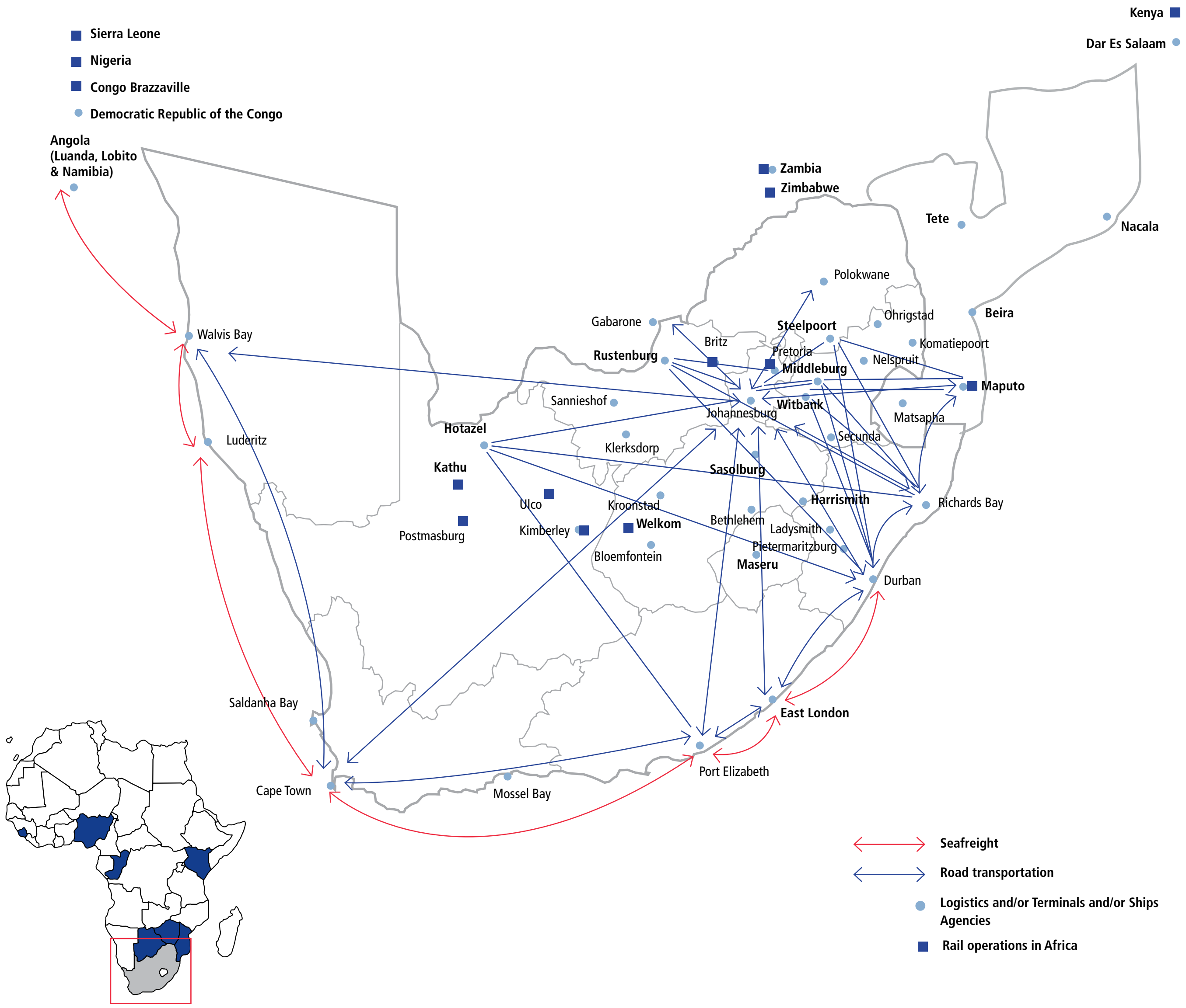
Grindrod Logistics auto carrier trucks.

KEY RATIOS		**2012**	2011
Margin	%	**13,0**	15,0
Debt:equity ratio		**0,25:1**	0,28:1
Return on ordinary shareholders' equity	%	**32,7**	16,2
Return on net assets	%	**20,7**	12,6
Capacity utilisation	%	**80**	62
Number of employees		**5 322**	4 956

DIVISIONAL REVIEWS: FREIGHT SERVICES continued



Freight Services' operations are primarily located in southern Africa



Liquid Bulk cargo

Drybulk cargo

Container cargo

Vehicles

FREIGHT SERVICES

PORTS, TERMINALS, RAIL

PORTS
Port concession

TERMINALS
Coal, magnetite, sized coal, ferrochrome, vehicle, molasses, vegetable oil

RAIL
Refurbish, build and lease of locomotives
Rail concession

SEAFREIGHT
African west coast line feeder service

LOGISTICS

INTERMODAL
Container road and rail transportation, warehousing, leasing and depots

ROAD TRANSPORT
Automotive, petrologistics, drybulk

CLEARING AND FORWARDING
International clearing and forwarding service

SHIPS AGENCIES
Represent liner and non-liner principles for all cargo types

INCOME STATEMENT

	2012 Rm	2011* Rm	Growth %
Revenue	**3 929**	3 190	23
EBITDA	**730**	680	7
Operating income	**510**	480	6
Share of associate companies' profit	**50**	11	355
Attributable income	**793**	318	150

* *2011 numbers have been restated to include joint venture earnings and statements of financial positions together with subsidiaries which is consistent with the manner in which joint ventures are viewed by the key decision maker. For the detailed statutory income statement, refer to the segmental analysis in the annual financial statements.*

STATEMENT OF FINANCIAL POSITION

	2012 Rm	2011* Rm	Growth %
Non-current assets/ investments	**3 480**	2 852	22
Current assets	**1 933**	1 156	67
Total assets	**5 413**	**4 008**	**35**
Equity	**3 212**	2 340	37
Net debt	**799**	649	23
Other liabilities	**1 402**	1 019	38
Total equity and liabilities	**5 413**	**4 008**	**35**

Attributable income increased 150% to R793 million (2011: R318 million), which includes a profit of R415 million from the disposal of the 35% interest in the Maputo coal terminal. Trading earnings of R64 million reflects a 27% growth on the prior year's trading performance.

Improved earnings were achieved through increased terminal utilisation, rail efficiency improvements and improved market demand in the locomotive manufacturing business. The Maputo coal terminal volume at 4,5 million tonnes was up 15% (2011: 3,9 million), whilst the Port of Maputo handled a total of 15,0 million tonnes (2011: 11,8 million), 27% more than the prior year.

DIVISIONAL REVIEWS: FREIGHT SERVICES continued

SUSTAINABILITY

Freight Services' southern African operations are a significant contributor to Grindrod's global Greenhouse Gas (GHG) emissions, emitting 30% of group scope 1 and 2 emissions (2011: 34%). The emissions are from the burning of fossil fuels (diesel and petrol) in vehicles (mainly freight trucks), locomotives and building generators.

Good progress was made with meeting group aligned environmental performance improvement objectives and targets through:

- the maintenance of formalised EMS (integrated where applicable with safety, health and quality management systems);
- the implementation of the Freight Services climate change strategy and implementation plan (adopted in 2011);
- the appointment of a senior level environmental manager within the division with extensive knowledge in the transport industry;
- the initiation of a comprehensive internal audit management plan; and
- strong management intervention from the top down.

Refer to the environmental and climate change performance report on page 106 and 107 for a full analysis of the Freight Services performance and highlights for the year.

Freight Services' large staff complement of 5 322 people (70% of the group) are covered by comprehensive, occupational health and safety standards and procedures as part of formalised and audited management systems. The health and safety of employees is a top priority for management.

The number of lost time injuries and medical treated cases has increased in comparison to the previous year, attributed in part to improved reporting structures and systems, new acquisitions and the expansion of current businesses. Grindrod deeply regrets two accidental fatalities of an employee and a contractor during the year. The employee sustained fatal injuries during a road accident and the contractor was struck by heavy machinery during operations in a Terminal. Both incidents were thoroughly investigated and appropriate corrective actions were implemented and are continuously monitored to ensure effectiveness. Freight Services is committed to zero fatalities and considers these incidents as unacceptable. The division will continue to improve and create awareness to reduce the number of lost time injuries and medical treatment cases.

Freight Services' health and safety objectives and targets remain the same as per the 2011 report, full compliance with applicable legislation with zero fatalities and a reduction of the LTIFR by 20% year on year. A full report on the division's performance and can be found as part of the social section of this report on page 99.

In line with King III, Freight Services has started to integrate sustainability policies, practices and reporting into business systems and operations. This is occurring from executive director to business unit level and is evidenced by:

- the introduction of improved sustainability personal performance criteria in the Freight Services chief executive officer, senior divisional managers and business unit managers' incentive schemes;
- the inclusion of social (including health and safety) and environmental items in divisional executive directors' meetings and the active functioning of the divisional environmental and climate change committee, chaired by the division's CEO; and
- active participation in the Grindrod group environmental and climate change committee.

OPERATIONAL OVERVIEW

Ports, Terminals and Rail

INCOME STATEMENT

	2012 Rm	2011* Rm	Growth %
Revenue	**1 692**	969	75
EBITDA	**477**	395	21
Operating income	**385**	318	21
Attributable income	**741**	212	250
Operating margin (%)	**23**	33	

** 2011 numbers have been restated to include joint venture earnings together with subsidiaries.*

Ports, Terminals and Rail earnings of R338 million from trading activities increased 68,5% despite product shortages at the Maputo coal terminal during the first half of 2012.

The group's investment in the **MPDC**, remains at a 24,7% shareholding, with Dubai Ports World, the Government of Mozambique and local partners holding 24,7%, 49% and

Attributable income (R million)

1,6%, respectively. MPDC has the concession to develop and operate the Port of Maputo in Mozambique until 2042.

The Maputo corridor is an essential gateway to southern Africa. Geographically, the Port of Maputo is the closest port to the important industrial hubs of Gauteng and Mpumalanga in SA. The port is segmented into different terminals for the export and import of bulk cargo, grain, containers and motor vehicles, with coal and magnetite currently being handled at the Maputo coal terminal. It is strategically positioned for trade and shipment of commodities up the east coast, to the countries of East Africa, the Indian Ocean Islands, India, the Middle East and Asia.

Over the past two decades the Port of Maputo has progressed from working one million tonnes in 1992 to 15,0 million in 2012 (2011: 11,8 million tonnes). The Maputo port concession extension concluded in 2010 provided a time-line for implementing the port master plan and for sub-concessionaires to undertake additional investment.

The **Maputo coal terminal** Phase 3,5 expansion project which commenced in April 2012 is progressing as scheduled, with commissioning planned for the second half of 2013. This will increase the annual throughput capacity to 7,3 million tonnes which is fully supported by current rail capacity.

Phase 4 of the Maputo coal terminal project to expand terminal capacity to 20 million tonnes of coal and 10 million tonnes of magnetite ore is in progress, with feasibility studies having been completed as planned in 2012. The expansion project will involve excavation and land reclamation resulting in a footprint growth of 120 hectares, construction of two additional berths, a stockyard and associated railway infrastructure. To support the completion of the project, Grindrod introduced **Vitol**, one of the world's largest energy trading businesses as a 35% partner in the concession in 2012.

The rail resource utilisation on the Maputo corridor has improved and Grindrod continues to actively pursue additional initiatives to increase the Maputo port utilisation.

Terminals have a strong base of long-standing blue-chip customers such as Glencore, Vitol, Palaborwa Mining Company, Illovo and Forbes Manhattan. Terminals have been successful in acquiring new customers such as Jindal and Ikwezi Mining to fill capacity and contribute to the growth and sustainability of the division.

Given the Terminals' dependence on the rail infrastructure, Grindrod's long-standing relationships with Transnet Freight Rail and Ports and Railway Company of Mozambique (CFM) as key stakeholders, are critical for continued mutual success.

A large percentage of the capacity is contracted on a long-term basis to ensure sustainability of operations.

The **Rail** business conducted through the RRL Grindrod group of companies and the NLP continues to perform well. The locomotive fleet grew significantly in 2012 from 34 to 65 locomotives, with the largest concentration of locomotives on lease to African Minerals Limited in Sierra Leone, with 30 on the ground and operational and with a further four locomotives to be completed in the first quarter of 2013.

During the second half of 2012, Grindrod acquired a 46,4% interest in NLP, the 56% shareholder in NLPI Limited (NLPI) which owns and operates two rail concessions in Zimbabwe and Zambia. NLP will focus on the development of infrastructure logistics projects in Africa with Grindrod participating in the concessions as the strategic operational partner. A number of concession opportunities are being explored, which could positively impact performance over the next few years.

TERMINALS CAPACITY AND UTILISATION

Terminal	Notes	Utilisation 2012	2011	% change	Existing capacity	Existing, plus capacity under construction
Drybulk (tonnes)		**12 065 176**	9 547 885	26,4	15 850 000	18 100 000
Maputo coal terminal	1	**4 475 649**	3 901 040	14,7	6 000 000	7 300 000
Richards Bay		**3 815 060**	3 886 236	(1,8)	6 100 000	6 100 000
Maydon Wharf (Durban)	2	**719 755**	566 846	27,0	700 000	1 200 000
Walvis Bay (Namibia)		**380 109**	313 444	21,3	550 000	550 000
Maputo sized coal terminal	3 and 7	**2 674 603**	880 319	203,8	2 500 000	2 950 000
Liquid bulk (m^3)		**202 166**	140 478	43,9	260 000	325 000
Durban	4	**95 218**	53 809	77,0	140 000	185 000
Cape Town	5	**106 948**	86 669	23,4	120 000	140 000
Maputo automotive (number of vehicles)	6	**47 743**	35 147	35,8	52 000	121 000

Notes

1 *Phase 3.5 additional capacity of 1,3 million tonnes.*

2 *Change in Maydon Wharf product density in 2013.*

3 *Additional capacity from sized coal expansion.*

4 *Additional capacity from Durban vegetable oil diversification.*

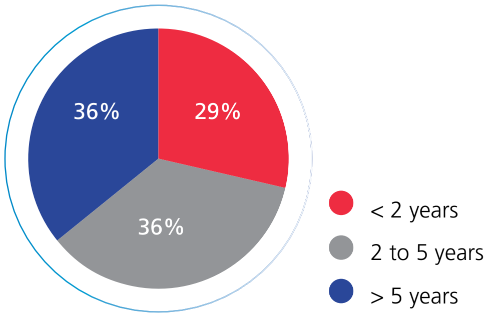
5 *Additional capacity from Cape Town Nautilus site expansion.*

6 *69 000 units additional capacity from Phase 2 expansion.*

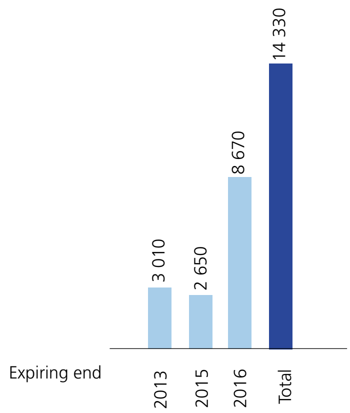
7 *Temporary additional 20 000 m^2 site utilised in 2012, hence greater volumes achieved.*

DIVISIONAL REVIEWS: FREIGHT SERVICES continued

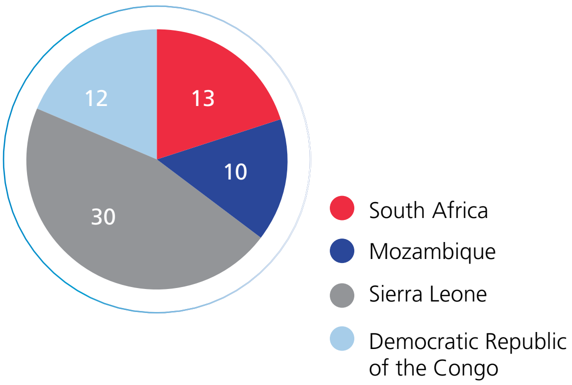
Terminals customer analysis



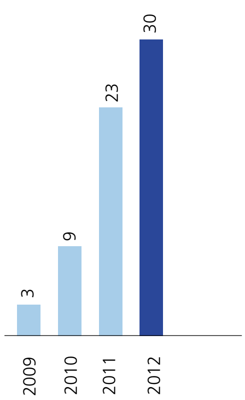
Terminals long-term contracts (000 tonnes)



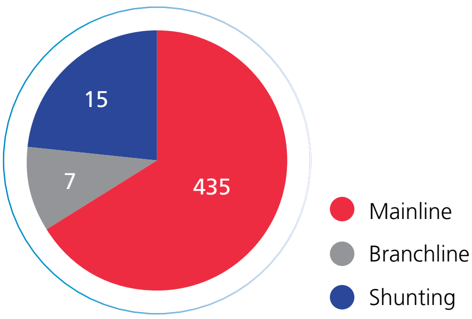
Locomotive fleet location (number)



Build/refurbish age profile locomotive fleet (number)



Locomotive fleet type (number)



Logistics

INCOME STATEMENT

	2012 Rm	2011* Rm	Growth %
Revenue	**2 237**	2 221	0,7
EBITDA	**253**	285	(11)
Operating income	**125**	163	(23)
Attributable income	**52**	106	(51)
Operating margin (%)	**6**	7	

* *2011 numbers have been restated to include joint venture earnings together with subsidiaries.*

Logistics operating income of R125 million, was 23% below the prior year's earnings. The road transport operations were impacted by lower commodity volumes, the commissioning of the Transnet fuel pipeline between Durban and Gauteng during the first quarter of 2012 and a reduction in automotive volumes. The business benefited from improvements in operating efficiencies during the latter part of 2012.

During the year, Logistics finalised the transaction to purchase the remaining 75,5% shareholding in Petrologistics Botswana (Pty) Ltd, now a wholly owned subsidiary. This resulted in the fleet being transferred to Botswana to take advantage of the increased demand in this market compared to SA. The Fuelogic business also expanded to Namibia during the second half of 2012 and further regional expansion into selected markets in southern Africa, including Mozambique are being considered during 2013.

The strategic BEE relationship with the Calulo group of companies was further extended during the year through the merger of competing businesses of each of the Grindrod and Calulo groups. The first transaction, concluded during the first half of 2012, was the acquisition by Röhlig-Grindrod of the Calulo group's clearing and forwarding operations conducted through Sturrock Shipping, for a 15% shareholding in Röhlig-Grindrod. This resulted in Röhlig-Grindrod improving its BEE rating from level 6 to 3.

The second transaction, concluded during November 2012, was the merger of Grindrod Ships Agencies with Sturrock Ships Agencies in a 50:50 joint venture between Grindrod and Sturrock Shipping. The combined ships agency business is now represented across Africa and Australia, through Grindrod and Sturrock Ships Agencies brands, which are over 100 years old. Significant synergies and market opportunities are expected to materialise from the merger of these two businesses.

Logistics' total fleet capacity provides dynamic solutions to customers moving cargoes throughout southern Africa. The pie chart below depicts the composition of the fleet.

Capital expenditure and commitments

Freight Services' strategy is to significantly increase capacity by 2020. As part of enabling this strategy it has developed a pipeline of projects in Africa and the rest of the world. In order to achieve this growth, Freight Services will need to continue to develop strategic relationships with customers and increase productivity at existing terminals.

Capital expenditure, including joint venture capital expenditure of R134 million, amounted to R934 million for the year (2011: R321 million).

The majority of Freight Services' capital expenditure was utilised in the acquisition of a share in NLP, the expansion of the locomotive fleet for deployment throughout Africa, the acquisition and expansion of a fuel transport business in Botswana and the further expansion of the Maputo coal terminal capacity.

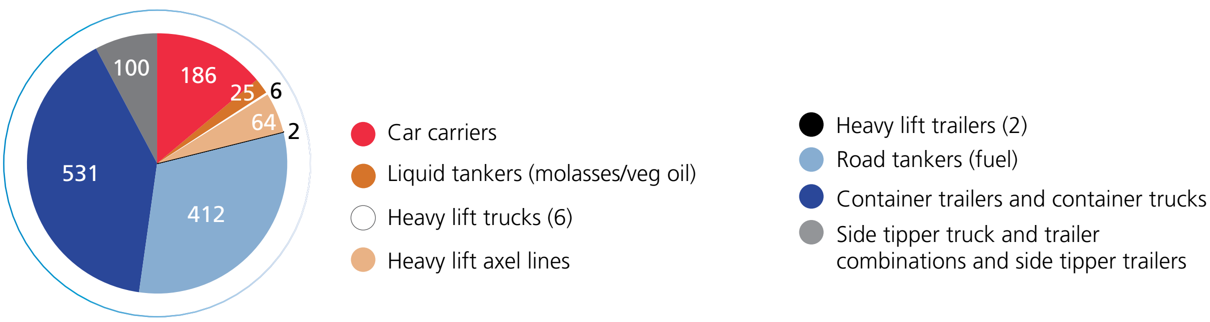
A total of R125 million was invested in Ports, Terminals and Rail during 2012 of which 85% was expansionary. Investment of R160 million was made into the maintenance and expansion of the Logistics trucking fleet and R62 million was spent in the Intermodal division.

Outlook

Ports, Terminals and Rail operations are expected to show improved performance in 2013 due to increasing utilisation and operating efficiencies on the back of an expected increase in commodity demand. Rail resource availability and stability of the labour force will remain key critical success factors.

Performance of the Logistics business segment is expected to strengthen during 2013 as volumes improve and greater benefits are extracted from the optimisation of the operations. The South African petrochemical sector is expected to continue to experience some instability as the impact of the new pipeline is fully absorbed by the sector.

Owned and leased logistics fleet



DIVISIONAL REVIEWS

TRADING

R113,5 million
ATTRIBUTABLE INCOME

6,1 million
TONNES TRADED

Loading of chrome ore in Richards Bay.

KEY OBJECTIVES FOR THE STRATEGIC PLAN PERIOD 2013 TO 2015

- Provide integrated, value adding solutions to producers and customers
- Ensure adequate scale in selected geographies and commodities
- Ensure long-term sustainability of businesses
- Increase utilisation of group assets, services and resources
- Apply an integrated value chain approach to investments
- Fully develop existing businesses in line with market demand and target opportunities for growth
- Implementation of a commodity trading risk management (CTRM) system to support growth objectives

Refer to the risk management report on pages 70 to 75 for an overview of the risks facing the Trading division.

Trading aims to provide value added solutions to producers and consumers of a focused range of globally traded commodities. This includes producing, sourcing, processing and marketing agricultural commodities, industrial raw materials, fuels and lubricants around the world through integrated value chain investment.

Marine fuel delivered to ship in port.

Bulk loading of maize.

KEY RATIOS		2012	2011
Operating margin	%	**0,9**	0,7
Operating margin per tonne	US$	**3,90**	3,33
Debt:equity ratio		**1,13:1**	1,25:1
Return on ordinary shareholders' equity	%	**12,8**	18,2
Return on net assets	%	**6,6**	6,7
Number of employees		**1 119**	1 078*

** Restated to include the Trading joint venture Progroup employee complement.*

DIVISIONAL REVIEWS: TRADING continued

Drybulk cargo

Drybulk cargo

Liquid Bulk

TRADING

ATLAS
Agricultural commodities
- Oil seeds complex
- Grains
- Rice
- Sugar
- Other agricultural inputs

OREPORT, CHROMTECH AND VITOL COAL SOUTH AFRICA (VCSA)
Industrial raw materials
- Steel and stainless steel products
- Chrome
- Manganese ores and alloys
- Coal

COCKETT
Marine fuels
- Marine fuel oil
- Lubricants

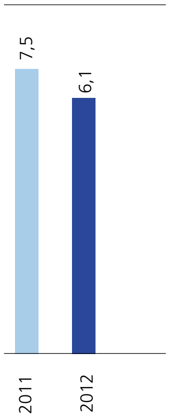
INCOME STATEMENT

	2012 Rm	2011* Rm	Growth %
Revenue	**27 074**	29 756	(9)
EBITDA	**259**	217	19
Operating income	**242**	203	19
Share of associate companies' profit	**1**	–	–
Attributable income	**114**	144	(21)

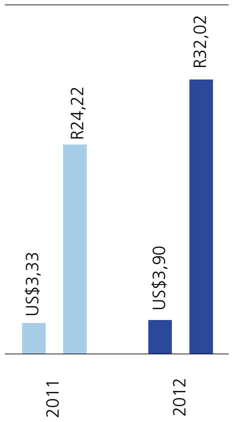
STATEMENT OF FINANCIAL POSITION

	2012 Rm	2011* Rm	Growth %
Non-current assets/ investments	**858**	400	115
Current assets	**2 979**	2 752	8
Total assets	**3 837**	**3 152**	**22**
Equity	**1 000**	1 146	(13)
Net debt	**1 129**	1 431	(21)
Other liabilities	**1 708**	576	197
Total equity and liabilities	**3 837**	**3 152**	**22**

Volume traded
(Mmt)



Margin
(Mt)



* *2011 numbers have been restated to include joint venture earnings and statements of financial positions together with subsidiaries which is consistent with the manner in which joint ventures are viewed by the key decision maker. For the detailed statutory income statement, refer to the segmental analysis in the annual financial statements.*

SUSTAINABILITY

As a largely office-based business, with relatively few staff and with the biggest revenue contribution to group earnings, Trading has by far the smallest ecological footprint with the best normalised eco-efficiency performance. Nonetheless, the Trading division continued to integrate ESG policies and practices into core business functioning.

The division embarked on an evaluation process of the current safety systems, principles and protocols. Chromtech, a joint venture in the industrial raw materials division, achieved full accreditation on ISO9001, ISO14001 and OHS18001 in 2012. The next steps include streamlining and developing a business unit holistic safety, health and environmental (SHE) system in the spirit of continual improvement and with the support of a world-class software application to ensure not only legal compliance, but good corporate citizenship and governance.

OPERATIONAL OVERVIEW

Agricultural commodities

Atlas aims to maximise stakeholder value by growing a significant and sustainable value chain integrated agricultural commodity business. Atlas originates quality bulk commodity from across the globe ensuring price security and consistent supply to its customers. Atlas manages and optimises the supply chain activity in South and sub-Saharan Africa (SSA), Association of South East Asian Nations and West Coast South America (WCSA).

Trading tonnage decreased from 2,5 million metric tonnes in 2011 to 1,9 million metric tonnes in 2012, representing a 27% decrease in volumes over the period. Revenue decreased from R8,9 billion in 2011 to R7,6 billion whilst the operating margin per tonne, including joint ventures, decreased to R19,51 (US$2,68) from R12,75 (US$1,55) per tonne in 2012. 2012 was a year of consolidation for Atlas. Key appointments made at a management and operational level and the recruitment of experienced traders gives further depth to the trading team. The latter part of 2012 saw the development of a new strategy for growth for the business.

Atlas is responsible for managing the marketing, sourcing, producing and processing, hedging, logistics and risk management related to each commodity. Long-standing relationships with commodity brokers across the globe further support Atlas with worldwide sourcing and distribution capability.

The focus for Atlas is Africa. Expansion into these markets is guided and targeted at attractive trade corridors. The strategic plan is based on four key considerations which build on Customer, Corridor, Country and Commodity.

Atlas aims to be integrated and diversified across the agricultural value chain and participation will be guided by clearly defined investment principles and contribution objectives.

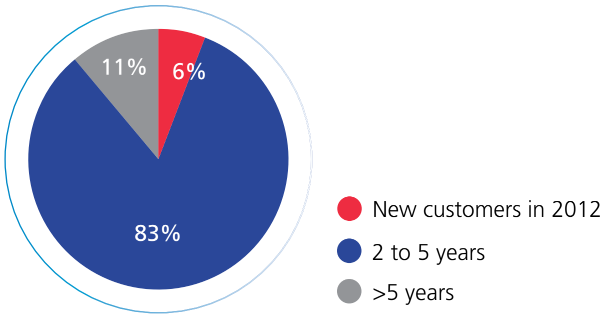
Atlas originates through key long-standing relationships with quality suppliers, utilising Grindrod capabilities and making use of storage and handling agreements with partners. This integrated approach will improve sustainability of volumes and income by reducing the risks of participating in the trading market only. The business plans to grow domestic origination to expand the customer base and further entrench participation and provide increased opportunities.

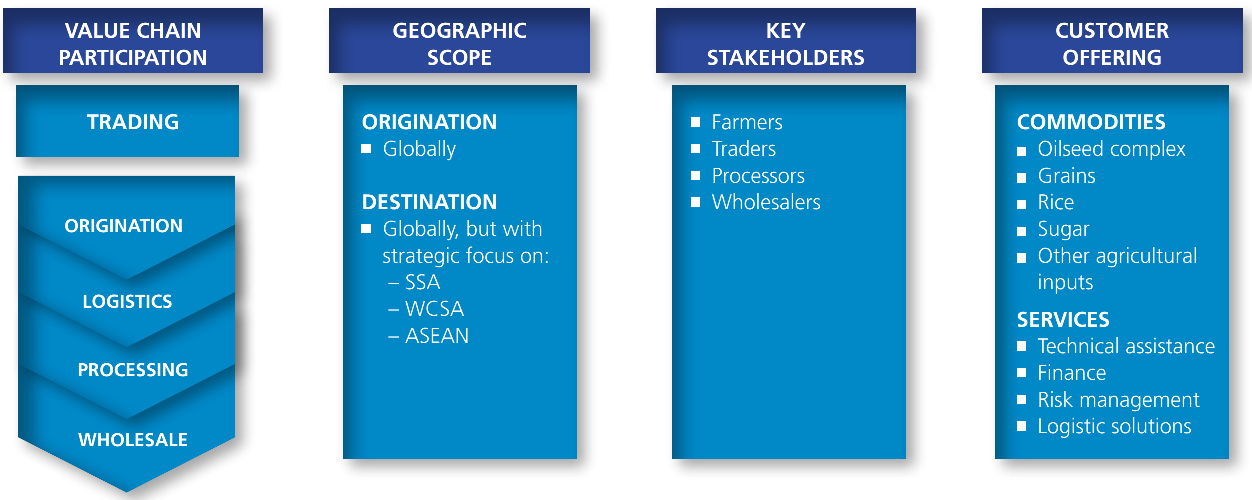
The new traders have provided knowledge and experience in new agricultural commodity products that allows Atlas to offer its customers a wider product range.

Customers are secured mainly through understanding the concept of "right timing", by providing the right strategic advice and logistical supply chain solution to the customer, at the right time in order to secure the business. Relationships are built through on-going interactions and ensuring that three elements are addressed in servicing the customer: consistency in price, service and reliability.

With a clear vision and direction, strong management and trading team, renewed focus on the middle and back office functions and a reliable customer base, Atlas is well positioned to grow into a significant and sustainable integrated value chain agricultural commodity business.

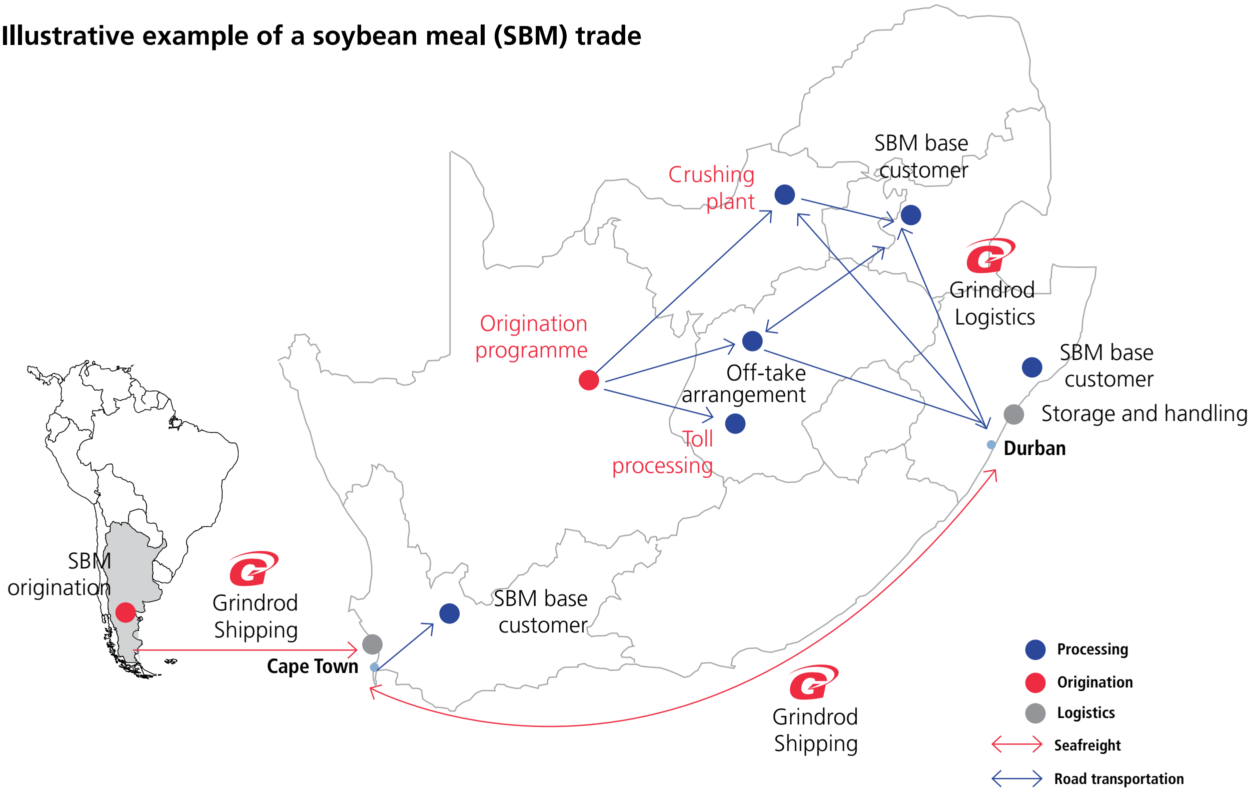
Agricultural commodities customer analysis





DIVISIONAL REVIEWS: TRADING continued

Illustrative example of a soybean meal (SBM) trade



STRATEGIC ADVICE
- Providing sound market advice and research

PROBLEM SOLVING
- Offering tailor-made supply chain solutions

SERVICE ORIENTED
- Customer centric – understanding their business is our business

Coal loading at Maputo coal terminal.

Ship discharging soybean meal in Durban.

DIVISIONAL REVIEWS: TRADING continued

Marine fuels

The **Cockett Marine Oil** group was established in 1979 and has grown to be one of the world's premier value added resellers and physical marine fuel suppliers. Cockett has developed a strategic physical supply presence in North West Europe and will be looking to expand into other strategic locations. The international network of offices delivers a global service to its customers through a branch network which has grown from five offices in 2008 to 12 offices and two representative offices in 2012.

Volumes in the Cockett business increased from 4,6 million metric tonnes in 2011 to 4,7 million metric tonnes in 2012, representing a 1% increase in volumes over the period. Operating margin per tonne increased to US$4,12 (R33,87) from US$3,22 (R23,41) in 2012.

Marine fuels performed exceptionally well, achieving a 35% increase in earnings on a comparative basis, through improved volumes, improved margins and changes to the product mix. The business continues to grow its global presence and secure further supply contracts. The Vitol joint venture concluded during the year provides the business with additional opportunities for growth with a number of initiatives underway.

Cockett has an excellent reputation in the marine fuel sector supported by a highly experienced and motivated trading and supply team with dedicated in-house technical support.

Cockett provides broad market access, meaningful economies of scale with high availability of products. Customers are therefore able to directly benefit from its purchasing power and knowledge of the highly fragmented bunker market. The expertise of management allows customers to optimise their bunker risk, resulting from exposure to fuel volumes, delivery, prices and quality risks.

In 2012, the customer portfolio broadened as a result of the expansion of the physical supply business and supplier initiatives in strategic locations. The customer base is widespread, well established and of good quality.

In line with the strategy for Cockett the business announced its rebranding strategy in 2013. Cockett will separate the three core businesses whilst also allowing the business to ensure its brands are aligned worldwide. Back to back trading will remain under the Cockett Marine Oil brand.

Industrial raw materials

Oreport is an international marketing organisation specialising in the worldwide procurement, physical movement and distribution of industrial raw materials. Oreport provides a complete managed solution from the materials' point of origin through to delivery to the final purchaser and collection of payment. Oreport's product portfolio includes steel and stainless steel products, chrome as well as manganese ores and alloys.

Chromtech is a joint venture operation which designs, develops and operates chrome recovery plants with platinum group metals and chrome ore mining companies. The concentrate is currently exported to China. Chromtech has become a premium supplier of engineering intellectual capital in the design, development, construction and operation of chrome recovery plants.

In the earlier part of the year, Grindrod concluded a joint venture with Vitol which focuses on origination, logistics and marketing of coal in SSA. The joint venture, **Vitol Coal South Africa B.V.** is supported by Grindrod's interest in strategic coal terminal operations.

The industrial raw materials business showed improvement in its core chrome and steel trading businesses in a difficult and turbulent year for demand, supply and credit availability.

Trading tonnage decreased from 0,9 million metric tonnes in 2011 to 0,7 million metric tonnes in 2012, representing a 19% decrease in volumes over the period. Coal trading tonnage in 2011 included 100% of the coal book whereas 2012 includes only 35% thereof as a result of the sale to Vitol.

The unrest in the mining industry over the past year changed the landscape for Chromtech resulting in the three chrome recovery plants not being operational for over two months of the year. This period was used as an opportunity to stabilise, rationalise and modify the plants to improve recoveries and the quality of the chrome and to make further improvements which should yield positive results going forward.

Relationships with customers are established and maintained by providing excellent service offerings, such as import/export marketing, logistics, administration and trade pipeline financing. Business is conducted with integrity and honesty

Oreport will offer an end-to-end solution to junior miners in order to overcome current constraints.

Current constraints for junior miners in South Africa include a lack of:

- Finance
- Marketing and large scale back office capability
- Technical expertise
- Economies of scale

Access to product will require stakeholder support:

- The Department of Mineral Resources
- Transnet through allocation of product, capacity and access
- Financing houses
- The Department of Mineral Resources
- Other government departments

Oreport's integrated solution will include:

- Product sourcing
- Marketing
- Trade finance
- Documentation services
- Technical expertise
- Risk management
- Logistics solutions
- Back office functions

This will result in the following trading outcome:

- Significant volumes for Oreport
- Input supply to productive assets
- A business which supports the strategic objectives of South Africa
- An exporter and importer of choice

and any complaint/dispute is resolved timeously. The quality and reliability of customers is excellent as a result of long-term relationships and consequential mutual understandings and robust credit and risk management processes.

Oreport operations have been restructured following cost rationalisation and are now poised for growth with economic recovery. New investments and projects in chrome and iron will start to yield positive returns in 2013.

Outlook

The long-term bull market for agricultural commodities remains intact. Demand for grains remains robust and any supply disruption will be met with large price escalations. Increased volumes and growth in the agricultural commodity business is anticipated.

The marine fuels business should see growth in volumes in its physical supply and broking businesses.

Demand for industrial raw material is expected to be supported by urbanisation in China and India and a return to growth in the United States of America.

Growth in volumes in the trading business may be undermined by the lack of credit in the market.

Coal stored at Sized Coal Terminal in Maputo.

DIVISIONAL REVIEWS

SHIPPING

6 vessels
DELIVERING DURING 2013

R169,7 million
ATTRIBUTABLE LOSS

72 average number
OF SHIPS OPERATED

IVS supramax vessel.

KEY OBJECTIVES FOR THE STRATEGIC PLAN PERIOD 2013 TO 2015

- Carefully timed expansion through the purchase and long-term charter of well priced fuel-efficient vessels
- Continue to develop and strengthen the global ship operating capability (as detailed on pages 60 to 61)

Refer to the risk management report on pages 70 to 75 for an overview of the risks facing the Shipping division.

The Shipping division operates under two key brands within two sectors of the market:

Drybulk

Island View Shipping (IVS) operates owned and long-term chartered capesize, panamax, handymax and handysize bulk carriers.

Tankers

Unicorn Shipping (Unicorn) operates owned and long-term chartered medium-range and small products tankers and chemical tankers; and

Both brands are supported by ship operating activities which includes shorter-term operation of products tankers, bunker tankers, handymax bulk carriers and the Parcel Service.

Unicorn small products tanker.

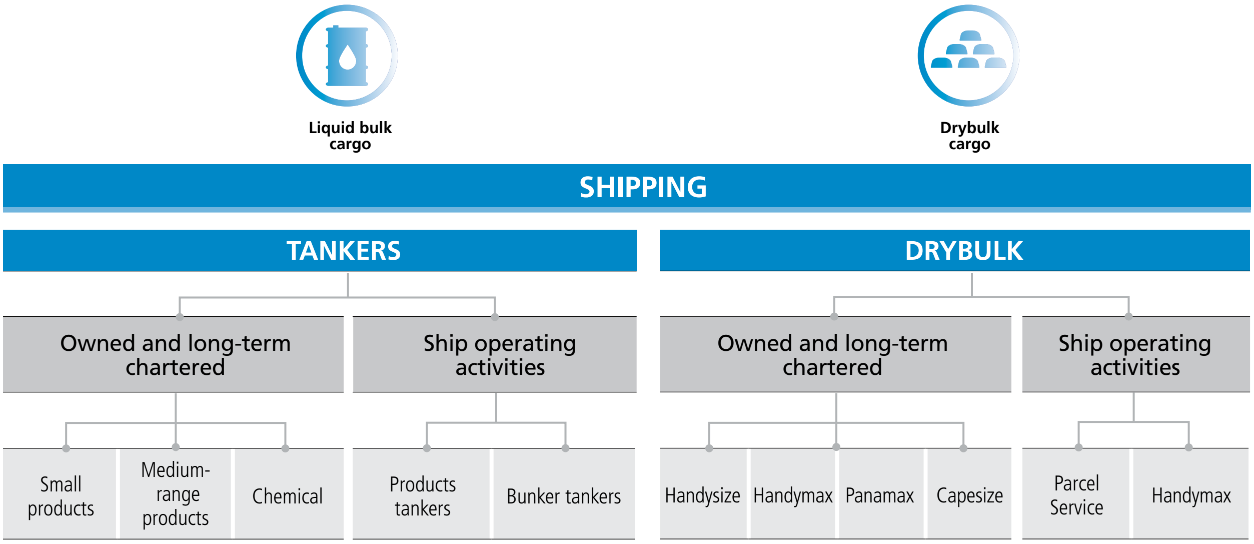
IVS handysize vessel.

Bunker tanker.

KEY RATIOS		2012	2011
Margin	%	**1,6**	1,4
Debt:equity ratio		**0,36:1**	0,51:1
Return on ordinary shareholders' equity	%	**(4,9)**	0,2
Return on net assets	%	**(2,0)**	1,2
Average number of ships operated			
Owned		**20**	16
Long-term charter		**17**	20
Ship operating		**35**	30
Number of employees		**644**	649*

** Restated to include the IVS fleet employee complement.*

DIVISIONAL REVIEWS: SHIPPING



INCOME statement

	2012 Rm	2011* Rm	Growth %
Revenue	**4 010**	3 915	2
EBITDA	**309**	245	26
Operating income	**66**	54	22
Attributable (loss)/ income	**(170)**	**7**	**(2 595)**

STATEMENT OF FINANCIAL POSITION

	2012 Rm	2011* Rm	Growth %
Non-current assets/ investments	**4 976**	4 712	6
Current assets	**668**	511	31
Total assets	**5 644**	**5 223**	**8**
Equity	**3 629**	3 281	11
Net debt	**1 294**	1 677	(23)
Other liabilities	**721**	265	172
Total equity and liabilities	**5 644**	**5 223**	**8**

* *2011 numbers have been restated to include joint venture earnings and statements of financial positions together with subsidiaries which is consistent with the manner in which joint ventures are viewed by the key decision maker. For the detailed statutory income statement, refer to the segmental analysis in the annual financial statements.*

IVS handysize vessel.

Analysis of long-term vessel earnings is summarised below:

	Bulk carriers				Tankers					
	Handy-size	Handy-max	Pana-max	Capesize	Medium-range	Small	Chemical	2012 Total	2011 Total	Growth %
Average number of owned/long-term chartered ships[(i)]	16,2	1,0	2,0	3,0	6,5	4,5	4,0	**37,2**	35,7	4
Average daily revenue (US$)	9 400	14 900	23 900	25 000	13 300	8 900	13 600	**12 700**	15 100	(16)
Average daily cost (US$)	10 300	15 400	9 700	22 400	15 000	12 800	14 400	**13 000**	13 200	2
US$ million profit[(ii)]	(5,3)	(0,2)	10,3	2,9	(4,0)	(6,4)	(1,1)	**(4)**	24	(117)

(i) *Average number of ships calculated based on the days ship was owned/chartered during the year.*

(ii) *(Average daily revenue – average daily cost) x average number of owned/long-term chartered ships x 365 days.*

Average daily earnings achieved were above average spot rates for the year due to forward contract cover and good pool/third party commercial management performances.

Forward contracts on 40% (weighted by revenue) of vessels in 2013 will lock in US$11 million of operating profit, with 24% (weighted by revenue) of vessels already under contract for 2014.

A fleet overview and contract cover information are included in the group's results presentation on the website www.grindrod.co.za.

At 31 December 2012, the Shipping division had an owned and long-term chartered fleet of 36,5 ships, a net decrease of two ships over the fleet at 31 December 2011.

While the fleet has decreased in 2012, the following deliveries will take place during 2013:

- Four medium-range products tankers (in a 50% joint venture with Vitol);
- Two handysize bulk carriers; and
- Two long-term chartered medium-range products tankers.

Short-term expansion plans include the purchase of next generation handysize bulk carriers along with the medium to long-term charter, with options, of handysize/handymax bulk carriers.

The handysize sector remains the most attractive size for investment. The world fleet in this sector has the smallest forward order book and the age profile of the fleet is such that 26% exceed 25 years of age. Consequently, high levels of scrapping can be expected over the next few years and it is anticipated that the fleet may actually reduce in size.

The global handymax fleet whilst having a younger age profile is also expected to experience only limited fleet growth during the next 12 to 18 months, due to a reduced order book. The forecast growth of cargo volumes in the handymax trades, which are predominantly in the Indian sub-continent, China and West Africa, coupled with overall increasing demand in the minor bulk sector suggest a rebound in earnings and asset values from 2014 onwards.

The acquisitions mentioned will begin the process of introducing the next generation of economically fuel efficient vessels into the drybulk fleet.

Fleet

2012 (total 36,5) **2011** (total 38,5)

DIVISIONAL REVIEWS: SHIPPING continued

Global fleet loading and unloading areas

Diversified fleet of handysize, handymax, panamax, capesize drybulk vessels and medium-range, small and chemical tankers trading globally.

SUSTAINABILITY

Shipping is the biggest divisional contributor to Grindrod's GHG emissions. This contribution is predominantly from the burning of fossil fuel oils in ships that the company has operational control over. For this reason and because fuel is a major cost item for the division, major investment and management effort is being focused on, improving the eco-efficiency of the fleet.

However, despite best efforts, a combination of adding new ships to the fleet combined with poor market conditions (i.e. more ships sailing without full loads) resulted in shipping emissions intensity increasing per Rand revenue. Efforts to drive down this metric are discussed in the environmental and climate change section of this report.

The division made further progress with streamlining and standardising safety, health, environmental and quality (SHEQ) monitoring, management and reporting and improving the way sustainability-related risks and opportunities are incorporated into business operations and strategy.

The Unicorn training school offers SAMSA accredited, internationally recognised training to individuals, port authorities and international shipping organisations. During the year, a total of 2 110 seafarers completed courses at the school (2011: 2 029). Grindrod's Cadet Training Programme, which has been in operation since 1970, has become a recognised industry leader in producing designated and female officers.

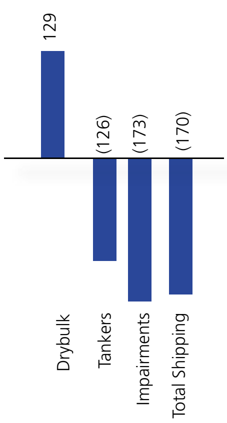
Other sustainability performance highlights within the division during the year under review included:

- Strict compliance with MARPOL (International Convention for the Prevention of Pollution from Ships) through certified onboard management systems and on-going training;

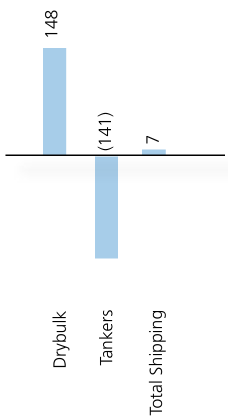
- Achieving the remarkable record of zero significant oil spills (defined as less than one barrel of oil) for the seventh consecutive year; and
- A 47% improvement in year on year Lost Time Injury Frequency (LTIF).

A full summary of environmental key performance indicators (KPIs) are available on the website www.grindrod.co.za.

Attributable income 2012 (R million)



Attributable income 2011 (R million)



DIVISIONAL REVIEWS: SHIPPING continued

OPERATIONAL OVERVIEW

Drybulk

INCOME STATEMENT

	2012 Rm	2011 Rm	Growth %
Revenue	**2 847**	2 720	5
EBITDA	**277**	276	–
Operating income	**163**	196	(17)
Attributable income	**55**	148	(63)
Margins (%)	**6**	7	(14)

IVS's operations are based in Singapore with offices in Canada, the United Kingdom, SA, Japan, the Netherlands and Mozambique. Through a combination of a modern fleet, third party tonnage and almost four decades of experience, IVS is a reliable and trusted partner in the shipping of cargoes worldwide.

IVS is a carrier of choice for a number of major grain and mining houses with strong forward opportunities. The target market continues to be counterparties who are looking for a first class, long-established reliable partner able to offer a quality service. IVS prides itself on its service, reputation, financial standing and its close relationships with its customers.

The fleet is made up of owned and long-term charters of up to 10 years. Most of the long-term charters include the right to acquire the vessels at pre-determined prices during the charter period, which allows flexibility to exercise options at an opportune time. Due to the current market conditions most of these options are not at attractive levels.

The division focuses mainly on handysize, handymax, panamax and capesize bulk carriers. Contract cover is derived from time chartering-out a portion of its fleet, selling forward freight agreements (FFAs) and entering into contracts of affreightment.

In 2012 and prior years most of the handysize bulk carriers were employed in the IVS/Lauritzen pool which operates on a mix of contract covers and on the spot market. In 2012, a decision was made to undertake in-house commercial and operational management of the handysize bulk carriers.

The expansion of the division in terms of experienced personnel, the growth of the brand internationally, joint venture partners acquired, cargo tonnage controlled and potentially controlled and overall expansion of the fleet has enabled the division to take control of the employment of its fleet. These vessels will now operate alongside the handymax/superamax fleet and cargo book (Parcel Service, Atlas and Island Bulk Carriers) creating additional cargo opportunities across the fleet. This will enable the division to have better control in respect of its forward cover position, improve the risk model results, take full advantage of benefits of fuel efficiencies through slow steaming and save substantially on pool fees.

During the first quarter of 2013, the vessels will therefore be exiting the pool. IVS continues to partner with Lauritzen in the ownership of one and long-term charter of three handysize bulk carriers. During the year, a 28 000 dwt (Deadweight Tonne) handysize bulk carrier in a joint venture was delivered into the fleet. In addition, a purchase option on a 32 400 dwt handysize bulk carrier was exercised.

The drybulk division had a steady performance in 2012.

Panamax bulk carriers – the two vessels continued to generate profits under their fixed income charters. Options for a one year extension for both vessels will not be exercised due to the current depressed market. A long-term period contract on the one vessel terminated in January 2013 and a contract on the second vessel, which was due to run through until early 2015 is terminating due to the charterers encountering financial difficulties and being unable to honour their commitments. A settlement/restructuring of the contract is currently being negotiated.

Capesize bulk carriers – the fleet benefited from a high level of contract cover.

Handysize bulk carriers – the fleet incurred losses due to the poor market and the lack of contract cover during 2012.

Drybulk rates at 7 March 2013 were as follows:

	Spot rates (US$ per day)	One-year time charter rates (US$ per day)	Three-year time charter rates (US$ per day)	**Average spot rates 2012 (US$ per day)**	2011 (US$ per day)
Handysize	7 126	7 000	8 500	**7 626**	10 552
Panamax	8 898	9 500	9 500	**7 684**	14 000
Capesize	4 476	11 500	13 500	**7 680**	15 639

Source: *Clarksons Research (Shipping Intelligence Network)*

Tankers

INCOME STATEMENT

	2012 Rm	2011 Rm	Growth %
Revenue	**1 163**	1 195	(3)
EBITDA	**32**	(31)	203
Operating income	**(97)**	143	(168)
Attributable income	**(225)**	(141)	(60)
Margins (%)	**(8)**	(12)	33

Unicorn's operations are based in Singapore with the SA office providing marine and technical services in respect of the owned fleet. The division supplies modern, high quality and specialised tonnage along with maintaining an active and visible presence in the pools/third party commercial management in which it participates.

The division's customer base consists of oil majors, traders and various blue-chip customers. Most customers are long-standing due to Unicorn's reputation, service offering, financial standing and the importance placed on relationships.

Contract cover is derived from time chartering-out a portion of the fleet. Unicorn employs some of its ships in pools which operate on a mix of contract cover and spot market rates. Tankers are currently employed under Vitol commercial management and in the Han Gang and Stolt pools, which are recognisable blue chip names in the tanker industry. Unicorn's competitive advantage continues to be one of a long-standing reputation for superior customer service.

The tanker business had a difficult year with losses across the spectrum as follows:

- **Small products tankers** – approximately a third of the fleet was contracted out at rates which outperformed the average spot market for the year. The remainder of the fleet is employed via a pool and while spot rates remained poor they steadily improved as the year progressed.
- **Medium-range products tankers** – four fuel efficient tankers in a joint venture with Vitol are contracted for delivery in 2013. In the middle of 2012 the existing tankers in the fleet not contracted out were moved from various pooling arrangements to Vitol commercial management. As a result of this earnings improved in the second half of 2012 relative to the indices.
- **Chemical tankers** – earnings were poor during the year. As a result of a request from owners to early terminate three of the four tanker charters, the vessels will return to the owners early in 2013 as part of confidential negotiated settlements.

There were no vessels delivered during 2012.

Tanker charter rates at 7 March 2013 were as follows:

	Spot rates (US$ per day)	One-year time charter rates (US$ per day)	Three-year time charter rates (US$ per day)	Average spot rates	
				2012 (US$ per day)	2011 (US$ per day)
Medium-range*	8 878	14 000	14 750	**6 191**	7 587
Small		9 500	10 500		

* *Source: Clarksons Research – Shipping Intelligence Network*
(Meaningful small tanker average spot rates are not available)
(Meaningful chemical tanker rates and small tanker spot rates are not available)

Unicorn chemical tanker.

DIVISIONAL REVIEWS: SHIPPING continued

Ship operating activities

INCOME STATEMENT

	2012 Rm	2011 Rm	Growth %
Revenue	**2 332**	2 796	(17)
EBITDA	**230**	128	80
Operating income	**218**	119	83
Attributable income	**218**	114	91
Margins (%)	**9**	4	125

The ship operating activity figures in the above table are included in the Drybulk segment on page 58 and the Tankers segment on page 59.

Ship operating activities consist of the short-term operation of the handymax bulk carriers and the Parcel Service and Unicorn joint ventures with Calulo Services (Pty) Ltd.

Ship operating activities had a satisfactory year. Volumes and margins were stable in the Parcel Service. The Handymax and Indian Ocean Islands operating businesses expanded further with an increase in the number of cargoes carried and the number of ships controlled. The tanker and bunker tanker businesses performed well.

Drybulk

The **Parcel Service**, which combines a large variety of bulk parcels from different customers into single ship loads, has a customer base which includes the world's largest mining and chemical companies, with a number of clients having been contract partners for over 30 years.

The **Handymax** operating division concentrates mainly on Pacific and Indian Ocean trade routes through the development of long-term relationships with blue-chip counterparties.

In order to service the contracts in the Parcel Service and Handymax operating divisions, vessels are chartered-in on a short-term basis with the long-term fleet being utilised from time to time if economically viable.

Tankers

The Unicorn joint venture with Calulo Services (Pty) Ltd, an empowered South African petrochemical group, consists of two companies:

- **Unicorn Calulo Shipping Services** (Pty) Ltd which focuses on tanker shipping on the South African coast and operates chartered-in product tankers for the local oil majors; and
- **Unicorn Calulo Bunker Services** (Pty) Ltd, which operates sophisticated bunker tankers in the South African ports on a mix of long and short-term contracts to oil majors, either via contracts of affreightment or time charter agreements.

KEY STRATEGIC PARTNERSHIPS/ALLIANCES

Strategic relationships are essential to extending the Shipping division's ability to access certain groups of customers, to expand its footprint and to access financing.

DRYBULK

Partner	Legal entity	Year established	Details of partnership/alliance
Mitsui	Tri-View Shipping Pte Ltd	2007	To provide access to Japanese financing and equity and to strengthen ties with Mitsui to ensure future business continuity.
Mitsubishi	IM Shipping Pte Ltd	2008	To provide access to Japanese financing and to cement ties with Mitsubishi to ensure future business continuity.
Lauritzen	Handyventure Singapore Pte Ltd	2001	To share the risk associated with perceived exposure to vessel ownership and long period charter at that time.
Rogers Shipping	Island Bulk Carriers Pte Ltd	2012	Provides access to cargo contracts into the Indian Ocean Islands.
Phoenix Shipping	Island View Phoenix, a division operating in Grindrod Shipping Pte Ltd	2011	Accessing experience in the Far East trades, to combine Phoenix's inbound cargo book with the division's outbound trades in order to rationalise costs of vessel positioning and to expand the division's footprint on the China/Africa routing.

TANKERS

Partner	Legal entity	Year established	Details of partnership/alliance
Vitol	Leopard Tankers Pte Ltd	2012	Contracted to purchase four 52 000 dwt products tankers. The remainder of the MR products tankers fleet (not contracted out) were removed from various pools and placed under Vitol commercial management.
Engen	Petrochemical Shipping Limited	1994	Concentrates on Engen's South African coastal requirements.
Calulo	Unicorn Calulo Shipping Services/ Unicorn Calulo Bunker Services	2007	Black empowerment group joint venture. Focuses on activities related to shipping and bunkering businesses.

Pools/third party management

In order to reduce the risks associated with vessels operating on the spot market, certain vessels have been placed in pools or under third party commercial management. The pools/ commercial managers chosen in the various shipping sectors are as follows:

- Medium-range products tankers – Vitol commercial management
- Small products tankers – Han Gang Pool
- Chemical tankers – Stolt Pool

With the removal of the handysize bulk carriers from the Lauritzen pool in 2013, the drybulk side of the business no longer participates in pools.

Targets for 2013

During 2013 the Shipping division will continue to engage in a strategic adjustment of its fleet mix and operations to selectively optimise competitive advantage in a market which is oversupplied.

Drybulk

- Exit the IVS/Lauritzen pool and commercially manage its own handysize bulk carriers.
- Maintain a modern handysize presence through well priced eco-design newbuilding orders in Japan, while maintaining a core fleet of 20/25 owned and long-term chartered ships.
- Move drybulk technical marine management in-house to improve efficiencies.
- Continue to build a solid cargo base ensuring operating profits and multiple arbitrage opportunities for a fleet of 5 to 10 long-term period handymax ships.
- Maintain existing Parcel Service customer/cargo base.
- Reduce capesize exposure by hedging at an opportune time in the market.
- Exit from the panamax drybulk carrier sector.

Tankers

- On-going assessment of the requirement to replace existing medium-range (MR) product tankers with new eco-design vessels.
- Manage exposure and deployment options of small products tankers.
- Termination of three out of four chemical tanker charters in lieu of a settlement.
- Re-assess chemical tankers pool participation for the remaining vessel.

Outlook

Commodity demand remains strong and world seaborne trade continues to grow.

The outlook for the dry cargo market remains weak due to the number, albeit reduced from 2012 levels, of new ships delivering into an already oversupplied market. On the positive side, scrapping of older drybulk tonnage continues at historical record levels and there is a sharp drop in newbuilding orders. This is leading in particular on the smaller size ships, to a rebalancing of the supply/demand equation.

There are signs of demand recovery in the products market which is resulting in improved tanker rates.

The owned and long-term chartered fleet has a good level of cover for 2013 which combined with ship operating activities should mitigate against any further market weakness.

DIVISIONAL REVIEWS:

FINANCIAL SERVICES

60% INCREASE IN DEPOSITS

80% increase IN ASSETS UNDER MANAGEMENT

R65,1 million ATTRIBUTABLE INCOME

KEY OBJECTIVES FOR STRATEGIC PLAN PERIOD 2013 TO 2015

- Grow the stable funding base
- Maintain a focused, secure lending book reducing the risk of bad debts
- Grow the Asset Management business
- Increase advances, in particular Property Mezzanine Debt, Preference Share Loans and invoice discounting
- Expand the Investment Banking business
- Growth of brokerage business and business relating to exchange traded funds (ETF)
- Develop value added services to retail card holders
- Increasing services to other Grindrod entities
- Explore cross-marketing opportunities with customers of other Grindrod divisions in order to offer financial services products to assist Grindrod as a whole to provide customers with holistic business solutions

Refer to the risk management report on pages 70 to 75 for an overview of the risk facing the Financial Services division.

KEY RATIOS		2012	2011
Return on ordinary shareholders' equity	%	**17,4**	13,7
Capital adequacy ratio	%	**13,3**	12,8
Number of employees		**131**	108

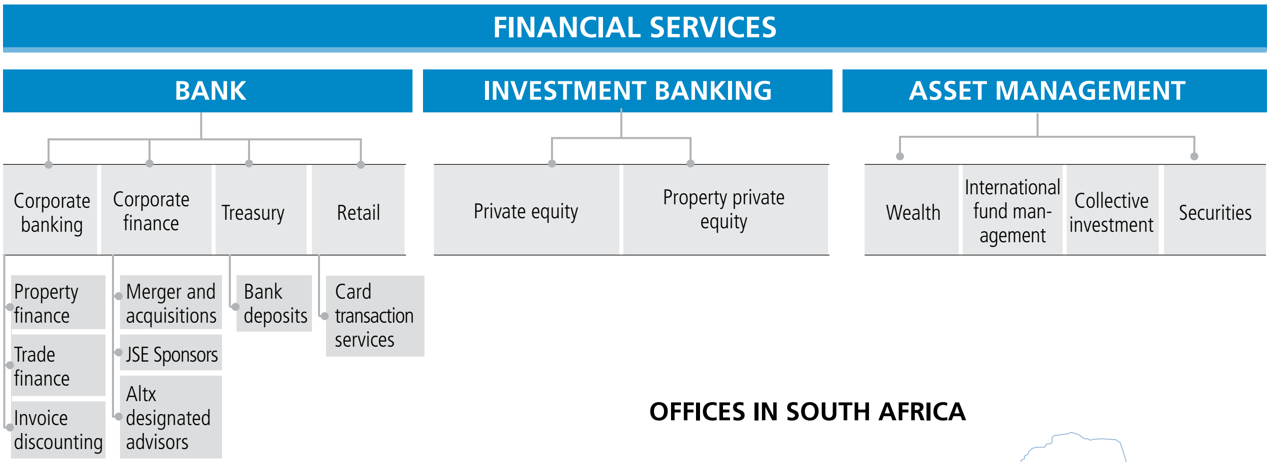
Offices in Durban.

Financial Services operations are currently based in SA with representative offices in Durban, Cape Town and Johannesburg. The target market includes small to medium-size corporates, high net-worth individuals, institutions (such as banks, fund managers and attorneys) as well as customers from the Freight, Trading and Shipping divisions of Grindrod that require property and working capital finance.

The Banking operations are conducted in Grindrod Bank Limited (the Bank), an authorised financial services credit provider (NCRCP25) regulated by the SARB. Established in 1994, the Bank is a competitive niche Bank with a particularly strong reputation in property finance. The Bank's objective is to be an independent bank with a credit rating and status which attracts stable funding and generates an above average return on capital, through focused investment banking, asset management and retail offerings.

Asset management activities are housed in Grindrod Asset Management (Pty) Ltd, an entity regulated by the FSB.

DIVISIONAL REVIEWS: FINANCIAL SERVICES continued



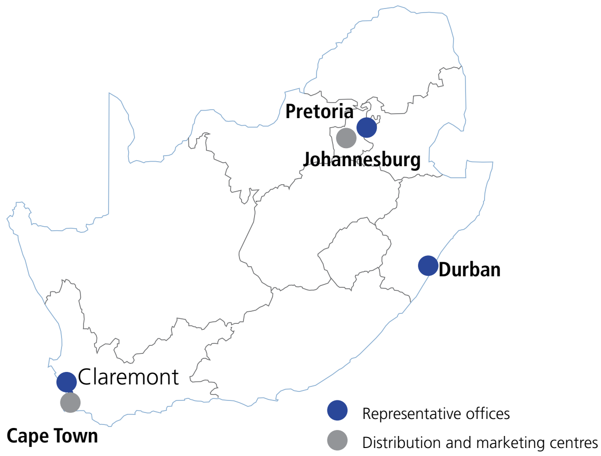
For the detailed statutory income statement, refer to the segmental analysis in the annual financial statements.

Financial Services attributable income increased 11,5% year on year largely due to strong fee income from lending activities, realisation of Investment Banking profits, growth in Asset Management fees and inflow in annuity income from Retail activities.

The Financial Services division continues to attract customers by offering a particular suite of customised solutions to low risk clients while demonstrating the ability to offer prompt service delivery. Increased interaction with other Grindrod divisions has resulted in opportunities to offer trade finance, invoice discounting and property finance services to a broader group client base.

The table below demonstrates the ability of the Financial Services division to attract new clients as well as retain existing client relationships.

OFFICES IN SOUTH AFRICA



INCOME STATEMENT

	2012 Rm	2011 Rm	Growth %
Revenue	**253**	194	30
EBITDA	**128**	82	56
Operating income	**126**	80	58
Attributable income	**65**	58	12

STATEMENT OF FINANCIAL POSITION

	2012 Rm	2011 Rm	Growth %
Non-current assets/ investments	**710**	113	528
Bank Loans advances and liquid assets	**2 748**	2 078	32
Current assets	**255**	164	55
Net cash including debt	**1 797**	1 350	33
Total assets	**5 509**	**3 705**	**49**
Equity	**740**	701	6
Deposits	**4 662**	2 911	60
Other liabilities	**108**	93	16
Total equity and liabilities	**5 509**	**3 705**	**49**

CLIENT ANALYSIS

New	Corporate/Investment banking	Treasury	Corporate finance	Retail*
New	33%	44%	42%	100%
2 to 5 years	53%	12%	43%	0%
> 5 years	24%	0%	15%	0%

** New division*

This phase of rapid client acquisition is accompanied by a strong focus on credit management and sound underlying security and serviceability of loans to ensure profitable growth and mitigation of risk. As a result, the Bank has limited any requirement for material impairment charges over the past few years.

The Bank continues to invest in human capital and infrastructure to ensure regulatory compliance and enable expansion into new business areas. Growth in asset management, retail income and tight management of expansion costs have resulted in a cost to income ratio of 57%. This creates a base for future efficiencies as the business continues to expand with the target ratio of 50% planned to be met in year 2015.

Particular significance in the current year, was the Bank raising funding of R500 million by the listing of three year bonds on the JSE. This funding will allow the Bank to explore new opportunities thereby increasing future prospects of the Financial Services division. Another significant occurrence during the current year was the acquisition of the Plexus Asset Management business which has increased assets under management materially.

The Bank remains well funded, supported by a stable deposit base which is due to the service levels and consistently competitive money market rates offered. As such, the Bank has been given the following investment grade rating by Moody's:

- NSR Issuer Rating – Dom Curr – Baa3.za
- NSR ST Issuer Rating – Dom Curr – P-3.za

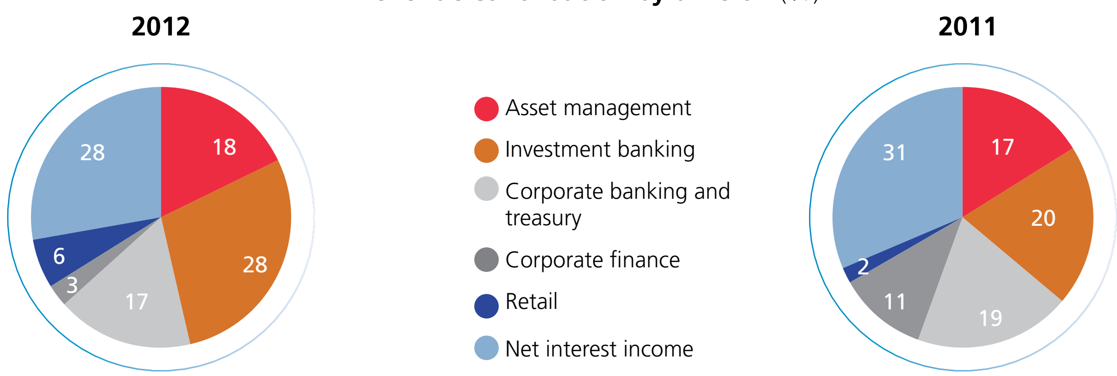
The following challenges are present in the financial sector as a whole and therefore have an effect on the Financial Services division:

- interest margins are expected to remain under pressure;
- continued global credit concerns;
- regulation changes emulating from the implementation of Basel III; and
- an uncertain investor environment.

The Bank has limited some of its exposure to the above risks by focusing on fewer well secured loans with lower risks of default. The Bank is prepared to sacrifice growth in order to maintain its interest margin.

The Financial Services division is constantly looking at ways to service other Grindrod entities through the ability to partner with entities within the group to provide customers with an end-to-end service in the areas of trade finance, invoice discounting, property finance and corporate finance advisory services. In keeping with the group's move towards integration, Property Private Equity has seized the opportunity to assist the Grindrod group by acquiring and refurbishing premium office space in Sandton, Johannesburg in which group companies will reside and use as a base of operations.

Revenue contribution by division (%)



SUSTAINABILITY

A great deal of energy and resources has once again been focused on nurturing a culture of excellence and outstanding client service within Grindrod's Financial Services division, with performance measurement and peer benchmarking employed to uphold these ideals and position the Bank as an employer of choice. This investment in intellectual diversity and development is core to the company values and helped it achieve its BEE target of level 4 in 2012.

The division has adopted the provisions of the Equator Principles, committing the division to not providing loans to borrowers who are not compliant with Grindrod's social and environmental policies. Grindrod Bank has also amended its credit policy to include reference to this requirement in terms of the Bank's lending and environmental risk screening has been included in all credit applications submitted for approval.

Environmentally, the division contributes less than 1% to the Grindrod group's ecological footprint and for reporting purposes is combined with Durban-based Head Office buildings. However, the division continues efforts to improve office eco-efficiency (i.e. energy, water, waste efficiencies) and made good progress in this regard (e.g. higher office waste recycling rates). The division also actively participates in the Grindrod group environmental and climate change committee.

DIVISIONAL REVIEWS: FINANCIAL SERVICES continued

OPERATIONAL OVERVIEW

Corporate banking

The Corporate Banking division provides lending and related products and services to corporates and high net worth entities.

The key strategic drivers for the business are to remain focused on areas of expertise and to concentrate on delivering an efficient, competitive and profitable service to its clients. Competitive advantage is through excellent service delivery and industry knowledge, particularly in property.

The objective of the division is to maintain a resilient net interest margin in an increasingly competitive environment, whilst managing bad debts to a minimum. This is achieved through identifying a specific target market, stringent application of credit policies and vetting of transactions. Performance measures include net interest margin, fee income and avoidance of bad debts. Apart from the on-going economic uncertainty, there were no key events that impacted the division.

Corporate finance

The Corporate Finance division primarily consists of capital raising, listings, initial public offerings, mergers and acquisitions.

The divisions expertise in both equity and debt capital markets enables the business to advise clients on all facets of capital raising transactions, pricing and valuation of offers, transaction structures and approach and strategy. A network of strategic business partners allows the business to offer clients introductions to institutional asset managers, private client fund managers and private equity funds to meet their needs through a single access point.

Corporate Finance has the experience to assist with the listing of companies on the JSE's Main Board and Altx markets. Practical and strategic advice is offered across all aspects of the comprehensive listing process.

Through associates in M&A International, the business is also able to provide access and opportunities to international equity markets, specifically London's alternative market AIM. Clients can be represented on the buy and sell side with the capability of introducing foreign buyers, sellers and capital providers into a transaction. Other services offered are BEE structuring, regulatory compliance and private equity.

The sponsor and designated advisor team consists of four JSE approved executives able to offer comprehensive, tailored listing services on the JSE's Main Board and Altx markets. The year ended with 15 sponsor/designated advisor clients, which bodes well for an improved performance in 2013, after a relatively disappointing year in 2012.

Treasury

The primary function of Treasury is to provide funding to and maintain the liquidity of the Bank. Deposits increased by 60,56% to R4 674 million (2011: R2 911 million) during 2012, with an additional R500 million raised via the issue of a three-year Bond guaranteed by Grindrod Limited. These bonds are listed on the JSE at 180 basis points above Johannesburg Interbank Agreed Rate (JIBAR).

Retail

The Bank is a member of the National Payment System which allows the Retail division to provide banking services to approved Third Party Card Issuers (Co-Brands) who in turn issue debit cards for use at ATMs and MasterCard merchants. Other products being considered are cellphone and internet banking.

In April 2012, the Bank launched the SASSA project in conjunction with Net1. As at 31 December 2012, 5,5 million cards have been issued to government grant recipients. The rollout of these cards will continue until April 2013 resulting in a card base of between nine and 10 million.

The Retail division's expansion activities require new processes to be developed and implemented with operational issues resolved in the shortest time period possible to ensure customer satisfaction and sustainability of operations. This was achieved by working with each Co-Brand to provide adequate customer support and thus allowing the business to scale the Retail operation.

Key performance indicators include the number of cards in issue and the number of Co-Brand programmes that are launched. This diversifies the income stream for the Retail division and allows the division to earn sustainable, annuity income.

Retail's main strategic business partner is Net1, who manages the SASSA Co-Brand. The Bank also has a technology outsource arrangement to host Retail bank accounts on Net1's system. In addition, the Bank has a technology outsource agreement with Direct Transact. This platform is also used to support Co-Brand programmes.

The Retail division is exploring opportunities to contract with new Co-Brands and thus increase annuity income. The criteria which the division uses in establishing a business arrangement with these Co-Brands is for them to have an existing client base and for the Co-Brand to have a clear business reason why they require debit cards as part of their product offering. The Co-Brand can leverage off Grindrod Bank's membership with Payment Association of South Africa (PASA), our relationship with MasterCard and our participation in the National Payment System, which allows the Co-Brand to issue debit cards that can be used at merchants and ATMs (domestically or throughout SA). Their clients will also have an account which is enabled for EFT (Electronic Fund Transfer) transactions.

Investment banking

The division aligns itself with active participants in the investment banking and private equity sector, which together with its high net worth client base provides it with robust and profitable deal opportunities.

The key profit drivers for the business are identifying and investing in quality long-term investment opportunities through investment banking and private equity initiatives.

The short-term focus is to enhance service levels before considering significant expansion and therefore no increased capital outlay is required at this stage. The division will focus on leveraging its strategic business partnership and networking opportunities to develop new opportunities.

The Property Solutions division specialises in industrial and commercial real estate with a particular focus on the following areas:

- commercial mortgage lending
- mezzanine lending
- property private equity

The expansion of the Property Private Equity business locally and offshore will be a key strategic focus area in 2013. The division has recently entered into a relationship with Valad, a United Kingdom property group which is partly owned by Blackstone, one of the largest private equity companies in the world, to explore the creation of a UK property investment vehicle for South African investors.

Asset management (GrAM)

GrAM is a medium sized asset manager authorised and regulated in terms of the Financial Advisory and Intermediary Services Act as well as the FSB with category I and II licences as well as a licence to manage and administer pension fund assets.

The Asset Management division continues to perform well, consistently being able to exceed its various benchmarks as a whole. The acquisition of Plexus Asset Management in April 2012 has assisted in the growth of total assets under management by 79% to R10,9 billion (2011: R6,1 billion). The business has also succeeded in increasing the product offering from two funds in the prior year, to 13 funds in 2012.

Wealth (previously known as Private Clients) performed well in 2012 with a 43% increase in assets under management to R2,9 billion (2011: R2,0 billion).

Asset Management manages, as part of its institutional funds, Nedgroup's South African listed property collective investment scheme (CIS) (unit trusts) in terms of Nedgroup's "best of breed" approach. Assets under management in this fund amounted to R776 million as at 31 December 2012 (2011: R243 million). With the introduction of four new institutional funds, institutional fund assets under management have increased to R4,3 billion.

Grindrod Collective Investments (Pty) Ltd, registered in 2012 as a FSB approved CIS management company, manages nine CIS funds, including the Grindrod International Property Fund, a US Dollar denominated "mirror" fund to the existing Rand denominated Grindrod Global Property Income Fund. This fund aims to create business by attracting South African and other investors with existing offshore investments.

The division intends extending the ETF product range and the rebranding of existing product ranges in 2013.

Being a new addition to the Financial Services division, Securities (stock brokering) has exceeded expectations by not only being profitable during its first year of operation but also surpassing both budgeted revenue and discretionary assets under management. The Securities division will be expanded during 2013 by the opening of an office in Cape Town as well as the expansion of institutional broking skills to the Durban office.

Outlook

Fees from the increased card base will become meaningful in 2013, whilst increased liquidity requirements under revised Basel III regulatory rules will apply pressure to costs. Financial Services will continue to focus on well secured loans with low risk of default and maintaining a good interest margin to preserve core banking profits and the marketing of asset management services on the back of good service and consistent performance.

GROUP SUSTAINABILITY

Global Reporting Initiative (GRI)

Grindrod has adopted the GRI framework and guidelines for sustainability reporting in 2005. Grindrod has a self-declared B level of GRI application in terms of the extent to which the GRI's G3.1 guidelines have been adopted in its sustainability reporting.

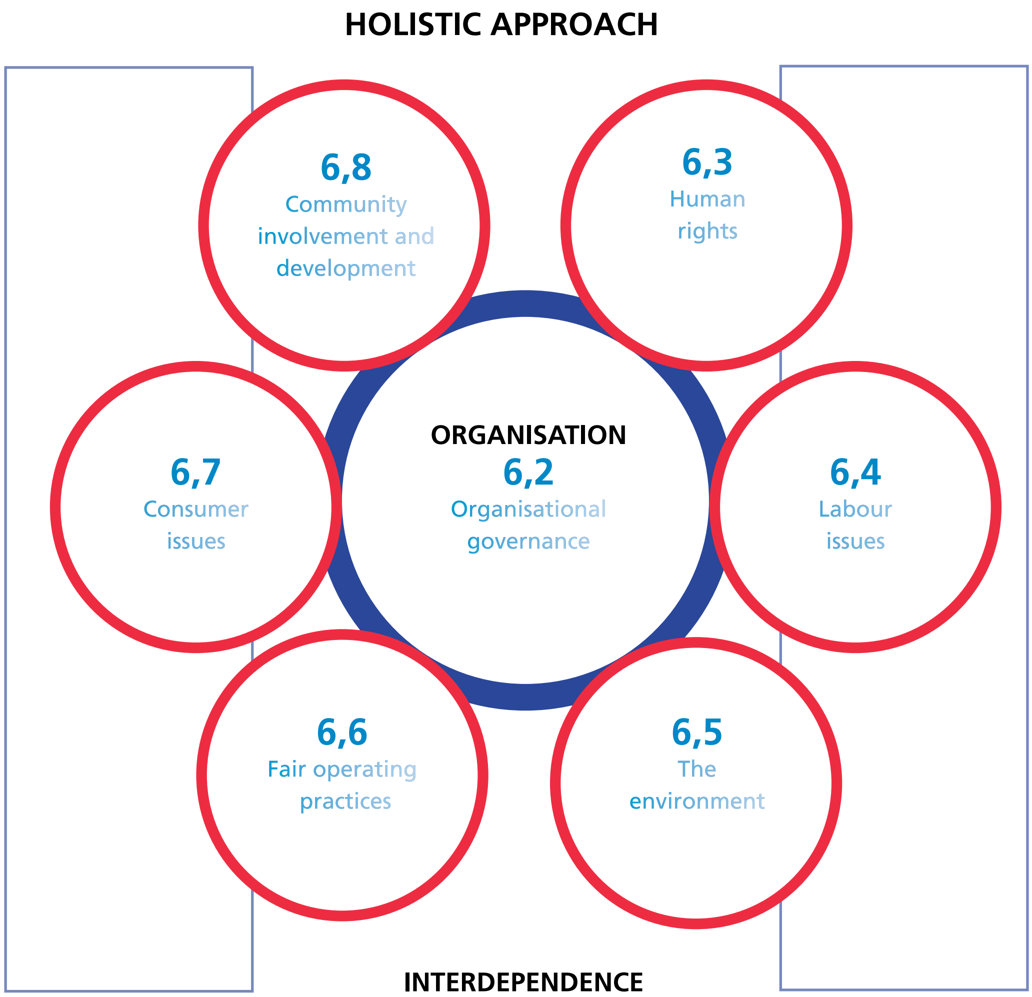
This represents that Grindrod has provided full disclosure on all the GRI profile disclosure criteria, has provided management approach disclosures for each indicator category and has reported fully on more than 20 Core Performance Indicators (across the prescribed range of indicator categories).

Grindrod's GRI Content Index can be found on the company's website (sustainability pages), on www.grindrod.co.za.

The group sustainability review provides a balanced and reasonable representation of Grindrod's ESG policies, practices and performance for the financial year ended 31 December 2012, and covers the group company activities around the world, including impacts on communities and the environment.

In the last few years, Grindrod has moved towards a more holistic, integrated and stakeholder-driven approach to managing the ESG and sustainability aspects of its business, in the firm belief that these are inextricably linked to long-term shareholder value.

This approach, which is in line with King III, is best depicted by the international Social Responsibility Standard ISO 26000 framework, illustrated in the diagram below. Grindrod covers, in terms of its management and subsequent reporting, the seven core aspects of good corporate social responsibility as outlined by this standard.



Figures denoted corresponding to clause numbers in ISO 26000

Selected sustainability performance highlights for 2012 include:

- Recognition for sustainability efforts:
  - Grindrod received a "Best Practice" result for Environmental Performance for the second year in a row, and for the first time a "Best Practice" result for Climate Change, in the 2012 JSE SRI assessment. Grindrod has been a constituent of this index since 2005.
  - A significant improvement in the company's rating in the 2012 CDP assessment resulted in Grindrod being included, for the first time, in the Nedbank Green Index.
- Full functioning, for the first full year, of the social and ethics board committee which has a broad social, governance and SHE safety, health and environment strategic oversight and integration function, aimed at influencing and guiding the board on these matters as an integral component of core business decision making.
- The adoption by the board of a new, improved environmental and climate change policy. This "Vision 2020" policy can be downloaded from the company's website.
- Progress with the company's eco-efficiency, zero pollution and climate change mitigation drive through:
  - solid waste recycling rates are up.
  - fuel is being combusted more efficiently in ships and land-based vehicles.
  - electricity is being used more efficiently.
  - water is being conserved.
  - Shipping achieved, for the seventh consecutive year, a record of zero material (less than one barrel) spills. Full details and metrics are contained in the environmental and climate change section on page102.
- Continued progress with reaching B-BBEE objectives and targets and with growing Grindrod's biggest asset, its people.
- Average company B-BBEE assessment scores within the group were maintained at level 3 (the rating scale is based on a range of 1 to 8, with 1 being the most desirable score).
- Training spend, both on formal training, professional development and on-the-job coaching increased year on year by 28% to R12,5 million.
- Continued efforts to drive improvements in occupational health and safety performance. Year on year total occupational health and safety investment was increased by a further 34% to R26,3 million. Full performance metrics are contained in the integrated human capital report.
- Improvements in the depth and breadth of stakeholder engagement, and particularly in relation to long-term strategic direction and focus on sustainable practices. Refer to the stakeholder engagement section on page 79.
- A 37% increase in year on year SED spend to R5,6 million, despite a challenging economic period, demonstrated Grindrod's commitment in this area. A focus on assisting education in underprivileged communities in SA was maintained.

An expanded limited assurance process was completed by Deloitte & Touche, to provide independent stakeholder assurance around sustainability reporting (refer to page 93). Detailed findings will be acted on to drive further improvements in the accuracy and completeness of sustainability monitoring and reporting.

Grindrod road tanker.

RISK MANAGEMENT

Grindrod's risk philosophy recognises that effective risk management is fundamental to maintaining and improving a competitive advantage while adapting to changes in the business environment. Grindrod adopts a holistic approach to managing uncertainty, representing both risk and opportunity. The aim is to establish an acceptable level of residual risk in each area of the business, which should be as low as reasonably practical, while taking full advantage of the highest returns possible to maximise shareholder wealth. In all risk management activities, compliance with the King III Code on Corporate Governance in SA is a significant principle.

The group risk management policy sets out Grindrod's risk management structure, the risk management framework, the standards and methodology used, risk management guidelines and details of the assurance and review of the risk management processes as recommended by King III.

The risk management processes followed are based on the ISO 31000 standard for risk management. Independent, objective assurance on the effectiveness of the risk management processes is in the process of being provided to Grindrod's board.

While Grindrod has effective risk management processes, the board recognises that risk management is an on-going process which requires continuous improvement in order to evolve, commensurate with the development and growth of the group's activities.

Executive and operational management are accountable to the board for designing, implementing and monitoring the processes of risk management and integrating these into the day-to-day activities of the group. Risk reviews are facilitated at all subsidiary and joint venture companies. Risks are prioritised and ranked in risk registers to focus appropriate responses and interventions by management.

Grindrod's board retains ultimate responsibility for the governance of risk and ensuring that risks are adequately identified, calculated, monitored and managed.

In addition to the assessments of risks at quarterly board meetings, a separate annual meeting of the board is held which focuses on the review of the group's risk management processes and approves the group risk management plan for the following year. The board and management review and assess the levels of risk tolerance and/or risk appetite specific to particular risks on an on-going basis.

Risk tolerance levels

The board has formalised and approved the following risk tolerance levels:

- Investment hurdle rates are set in accordance with the WACC and take into consideration the need to retain shareholder value, access to capital, recognition that the actual cost of capital is not known with certainty and the fact that not all risks can be anticipated or predicted and therefore carry a premium over Grindrod's cost of capital. Evaluations of investments are performed one year after implementation.
- Surplus group funds are invested in terms of a surplus investments policy to safeguard cash and liquid assets. The risk tolerance levels for surplus cash investments are measured in terms of lending rates ascertained by major banks in the money market. Bank credit risk is managed through counterparty limits set out in this policy. Exposures to foreign currencies and interest rates are monitored by the group's foreign currency risk and interest rate risk policies.
- The Shipping division's risk model measures the effect on group cash flow should charter rates in all sectors be at their historical lows for three consecutive years. The current benchmarks are, that the aggregate of three year earnings must be less than 40% of Shipping opening equity and debt and debt equity at year end must be less than 3:1.
- In respect of the trading of agricultural commodities the net open position limits per commodity, are set and approved by the board.
- Insurance cover is taken out on risks associated with unplanned loss to assets, exposure to liabilities, fidelity, business interruption and other operational risk. Insurance cover on assets is based upon current replacement values. A substantial portion of risk is self-insured through captives at costs well below market premiums.

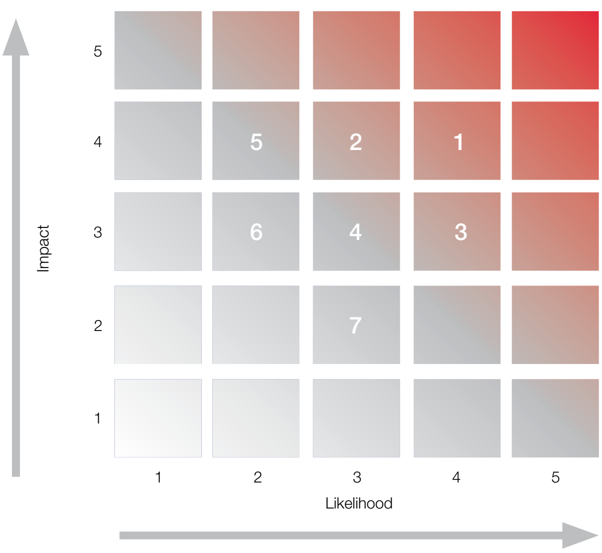
Overview of key risks

There were no undue, unexpected or unusual risks taken during the period under review and there are no current exposures that could jeopardise the going concern status of the group.

The risks considered to be significant to the group are set out in the heat map below. The evaluation takes into account all controls in place to mitigate the risks. The rating is an aggregation of the individual ranking by each member of the board. The evaluation range measures the residual risk as a combination of the likelihood and impact of each risk.

The board is of the opinion that no further mitigating actions are required to manage these residual risks, other than the mitigating actions which are set out below.

Residual risks



Evaluation range	Matrix evaluation
1 – 6	Low
7 – 22	Medium – high
23 – 25	Critical

All risks are rated in terms of impact and likelihood, taking into account the existing controls, on a scale of 1 – 5. The likelihood and impact scores are then multiplied to give each residual risk a rating (I x L = R) which determines whether the residual risk is a low risk, medium to high risk or a critical risk.

1
- Investment risk
- Political/sovereign risk

2
- Reduced demand for commodities
- Project risk
- Current weak shipping markets

3
- Correct timing of entry into shipping markets

4
- Inadequate infrastructure
- Industrial action
- Competition
- Funding risk

5
- Loss of staff

6
- Information technology
- Counterparty/credit risk
- Execution
- Exchange/interest rate risk
- Piracy
- Reporting risk
- Legal compliance
- Fraud risk

7
- Environmental and climate change risk
- Health and safety

RISK MANAGEMENT continued

RISK	CATEGORY	IMPACT/DESCRIPTION	MITIGATION
Investment risk	Strategic	Substantial investments failing to meet minimum returns and problematic to exit.	Investment approval and due diligence policies and processes. Key staff involved in the management of investments.
Political/ sovereign risk	Political	The development of supply chain assets outside the borders of SA is a key strategy for the group and the potential of expropriation/political instability will always be a risk which must be considered.	Country assessments (sovereign risk etc.) performed before investment. Political risk insurance (guarantees), where appropriate. New projects are assessed in terms of the group investment policy and must be approved by the board. Partnering strategically with businesses with knowledge of local markets and governments to build key relationships.
Reduced demand for commodities	Market	Although a strong market demand for commodities resulted in increased volumes handled through all terminals during the year, the risk is that should there be a reduced demand in commodities this will result in reduced volumes and revenues.	This risk is managed through "take or pay" agreements and throughput guarantees. Diversification by geographical location, commodities and involvement throughout the value chain hedges the Trading division's revenues.
Project risk	Market/ operational/ financial/legal	Risks include transactional risk, legal risk, market risk, increased costs and project delays.	New projects of scale are approved by the board. Staff with the appropriate skill and experience have been tasked with project management. Appointment of specialist consultants to undertake studies to evaluate risks. Key performance indicators (deliverables and timelines) are determined and reviewed as part of performance management systems. Project progress and feedback provided to the Board on a quarterly basis in respect of material projects.
Current weak shipping markets	Market	Adverse impact on earnings due to weak shipping markets.	Continual assessment of shipping markets by management. Careful timing of fixed charters and entry into markets, diversification of risk and a solid contract base. Use of FFAs and bunker hedges. Matrix-based contracts of affreightment/options for the Parcel Service. Participation in shipping pool where appropriate. Use of risk model to measure long-term exposure to charter and spot markets, updated on a quarterly basis. Annual review of the risk model's assumptions and the benchmarks.
Correct timing of entry into shipping markets	Strategic/ market	Only acquire/purchase ships at appropriate times.	Market knowledge and intelligence. Significant experience. Support base of skilled advisors.
Inadequate infrastructure	Operational	Restricted availability of rail resources to service drybulk and car terminal volumes, especially Maputo. Limited access to agricultural value chain assets.	Joint rail operating centre staffed by Grindrod Corridor Management, Transnet Freight Rail and CFM (Mozambique Ports and Railways) which manages rail co-ordination and improves efficiencies. Promote public/private partnerships (PPPs) in the ports, terminals and rail sectors in the long-term. The Trading division will be investing selectively in supply chain infrastructure.

RISK	CATEGORY	IMPACT/DESCRIPTION	MITIGATION
Industrial action	Organisational	Logistics operations were disrupted by industrial action in the road transport sectors.	Executive management supports the group culture and implementation of collaborative and consultative approach. Established communication forums (i.e. employment equity, skills development and bargaining forums). Management are trained and supported by human resource experts on building communication platforms, managing employee issues, performance and discipline. Streamlining initiatives resulted in minimal restructurings/retrenchments in the current year. Specific analysis of the recent industrial action in SA has been undertaken in relation to Grindrod's operations and remedies for addressing the underlying causes are being adopted.
Competition	Market/ strategic	Loss of market share due to failure to properly consider changes in markets and actions of competitors.	Highly qualified management team and non-executive directors. Good quality market information and relationships. Strategic planning and review process.
Funding risk	Financial	Inadequate funding for expansion projects and/or financial exposure to a single project.	The group has a detailed funding plan and liquidity 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. Introduction of appropriate partners to assist with raising of capital/equity.
Loss of staff	Organisational	The loss of key staff (especially at leadership/senior management level) can cause significant disruption to the business due to shortage of skills and also the potential loss of market share and proprietary information.	Talent management, performance bonuses, career development and training form an integral part of the business that strives to develop a positive team spirit and a favourable working environment.
Information technology	Organisational	Most businesses within Grindrod are IT dependent and an IT systems failure could result in financial loss and an inability to operate. Inadequate commodity trading and risk management (CTRM). IT systems can inhibit adequate risk management and result in financial loss.	Centralised IT systems are backed up with a disaster recovery plan. The group's wide area network communications platform is serviced by a fully backed up, outsourced virtual private network. The group invests in appropriate computer technology to ensure that business units improve efficiencies and remain globally competitive. The targeted technology refresh cycle is between three to five years, thus avoiding the accumulation of legacy systems throughout the group. The IT steering committee monitors IT governance and strategy. CTRM refresher programmes are held for the Trading division.

RISK MANAGEMENT continued

RISK	CATEGORY	IMPACT/DESCRIPTION	MITIGATION
Counterparty/ credit risk	Market/ financial	Financial losses may arise, should counterparties/debtors become unable to meet their obligations to the group.	Counterparty risk management policy/credit policies are in place. Regular monitoring of all counterparties in order to assess their ability to perform on contracts and charters. Internal controls include a thorough credit approval process with regular management review. Debtors are reviewed on a monthly basis by management. Selective uses of credit guarantee insurance. Material exposures require board approval in terms of approved limits of authority. Due to the size of Grindrod Bank and the non-retail nature of its book, it runs concentration risks, which are not entirely covered by Pillar I capital requirements and to this end the Bank holds 1,57% of additional capital.
Execution	Market	Movement of market price between the time an order is initiated and when finally executed, resulting in the risk of execution being at a lower rate than at initiation.	A commodity position trading policy which includes daily trade position reports, weekly mark-to-market and monthly commentary on strategy, position and market. The capping of tonnes per commodity to ensure the theoretical economic exposure is limited.
Exchange/ interest rate risk	Financial	The Rand/US Dollar exchange rate significantly impacts the group's results.	It is not the group's policy to hedge US Dollar operating cash flows generated by US Dollar denominated businesses. Board approved group exchange and interest rate policy is in place. Detailed review of the group's foreign exchange and interest rate exposure quarterly by the board and on an on-going basis by management.
Piracy	Operational	Although Grindrod's main trading routes are not through high risk piracy areas there is nonetheless a significant cost to Grindrod in terms of extra days at sea to avoid areas prone to piracy, extra bunker costs and higher insurance costs.	Anti-piracy policy which manages the risk by: ■ avoiding high risk areas and/or remaining outside the listed areas when transiting the Indian Ocean and/or transiting the Gulf of Aden under naval convoy or under the group transit scheme along the internationally recommended corridor; ■ the adoption of internationally recommended industry best practices and IMO guidelines; and ■ insurance, including kidnapping and ransoms, loss of hire and loss of hire (damage) and additional war risk covers.
Reporting risk	Financial	Inability to provide management with correct and complete financial information in order for them to make informed business decisions which will allow them to be better equipped in their management and control functions (i.e. budgets, forecasts, results, etc.).	Management review. Management skill/experience. System improvement and optimisation required to reduce significant manual intervention required on financial data. Financial control frameworks in place to improve quality of financial information.

RISK	CATEGORY	IMPACT/DESCRIPTION	MITIGATION
Legal compliance	Legal	Non-compliance with relevant laws, regulations and business rules can result in reputational loss and penalties, statutory liability and other financial consequences.	Service providers such as auditors, attorneys, trade associations and classification societies keep operating companies abreast of any significant changes in legislation. Tax legislation and its numerous amendments are regularly reviewed to ensure the group is in compliance with all relevant tax legislation. A detailed tax compliance review is conducted on a regular basis by the Internal Audit division. Legal registers relating to SHEQ legislation are maintained per site.
Fraud risk	Financial	Fraud can result in financial loss and damage to brand reputation and goodwill.	Fraud risk factors and internal controls are regularly reviewed and assessed through the group's risk management and internal audit processes. The fraud risk management strategy is continuously reviewed and updated. The group fraud and corruption prevention policy and the fraud response plan ensure formal reporting and feedback. Grindrod subscribes to Tip-offs Anonymous, the confidential whistle-blowing hotline service operated by Deloitte.
Environmental and climate change risk	Operational	Environmental Potential impacts include reputational loss, fines and penalties, statutory liability for environmental remediation and other financial consequences.	The application of high level safety standards and use of modern, high-specification ships greatly reduces the risk of oil pollution. Environmental cover is insured under P&I policies and oil pollution has coverage of up to US$1 billion per ship 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 management of environmental risks are set out in the environmental performance section on page 102 to 109. The board monitors compliance with the environmental policy through bi-annual quality, health, safety, security and environmental reports. Subsidiary companies are required to formulate key environmental objectives with achievable targets and to report on performance against these targets on an annual basis.
		Climate change Compliance with changes in the regulatory environment aimed at reducing the effects of climate change.	Climate change risk is managed through the group environmental and climate change committee. A more detailed review of the management of climate change risk is set out in the environmental performance section.
Health and safety	Operational	Failure to maintain the high levels of safety management can result in harm to employees, contractors, the public, damage to the environment and reputational loss.	Occupational health and safety is managed in terms of ship-based or site-level integrated SHEQ management systems and site-level health and safety committees. Senior employees in the company are required to ensure that all legal requirements are complied with and this forms part of their personal assessment. Major contractors (e.g. shipyards) are audited in terms of SHE performance on an on-going basis. All serious incidents are reported to the Grindrod Limited board and dealt with in the most serious light, with full investigations conducted and appropriate remedial action taken in all cases.

CORPORATE GOVERNANCE

Compliance

Grindrod is committed to the highest standards of ethical conduct and compliance, which is entrenched in Grindrod's core values of Respect, Integrity, Professionalism, Fairness and Accountability.

Grindrod applies the principles of good corporate governance recommended in the King Report on Governance and King Code of Governance for SA 2009 (King III), which is considered essential for the success of any governance framework. The group is committed to complying with the JSE Listings Requirements and all legislation, regulations and best practices relevant to its business in every country it conducts business.

The group has a comprehensive set of policies, regularly updated in line with changes in legislation and business governance requirements, with which all group companies and employees are obliged to comply. All divisions are required to provide assurances to the audit committee bi-annually, confirming they have complied with all applicable laws and consideration has been given to non-binding rules, codes and standards.

For the 2012 financial year, with the exception of those items outlined below, the board confirms that the group has complied with King III:

1. The chairman of the board is not an independent non-executive director. Mr IAJ Clark was appointed non-executive chairman in 2007 and due to his shareholding and unexercised share options, which were awarded during his term as CEO, he is not considered independent. The board is of the view that his experience and business skills far outweigh perceived lack of independence.
2. The company does not have a separate risk management committee. Due to board member experience and knowledge, the responsibility is considered best placed with the full board. The board meets annually to solely review and monitor the robustness of the enterprise risk management of the group. In addition, a risk management report is tabled at each board meeting. A full report on risk management is set out on pages 70 to 75 of the Integrated Annual Report.
3. The company believes that directors should not earn attendance fees in addition to a base fee. Directors add value to the group outside of the formal board and committee meetings, often greater value than within the confines of a formal meeting. In addition, the directors have a record of high attendance at board and committee meetings.
4. The group internal audit manager does not report solely to the audit committee as required by King III. He reports administratively to the group financial director, but functionally to the chairman of the audit committee. He has free and direct access to the chairman of the audit committee.
5. An IT governance framework is in place, however, it is still to be evaluated against a recognised framework in terms of King III and will be further enhanced in 2013.

Board leadership

Board members are appointed through a formal process and the remuneration/nomination committee assists in identifying suitable candidates to be proposed to shareholders for election.

The boards role is regulated in a formal board charter. 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 group's website.

In assuming ultimate responsibility for effective control and leadership of the group, the board takes responsibility for the following:

- compliance with all relevant laws, regulations and codes of business practice;
- definition of levels of materiality, reserving specific powers to itself and delegating other matters to executive management in terms of an authority framework;
- provides guidance on the group strategy, including all strategic matters and annually approves the group business plan;
- monitoring the implementation of the business plan by management and the executive;
- reviewing performance of the various board committees established to assist in the discharge of its duties;
- monitoring key risks, opportunities and performance areas of the group and identifying non-financial issues relevant to the group; and
- determining the policy and models applied to ensure the integrity of:
  - risk management and internal controls;
  - director selection, orientation and evaluation;
  - executive and general remuneration on the recommendation of the remuneration/nomination committee;
  - external and internal communications;
  - succession planning at senior management level; and
  - shareholder engagement.

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 group financial director's report on pages 28 and 31.

As a key performance area of the board, the group's strategy is mapped by the board in consultation with the executive committee of the company. The board appreciates the fact that strategy, risk, performance, stakeholder engagement and sustainability are inseparable. The board annually reviews the strategy and finalises the group business plan for the ensuing year at its meeting held in November. The executive attend a special two-day strategy session annually to determine the strategic direction of the group.

The Grindrod board comprises five independent non-executive directors, three non-executive directors and five executive directors. A further two independent non-executive directors were appointed to the board on 1 January 2013. Directors' details and their diversity of skills and commercial experience are detailed on pages 20 to 22 of the Integrated Annual Report. Mr IM Groves is the lead independent director.

Messrs MR Faku, JJ Durand and PJ Liddiard (alternate) were not considered independent for the following reasons:

- Mr MR Faku represents the interests of the B-BBEE partner of Grindrod (SA) (Pty) Ltd, a major subsidiary company; and
- Messrs JJ Durand and PJ Liddiard (alternate) represent the interests of Remgro, a major shareholder in Grindrod.

Individual performance evaluations are conducted by the chairman annually in respect of the non-executive directors.

During the year, changes to the board included the resignation of Mr AF Stewart and the appointment of Messrs JJ Durand

and PJ Liddiard (alternate), following the tragic passing of Mr MH Visser.

Messrs AC Brahde and GG Gelink were appointed as independent non-executive directors to the board on 1 January 2013. Mr AC Brahde has many years of international shipping experience and Mr GG Gelink is a chartered accountant. Both appointments will provide for succession planning in their respective areas of expertise.

The Grindrod Limited board met five times during the year. Meetings are planned well in advance and full attendance of the board is expected. Board attendance is set out on page 78.

Committees

The group's committees play an important role in enhancing good corporate governance and each committee acts within the ambit of clearly defined terms of reference approved by the board and which are available on the group's website.

For the purposes of sound governance and in compliance with SARB, FSB and relevant legislation, Grindrod Bank has its own board committees which include:

- audit and compliance;
- remuneration;
- directors' affairs;
- risk and capital management;
- credit risk;
- asset and liability; and
- investment banking.

Audit committee

The audit committee is constituted as a statutory committee in respect of its statutory duties in terms of section 94(7) of the Companies Act, 71 of 2008 (the Companies Act) and a committee of the board in respect of all other duties delegated to it by the board.

The committee has an independent role with accountability to both the board and shareholders, it does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior management and understands how the board and the external auditor evaluate materiality for integrated reporting purposes.

All members are suitably skilled and experienced. The chairman of the committee is elected by the board.

The chairman reports to the board on the activities and recommendations made by the committee.

The committee's terms of reference defines the responsibilities of this committee, including but not limited to the reviewing of internal controls and financial results, approving the internal audit plan, recommending the appointment of the external auditor and overseeing the external and internal audit processes and is also responsible for overseeing the implementation of the integrated report and verification procedures.

The report of the audit committee is set out on page 82 and 83.

Internal audit

The group acknowledges the importance of an independent strategically aligned internal audit function to assist the audit committee in discharging its responsibilities.

Internal audit is mandated by and functions in terms of an approved charter which describes its purpose, authority and responsibilities.

The internal audit function is independent of all other organisational functions, reports directly to the audit committee and has free and unrestricted access to all areas within the group, including management, personnel, activities, locations and information.

All internal audit activities are performed in compliance with International Internal Audit Practice and the methodology and standards required by the South African Institute of Internal Auditors. A quality improvement plan and a quality review process are in place and on-going.

Systematic and thorough annual internal audit coverage plans are prepared, together with management and approved by the audit committee. All businesses within the group receive adequate coverage by following a methodical risk-based audit approach.

Considerable strides were made in 2012 by increasing focus on:

- co-developing and evaluating financial and operational controls frameworks;
- reviewing the reliability and integrity of significant financial, managerial and operational information;
- sustainability reporting validations; and
- pre- and post-implementation reviews of IT systems.

Going forward, the strategic focus of internal audit is to:

- improve risk-based alignment in order to provide assurance on key risks that may prevent or effect the realisation of strategic goals;
- assist management in further developing and embedding the internal financial control frameworks to identify financial reporting risks and ensure controls are adequate to address the risk of material misstatements of financial results; and
- improve collaboration with management, other internal assurance providers and the company's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose is further aimed at the development of a meaningful combined assurance model.

Remuneration/nomination committee

The remuneration/nomination committee is established as a committee of the board.

The terms of reference define the responsibilities of this committee, including but not limited to the assessment and approval of a broad remuneration philosophy and strategy for the group, the review of the structure, size and composition of the board and its committees, evaluation of the leadership requirements of the group and succession planning and approval of the terms of any scheme providing performance-based incentives. In addition to the above, the committee is responsible for making recommendations to the board on all fees payable to non-executive directors and considers the performance and independence of all non-executive directors.

The chairman reports to the board on the activities and recommendations made by the committee.

The remuneration report is set out on pages 84 to 92.

Social and ethics committee

The social and ethics committee is established as a committee in terms of section 72 of the Companies Act. The chairman of the committee is elected by the board and is responsible for reporting to the board on the activities and recommendations made by the committee.

CORPORATE GOVERNANCE continued

The committee's terms of reference defines the responsibilities of this committee, including but not limited to assisting the group with overseeing sustainability matters and is responsible for monitoring the group's activities with regard to SED, good corporate citizenship, environment, health and public safety, consumer relationships and labour and employment practices, as prescribed by the Companies Act.

The report of the social and ethics committee is set out on page 94.

Executive committee

The committee comprises the executive directors, Messrs HJ Gray, WP Hartmann and Ms B Ntuli. During the year, Mr WP Hartmann and Ms B Ntuli were appointed to the committee.

The board has delegated a wide range of matters relating to the group's management to the executive committee as directed by the group limits of authority framework, including but not limited to:

- financial, strategic, operational, governance, risk and functional issues;
- formulation of the group's strategy and policy; and
- alignment of group initiatives.

In addition, the committee assists the CEO in guiding and managing the execution of the overall direction of the business of the group, monitors business performance and acts as a medium of communication and co-ordination between business units, group companies and the board.

The committee held eight meetings during the year, which included:

- four executive meetings;
- a succession planning meeting;
- a two-day strategic planning meeting with key operational management;
- a two-day executive strategy planning meeting; and
- a presentation by the Institute of Futures Research.

Board and committee meeting attendance for the year ended 31 December 2012 was as follows:

Directors/members	Board	Audit	Remuneration/ nomination	Social and ethics	Executive
Non-executives					
IAJ Clark	4/5	–	3/4	–	
IM Groves	5/5	3/3	4/4	–	
H Adams	3/5	–		–	
JJ Durand	4/5o	–	2/4~	–	
MR Faku	3/5	–		2/2	
WD Geach	5/5	3/3		–	
MJ Hankinson	5/5	3/3	4/4	2/2	
PJ Liddiard (alternate)	4/5	–		–	
MH Visser	1/5^	–		–	
SDM Zungu	4/5	–		–	
Executives					
AK Olivier	5/5	–	–	–	8/8
HJ Gray	–	–	–	–	8/8
WP Hartmann	–	–	–	–	6/8
DA Polkinghorne	5/5	–	–	–	8/8*
DA Rennie	5/5	–	–	–	7/8
AF Stewart	3/5	–	–	–	2/8
MR Wade	5/5#	–	–	–	8/8#
AG Waller	5/5	–	–	2/2	7/8

o Appointed 9 May 2012.
 # Resigned 31 May 2012.
^ Deceased 26 April 2012.
** Appointed 1 June 2012.*
~ Appointed 30 May 2012.

Company secretary

The company secretary is accountable to the board. All directors have access to the advice and services of the company secretary. The company secretary maintains an arm's length relationship with the board and is not a director of the company. The company secretary's duties include, but are not restricted to:

- providing the directors of the company collectively and individually with guidance as to their duties, responsibilities and powers;
- making the directors aware of any law relevant to or affecting the company;
- reporting to the company's board any failure on the part of the company or a director to comply with the Memorandum of Incorporation or rules of the company or this Act;
- ensuring that minutes of all shareholders' meetings, board meetings and the meetings of any committees of the directors, are properly recorded in accordance with this Act;
- certifying in the Integrated Annual Report company's annual financial statements whether the company has filed required returns and notices in terms of this Act, and whether all such returns and notices appear to be true, correct and up to date;
- ensuring that a copy of the company's Integrated Annual Report is sent, in accordance with this Act, to every person who is entitled to it; and
- carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

Subsequent to year end, Mr CAS Robertson resigned from the position of group company secretary and Mrs CI Lewis was appointed with effect from 1 February 2013. During the 2012 financial year, the board considered the competence, experience and expertise of Mr CAS Robertson and found these to be appropriate.

The board believes that Mrs CI Lewis is a competent, suitably qualified and experienced company secretary able to provide the board with the requisite support for its efficient function and discharge of its duties as prescribed by the Companies Act, King III and the JSE Listings Requirements. During the next financial year, the board will commence with an annual evaluation of the competence, qualifications and experience of the group company secretary and report on these in future annual reports.

Memorandum of incorporation

The following clauses, relating to the rights, privileges, restrictions and conditions attached to the preference shares, in annexure "A" of the memorandum of incorporation was approved at the annual general meeting held on 30 May 2012:

2.2.2.5.2 aggregating all of the amounts calculated by such multiplication for each day of the dividend period; and

2.2.2.5.3 multiplying the aggregate amount referred to in item 2.2.2.5.2 above by 10% (ten percent).

Because the preference dividend rate is a percentage of the prime rate, the preference dividend rate applicable during any dividend period share vary in accordance with any variations in the prime rate during that dividend period.

Shareholders are advised of the following alteration:

Clause 2.2.2.5.3 should read *"multiplying the aggregate amount referred to in item 2.2.2.5.2 above by 110% (one hundred and ten percent)"*.

The alteration is as a result of an insignificant patent error, which was not identified during the review process.

Share dealings

No director or employee who is privy to and has access to price sensitive inside information on the group may deal directly or indirectly in Grindrod securities.

Directors and all group employees 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
- any period when they are aware of any negotiations or details which may affect the share price; or
- the period declared as a prohibited period in terms of the JSE Listings Requirements.

Corporate sponsor

Grindrod Bank Limited acts as the company's sponsor in compliance with the JSE Listings Requirements. In the case of major corporate actions, the services of an independent sponsor are engaged.

Stakeholder engagement

The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meets with major institutional investors and analysts.

The group's website is also used as a communication tool for stakeholders. A full report is set out on pages 16 to 19.

Combined assurance model

The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the group. Within Grindrod, there are a number of assurance providers that either directly or indirectly provide the board and management with certain assurances over the effectiveness of those controls that mitigate the risks as identified during the risk assessment process described in the risk management section of the report. Collectively, the activities of these assurance providers are referred to as the combined assurance model.

The following basic steps were taken to develop the combined assurance model:

Step 1: Identification of risk and controls

Step 2: Identify the assurance providers

Step 3: Mapping of risks to assurance providers and determining the level of assurance

Step 4: Conclude and develop action plans

Step 5: Monitor progress on action plans

Assurance is provided by internal and/or external assurance providers on certain controls around the following risks within the group:

- health, safety and environmental;
- financial;
- fraud;
- project;
- legal/tax; and
- business continuity planning and disaster recovery.

Given the nature of the group, separate combined assurance models for each division have been developed using the same principles for each. The combined assurance model provides assurance to the board, through the audit committee that all significant risks are adequately managed.

CORPORATE GOVERNANCE continued

Information technology governance

Sound governance principles are applied to Grindrod's IT operations across all the group divisional operating entities. IT standards and legal compliance form part of the overall framework within which IT operates ensuring that the group achieves both return on its IT investments and assurance as to the integrity of its IT systems.

Risks are well managed and the group has a fully replicated off site back up IT centre that can be activated in the event of a disaster in the internal data centre, supporting full business continuity programmes.

A key area of IT management focuses on IT assets and ensures that assets are managed and deployed appropriately ensuring that technology use remains up to date and applicable for use in the era of mobility and smart devices. The group encourages use of mobile devices as a method of improving efficiency of our knowledge force and reducing the need for travel between business centres. Management of mobile devices ensures that data is protected against loss and that integrity can be guaranteed.

A full review of the group strategic approach to IT has been completed and one of the results of this will be the creation of a project management office that will improve IT project governance, by, *inter alia*:

- assessing IT project business case submissions, ensuring that the business case is valid and will provide expected returns;
- assisting with project management to ensure that sound principles are adopted and followed and that on time and in budget delivery is achieved;
- assessing all measures of new projects to reassure business that the value predicted has been achieved; and
- a management IT steering committee which reports to the board, oversees the strategic deployment of IT throughout the Grindrod group and keeps the board updated with major projects and effectiveness of IT in Grindrod.

Business continuity management

Business continuity management practices across the group were enhanced in 2012, through the following activities:

- independent review of Business Continuity Management (BCM) plans; and
- independent external review and testing of the disaster recovery plan.

The BCM plans comprise the following key areas:

- BCM policy development, documentation and application, including commitment of senior management to BCM within the operations;
- identification, creation and review of risks in the context of BCM;
- identification and review of the impact of various risks;
- identifying the various recovery strategies available to the organisation, before conducting a cost benefit analysis on these strategies to identify and select the preferred strategy;
- development of incident management response plans;
- development of a recovery plan framework and formalising the recovery plans; and
- review of the recovery plan to ensure robustness.

Ethics

The Grindrod Code of Ethics 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. Every Grindrod stakeholder is obliged to adhere to the Code of Ethics.

The group is committed to providing excellent services to customers and considers a high standard of ethical behavior to be paramount in achieving this objective. 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 the group's service delivery to customers, being fair in the way we treat people and accountability, which requires employees to take full ownership of actions taken.

The group's Code of Ethics is endorsed by the Ethics Institute of SA, of which the company is an organisational member. If any person has any queries, they can contact Ethics (SA) directly on telephone +27 12 342 2799.

Employees or others can report unethical or risky behavior to the custodian of the Grindrod Code of Ethics, the Grindrod ethics officer, Mrs CI Lewis.

Postal address: PO Box 1, Durban, 4000

Telephone: +27 31 365 9116

Email: cathiel@grindrod.co.za

A Deloitte Tip-offs Anonymous service is in place and provides an independent and confidential method for employees or other parties to report unethical behaviour. Such reporting can be submitted to the Grindrod ethics line:

- FreePost: FreePost KZN 138, Umhlanga Rocks, 4320
- Telephone – FreeCall:
  - South Africa and Namibia – 0800 213 118
  - Maputo – 800 359 359 (Mozambique)
  - Singapore – 1800 530 5541
- Email: grindrodethics@tip-offs.com
- Free Facsimile: 0800 00 77 88 (only from SA and Namibia)
- International fax: +27 31 560 7395
- Website: www.tip-offs.com

During 2012, there were:

- no material transgressions of Grindrod's ethics policy reported to the Grindrod ethics officer;
- no significant incidents of corruption at management level. When incidents of corruption are identified, these are investigated internally and, where relevant, referred to disciplinary procedures or, in more serious cases, to law enforcement authorities;
- no legal actions against Grindrod for anti-competitive behaviour, anti-trust and monopoly practices; and
- no significant fines or non-monetary sanctions for non-compliance with laws and regulations.

During the year 37, (2011: 29) incidents were reported by the Tip-offs Anonymous hotline. Incidents reported were procurement irregularities, misuse of assets, unauthorised expenditure and unacceptable employee behaviours. A portion of these reports were unsubstantiated, however, perpetrators received appropriate sanctions and where necessary, controls improved.

The 2012 fraud risk management strategy included various awareness campaigns. Training on fraud risk management was provided at 45 various sites with 764 employees in attendance. The training highlighted to employees what constitutes fraud, identification of fraudulent activity and how to report suspected fraudulent activities to management or Deloitte Tip-offs Anonymous.

KING III REFERENCE TABLE

Key

✓ Compliant *# Partially compliant*
x Non-compliant

Ethical leadership and corporate citizenship	
Effective leadership based on an ethical foundation	✓
Responsible corporate citizen	✓
Effective management on company's ethics	✓
Board and directors	
The board is the focal point for and custodian of corporate governance	✓
Strategy, risk, performance and sustainability are inseparable	✓
Directors act in the best interest of the company	✓
The chairman of the board is an independent non-executive director. Refer note 1 on page 76 (Retires at 2014 AGM)	x
Framework for the delegation of authority has been established	✓
The board comprises a balance of power, with a majority of non-executive directors independent	✓
Directors are appointed through a formal process	✓
Formal induction and on-going training of directors is conducted	✓
The board is assisted by a competent, suitably qualified and experienced company secretary	✓
Regular performance evaluation of the board, its committees and the individual directors	✓
Appointment of well-structured committees and an oversight of key functions.	✓
An agreed governance framework between the group and its subsidiary boards	✓
Directors and executives are remunerated fairly and responsibly. Refer page 85	✓
Remuneration of directors and certain senior executives is disclosed	✓
The company's remuneration policy is approved by its shareholders	✓
Audit committee	
Effective and independent	✓
Suitably skilled and experienced independent, non-executive directors	✓
Chaired by an independent non-executive director	✓
Oversees integrated reporting	✓
A combined assurance model is applied to improve efficiency in assurance activities.	✓
Satisfies itself of the expertise, resources and experience of the company's finance function	✓
Oversees internal audit. Refer page 82	✓
Integral to the risk management process	✓
Oversees the external audit process	✓
Reports to the board and shareholders on how it has discharged its duties	✓
The governance of risk	
The board is responsible for the governance of risk and setting levels of risk tolerance	✓
The risk committee assists the board in carrying out its risk responsibilities. Refer note 2 on page 76	x
The board delegates the risk management plan to management	✓
The board ensures that risk assessments and monitoring is performed on a continual basis	✓
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
Management implements appropriate risk responses	✓
The board receives assurance on the effectiveness of the risk management process	✓
Sufficient risk disclosure to stakeholders	✓
The governance of information technology	
The board is responsible for IT governance	✓
IT is aligned with the performance and sustainability objectives of the company	✓
Management is responsible for the implementation of an IT governance framework. Refer note 5 on page 76	#
The board monitors and evaluates significant IT investments and expenditure	✓
IT is an integral part of the company's risk management	✓
IT assets are managed effectively	✓
The risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓
Compliance with laws, codes, rules and standards	
Board ensures that the company complies with applicable laws	✓
The board and directors have a working understanding of the relevance and implications of non-compliance	✓
Compliance risk forms an integral part of the company's risk management process	✓
The board has delegated to management the implementation of an effective compliance framework and processes	✓
Internal audit	
Effective risk-based internal audit	✓
Written assessment of the effectiveness of the company's system of internal control and risk management	✓
Internal audit is strategically positioned to achieve its objectives	✓
Governing stakeholder relationships	
Appreciate that stakeholders' perceptions affect a company's reputation	✓
Management proactively deals with stakeholder relationships	✓
There is an appropriate balance between its various stakeholder groupings	✓
Equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders	✓
Disputes are resolved effectively and timeously	✓
Integrated reporting and disclosure	
The board ensures the integrity of the company's integrated report	✓
Sustainability reporting and disclosure is integrated with the company's financial reporting	✓
Sustainability reporting and disclosure is independently assured	✓

AUDIT COMMITTEE REPORT

Terms of reference

The audit committee has adopted formal terms of reference that have been approved by the board of directors and has executed its duties during the past financial year in accordance with these terms of reference.

The committee has reviewed its corporate governance practices in terms of the Companies Act, and King III. The committee is pleased to present their report in terms of the Act and the JSE Listings Requirements (the JSE LR) for the financial year ended 31 December 2012.

Membership

The committee consists of three independent non-executive directors appointed by shareholders at the annual general meeting. At 31 December 2012, the audit committee comprised:

Name	Capacity	Appointed
IM Groves	Chairman	February 1998
WD Geach	Member	June 2009
MJ Hankinson	Member	May 2010

The chairman, CEO, group financial director and representatives from the external and internal auditors also attend the audit committee meetings by invitation. The internal and external auditors have unrestricted access to the audit committee. The risk and internal audit manager reports directly to the committee and functionally to the group financial director. The group company secretary serves as secretary to the committee.

Meetings

The audit committee met three times during the year and makes provision for meeting with internal and external auditors without management present as required by King III.

Statutory duties

In the execution of its statutory duties during the past financial year, the audit committee:

- nominated and recommended to shareholders Deloitte & Touche as independent external auditors and the appointment of Ms R Ebrahim as the independent designated auditor for the financial year ending 31 December 2012 in compliance with the Companies Act and the JSE LR. During the year, Ms R Ebrahim resigned from Deloitte & Touche and was appointed into a project manager role within the Grindrod group. She was replaced as lead partner by Mr CA Sagar;
- determined the fees paid to Deloitte & Touche as disclosed in the notes to the integrated annual report;
- determined Deloitte & Touche's terms of engagement;
- believes that the appointment of Deloitte & Touche complies with the relevant provisions of the Companies Act and King III;
- approved all non-audit service contracts with Deloitte & Touche;
- received no complaints relating to the accounting practices and internal audit of the company, the content or auditing of its financial statements, the internal financial controls of the company and any other related matters;
- made submissions to the board on matters concerning the company's accounting policies, financial controls, records and reporting; and
- concurred with the adoption of the going concern premise in the preparation of the financial statements.

Regulatory compliance

The audit committee has complied with all applicable legal, regulatory and other responsibilities as per its formal terms of reference.

External audit

The committee has considered the independence of Deloitte & Touche and is satisfied that they were independent throughout the year. To fulfil this responsibility, the committee reviewed:

- changes in key external audit staff in Deloitte & Touche's audit plan;
- the arrangements for day-to-day management of the audit relationship;
- a report from Deloitte & Touche describing their policy to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by Deloitte & Touche.

To assess the effectiveness of the external auditors, the committee reviewed:

- Deloitte & Touche's fulfilment of the agreed audit plan and variations from the plan; and
- the robustness and perceptiveness of Deloitte & Touche in their handling of the key accounting and audit judgements.

With regard to the oversight of the external audit process, the committee reviewed:

- – the areas of responsibility, associated duties and scope of the audit;
- – Deloitte & Touche's overall work plan for the year;
- – major issues that arose during the audit and their resolution;
- – key accounting and audit judgements;
- – the levels of errors identified during the audit; and
- – recommendations made by Deloitte & Touche and management's responses to issues raised and the adequacy of management's response.

Based on the committee's satisfaction with the results of the activities outlined above, the committee has nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditors, with Mr CA Sagar as the designated audit partner.

The committee confirms that the auditor and designated auditor are accredited by the JSE.

Finance function

The committee considered the appropriateness of the experience and expertise of the group financial director and the expertise, resources and experience of the finance function and concluded that both these were appropriate.

Financial statements

The committee:

- considered accounting treatments, significant or unusual transactions and accounting judgements;
- considered the appropriateness of accounting policies and any changes made;
- met separately with management, external audit and internal audit;
- made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of both internal and external audit findings;
- reviewed the process in place for the reporting of concerns and complaints relating to accounting practices, internal audit, content of auditing of the company's financial statements, internal controls of the company and any related matters. The committee can confirm that there were no such complaints during the year under review;
- reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - The interim results for the six months ended 30 June 2012; and
  - The audited annual results for the year ended 31 December 2012.
- reviewed the sensitivity analysis exercises prepared by management to support the board's going concern statement at reporting dates as well as the solvency and liquidity tests required in terms of the Companies Act.

Internal control, internal audit and risk management

The committee:

- reviewed and recommended the internal audit charter for approval;
- evaluated the independence, effectiveness and performance of the internal audit function/department and compliance with its mandate;
- reviewed the effectiveness of the company's system of internal financial control including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the internal audit process;
- reviewed policies and procedures for preventing and detecting fraud; and
- approved internal audit annual work plan.

Based on the results of the formal documented review of the group's system of internal controls and risk management and considering information and explanations provided by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the committee that caused it to believe that the company's systems of internal controls and management are not effective, and no breakdowns of internal controls were found.

Legal and regulatory requirements and corporate governance

The committee:

- reviewed legal matters that could have a material impact on the group; and
- considered reports provided by management, internal audit and the independent auditors regarding compliance with legal and regulatory requirements.

Combined assurance

The committee reviewed the plans and reports of the external and internal auditors and other assurance providers including management, and concluded that these were adequate to address all significant risks facing the business.

Integrated annual report

The committee considered the integrated annual report, incorporating the abridged annual financial statements for the year ended 31 December 2012. The committee has further considered the sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to audit committee members. The committee has also considered the external assurance report prepared by Deloitte & Touche, which provides limited assurance on the following selected performance indicators:

- direct and indirect energy consumption;
- total direct and indirect GHG emissions;
- lost time injury frequency rate and number of fatalities;
- monetary value of significant fines and total number of monetary sanctions for non-compliance with environmental laws and regulations; and
- monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

The committee is satisfied that the information is reliable and consistent with the financial results. The annual financial statements have been prepared in terms of IAS 34 Interim Financial Reporting and are in accordance with the group's accounting policies which fully comply with IFRS, the Companies Act and the JSE LR.

The committee recommended both the approval of the integrated annual report and the adoption of the annual financial statements to the board.

On behalf of the audit committee.

IM Groves
Chairman

Durban
26 February 2013

REMUNERATION REPORT

Introduction

This report sets out Grindrod's remuneration policy for non-executive directors, members of the executive and prescribed officers.

It has been prepared in accordance with the Companies Act, Schedule 8 of the large and medium-sized companies and also describes how the board has applied the principles of good governance as set out in the King III regulations.

The group's auditors, Deloitte & Touche have audited the information contained in the tables set out in the non-executive directors' remuneration and executive directors' emolument sections.

Remuneration philosophy and policy

The board embraces the importance of people to the continued sustainability and growth of the group. Grindrod's ethos is to attract, retain and motivate excellent talent.

Oversight of the remuneration policy and implementation thereof is maintained to ensure rewards are competitive, taking cognisance of the appropriate local and global remuneration benchmarks, proportionate with the contribution to the group's performance. As a principle, above average remuneration is awarded to those employees who add significant value as measured through achievement of performance objectives.

The executive, prescribed officers and key managers' remuneration is therefore structured to ensure a significant portion of their package is linked to performance and achievement of sustainability targets through short and long-term incentives.

The board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting.

The rationale and basis for the group's executive remuneration policy is carefully considered by the remuneration/nomination committee.

Remuneration governance

Employment contracts

The following notice periods are applied to ensure continuity of operations:

- Group chief executive officer –12 months
- Members of the executive – six months
- Key senior management – three months
- Other employees – 30 days

Composition of the remuneration/ nomination committee

The remuneration/nomination committee is composed exclusively of non-executive directors and chaired by an independent non-executive director. During the course of the year JJ Durand was appointed to the committee as an additional member.

The members of the committee are as follows:

Name	Capacity
MJ Hankinson	Chairman
IAJ Clark	Member
IM Groves	Member
JJ Durand	Member

The committee met four times during the year. Committee attendance is set out on page 78.

Role of the remuneration/nomination committee

The remuneration/nomination committee is tasked on behalf of the board to ensure the alignment of remuneration with realising shareholder value. The committee operates under terms of reference which are reviewed annually, approved by the board and encompasses the provisions of the new Companies Act.

The committee's key objectives include:

- establish and agree the total remuneration package for executives and key senior management;
- determine the performance management criteria for both the executives and non-executives in carrying out their responsibilities;
- approve the group policy on remuneration of executives and senior management;
- consider long-term incentive schemes for executive and key personnel;
- adherence to applicable legislation; and
- review and recommend to the board, the level of fees for non-executives.

The remuneration committee chairman attends the annual general meeting and is available to address any queries from shareholders.

Structure of the remuneration

Remuneration of executives, prescribed officers and key senior managers comprises guaranteed total cost of employment (TCOE) and variable portion which incorporates short and long-term incentive bonus schemes. Grindrod utilises the "Towers Watson" global grading methodology, in consultation with independent compensation consultants, PE Corporate Services, when benchmarking executive remuneration. A number of factors in determining the level of responsibility are taken into consideration, which include sales volumes, profits, number of employees, assets and salary/wage account.

The executives' remuneration packages are reviewed annually and approved by the remuneration/nomination committee. The committee considers the executives' level of experience, updated responsibilities and performance. The current levels of remuneration are benchmarked at the median of the relevant global grades and/or select comparator group, which include large South African and international companies.

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 paid by comparable listed companies. Above market increases have proposed in certain circumstances, at the forthcoming annual general meeting, to achieve appropriate alignment.

Non-executive directors do not participate in the group's incentive bonus plan or share option schemes. In 2012, the chairman exercised his last tranche of share options which were awarded during his tenure as CEO.

Directors'/prescribed officers' emoluments

The remuneration paid/payable to executives, non-executives and prescribed officers of the company relating to the 2012 financial year end was as follows:

2012	Directors' fees R000	Committee fees R000	Basic remu-neration R000	Retirement medical and other benefits R000	Total package R000	Bonus R000	Total R000
Executives/ prescribed officers							
AK Olivier	**–**	**–**	**5 269**	**1 268**	**6 537**	**6 440**	**12 977**
HJ Gray	**–**	**–**	**2 486**	**845**	**3 331**	**2 100**	**5 431**
WP Hartmann (appointed 1 June 2012)	**–**	**–**	**1 489**	**268**	**1 757**	**2 070**	**3 827**
B Ntuli (appointed 1 December 2012)*	**–**	**–**	**1 332**	**243**	**1 575**	**651**	**2 226**
DA Polkinghorne	**–**	**–**	**2 262**	**464**	**2 726**	**2 730**	**5 456**
DA Rennie	**–**	**–**	**3 197**	**850**	**4 047**	**4 000**	**8 047**
AF Stewart (resigned 31 May 2012)	**–**	**–**	**1 184**	**458**	**1 642**	**–**	**1 642**
MR Wade#	**–**	**–**	**4 513**	**929**	**5 442**	**3 136**	**8 578**
AG Waller	**–**	**–**	**2 872**	**546**	**3 418**	**3 410**	**6 828**
Sub-total	**–**	**–**	**24 604**	**5 871**	**30 475**	**24 537**	**55 012**
Non-executive directors							
IAJ Clark^	**570**	**64**	**–**	**55**	**689**	**–**	**689**
IM Groves^	**265**	**268**	**–**	**55**	**588**	**–**	**588**
H Adams	**200**	**–**	**–**	**–**	**200**	**–**	**200**
JJ Durand (appointed 28 April 2012)	**136**	**26**	**–**	**–**	**162**	**–**	**162**
MR Faku	**200**	**38**	**–**	**–**	**238**	**–**	**238**
WD Geach^	**265**	**114**	**–**	**–**	**379**	**–**	**379**
MJ Hankinson	**200**	**195**	**–**	**–**	**395**	**–**	**395**
MM Visser (deceased 26 April 2012)	**72**	**–**	**–**	**–**	**72**	**–**	**72**
SDM Zungu	**200**	**–**	**–**	**–**	**200**	**–**	**200**
Sub-total	**2 108**	**705**	**–**	**110**	**2 923**	**–**	**2 923**
Total emoluments	**2 108**	**705**	**24 604**	**5 981**	**33 398**	**24 537**	**57 935**

* *2012 bonus relates to contribution to Freight Services in her previous role.*
\# *Includes accommodation costs in Singapore of R928 700 as part of the employment contract.*
^ *Includes fees paid by Grindrod Bank Limited.*

REMUNERATION REPORT continued

For comparison purposes, the renumeration paid to executives, non-executives and prescribed officers of the company relating to 2011 was as follows:

2011	Directors' fees R000	Committee fees R000	Basic remu-neration R000	Retirement medical and other benefits R000	Total package R000	Bonus R000	Total R000
Executive/ prescribed officers							
AK Olivier	–	–	4 618	1 167	5 785	4 391	10 176
HJ Gray	–	–	1 370	264	1 634	1 400	3 034
JG Jones (retired 1 June 2011)			1 607	376	1 983	750	2 733
DA Polkinghorne	–	–	2 014	397	2 411	1 449	3 860
DA Rennie	–	–	2 621	792	3 413	2 592	6 005
AF Stewart	–	–	1 810	887	2 697	1 274	3 971
LR Stuart-Hill (retired 30 June 2011)	–	–	1 373	857	2 230	–	2 230
MR Wade#	–	–	3 676	787	4 463	2 024	6 487
AG Waller	–	–	2 680	467	3 147	1 593	4 740
Sub-total	–	–	21 769	5 994	27 763	15 473	43 236
Non-executive directors							
IAJ Clark*	514	57	–	51	622	–	622
IM Groves*	239	229	–	51	519	–	519
H Adams	180	–	–	–	180	–	180
MR Faku	180	–	–	–	180	–	180
WD Geach*	239	117	–	–	356	–	356
MJ Hankinson	180	110	–	–	290	–	290
MM Visser (deceased 26 April 2012)	32	–	–	–	32	–	32
SDM Zungu	180	–	–	–	180	–	180
Sub-total	1 744	513	–	102	2 359	–	2 359
Total emoluments	1 744	513	21 769	6 096	30 122	15 473	45 595

Includes accommodation costs in Singapore of R786 600 as part of the employment contract.

* *Includes fees paid by Grindrod Bank Limited.*

INCENTIVE SCHEMES

SHORT-TERM INCENTIVE

Executives

Grindrod's short-term incentives for executives are capped at 100% of guaranteed TCOE. The bonus is determined by group and divisional financial results, key performance objectives and a discretionary portion.

The bonus payments related to 2012 performances are set out below:

	Payout as a percentage of TCOE 2012	2011
AK Olivier	**100%**	75%
HJ Gray	**70%**	50%
WP Hartmann*	**69%**	–
B Ntuli**	**41%**	–
DA Polkinghorne	**91%**	61%
DA Rennie	**100%**	75%
AF Stewart^	**–**	40%
MR Wade	**65%**	50%
AG Waller	**100%**	50%
Average	**80%**	57%

Other senior management

Bonuses paid to senior management within divisions are based on pre-agreed key performance objectives, financial results and there is provision for a discretionary element.

Other senior management, excluding Financial Services, can generally earn short-term incentives of up to a maximum of 60% of their TCOE. Within the Financial Services division, this maximum can in some instances be as high as 100%.

The Trading division has a deferred profit sharing incentive scheme, where up to 22,5% of profit before tax is allocated to a bonus pool, subject to a return on equity of at least 17,5%. There is no cap on individual allocations which are based on profit generated and personal performance objectives.

* *Appointed 1 June 2012.*
** *Appointed 1 December 2012. 2012 bonus relates to contribution to Freight Services, in her previous role.*
^ *Resigned 31 May 2012.*

LONG-TERM INCENTIVES

Share option gains and cash-settled share price linked option payments for 2012 are detailed below:

2012	Share options exercised R000	Share linked option payment R000	Total share option scheme gains R000
Executive directors/prescribed officers			
AK Olivier	5 104	45	5 149
B Ntuli (appointed 1 December 2012)	–	11	11
DA Polkinghorne	–	328	328
DA Rennie	–	29	29
AF Stewart (resigned 31 May 2012)	496	29	525
MR Wade	–	11	11
Non-executive directors			
IAJ Clark	429	–	429
Total	6 029	453	6 482

For comparative purposes, the share option gains and cash settled share linked option payments received in 2011 were:

2011	Share options exercised R000	Share linked option payment R000	Total share option scheme gains R000
Executive directors/prescribed officers			
AK Olivier	–	23	23
DA Polkinghorne	–	4	4
DA Rennie	–	4	4
AF Stewart	1 937	1	1 938
Non-executive directors			
IAJ Clark	1 377	–	1 377
Total	3 314	32	3 346

REMUNERATION REPORT continued

Share option scheme

The share option scheme is closed to additional participants and 2 000 000 shares (equivalent to 0,3% of the issued share capital excluding treasury shares) remain under option in terms of the scheme at 31 December 2012. This includes options still to be exercised by retired executives. The options are exercisable at the market prices ruling on the dates the options were granted.

A total of 950 000 ordinary shares were allotted during the year in terms of the scheme for a consideration of R7 836 500.

A summary of options exercised/lapsed during the year and those still to be exercised are as follows:

Director	Options at 1 January 2012	Options exercised during the year	Options lapsed during the year	Price at which options excercised R	Options at 31 December 2012	Option price R	Vesting dates	Expiry dates
IAJ Clark	150 000	150 000		12,51	–	12,51	23.11.12	23.11.15
AK Olivier	400 000	200 000		2,39	–	2,39	26.11.09	26.11.13
		200 000		–	–	2,39	26.11.10	26.11.13
	400 000			12,51	100 000	12,51	23.11.09	23.11.15
					100 000	12,51	23.11.10	23.11.15
					100 000	12,51	23.11.11	23.11.15
					100 000	12,51	23.11.12	23.11.15
DA Rennie	500 000			12,51	100 000	12,51	23.11.08	23.11.15
					100 000	12,51	23.11.09	23.11.15
					100 000	12,51	23.11.10	23.11.15
					100 000	12,51	23.11.11	23.11.15
					100 000	12,51	23.11.12	23.11.15
AF Stewart	500 000	100 000		12,51	–	12,51	23.11.08	23.11.15
(resigned 31 May 2012)		100 000			–	12,51	23.11.09	23.11.15
		100 000			–	12,51	23.11.10	23.11.15
		100 000			–	12,51	23.11.11	23.11.15
		–	100 000		–	12,51	23.11.12	23.11.15
	1 950 000	950 000	100 000		900 000			

Share price linked option scheme

The group share price linked option scheme was introduced in 2007 for executives and key senior managers, in place of the aforementioned share option scheme. Whilst the rules of the new scheme are modelled on those of the share option scheme, the important difference is that options under the new scheme are cash settled rather than equity settled. One third of the options vest on each of the third, fourth and fifth anniversaries of the relevant grant dates. The options do not have an expiry date beyond the vesting date.

In terms of the rules of the scheme, the grant price of an option is determined on the same basis as the settlement price, i.e. the average of the closing price of the 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 vests and the grant price. The participants receive the amount due as a cash bonus.

Taking into account performance of each executive and key senior manager, the remuneration/nomination committee recommends the granting of options for approval by the board of Grindrod Limited.

Bonus payments made under this scheme in any one operating division of the group may not exceed 10% of the net after tax profit of that division.

Bonus payments of R333 340 were made on options which vested in 2012.

A summary of options granted to executives and senior management, still to vest as at 31 December 2012, is as follows:

Date option granted	Number of options granted	Price R	Cancellations	Forfeited	Vesting on retirement/ transfer	Vested	Net total
2008	2 348 600	23,50	(828 665)		(192 000)	(986 068)	341 867
2008	93 000	28,22	–		–	(62 000)	31 000
2009	3 749 000	14,30	(1 079 333)		(732 667)	(793 667)	1 143 333
2010	4 117 000	13,95	(1 186 000)		(388 000)	–	2 543 000
2011	3 475 000	16,33	(302 000)	(175 000)	(152 000)	–	2 846 000
2012	**4 828 000**	**14,72**	**–**	**(1 975 000)**	**(176 000)**	**–**	**2 677 000**
	18 610 600		**(3 395 998)**	**(2 150 000)**	**(1 640 667)**	**(1 841 735)**	**9 582 200**

The detail of awards granted to executives as at 31 December 2012 are as follows:

Director	Options at 1 January 2012	Options granted during the year	Options cancelled*	Options vested during the year	Vesting price R	Options at 31 December 2012	Option price R	Vesting dates
HJ Gray	–	693 000	300 000			131 000	14,72	01.03.15
						131 000	14,72	01.03.16
						131 000	14,72	01.03.17
AK Olivier	2 102 400			283 400	14,72	–	16,25	01.03.12
				62 000	14,72	–	23,50	01.03.12
						62 000	23,50	01.03.13
				108 000	14,72	–	14,30	01.03.12
						108 000	14,30	01.03.13
						108 000	14,30	01.03.14
						229 300	13,95	01.03.13
						229 300	13,95	01.03.14
						229 400	13,95	01.03.15
						227 600	16,33	01.03.14
						227 700	16,33	01.03.15
						227 700	16,33	01.03.16
		805 000	600 000			68 300	14,72	01.03.15
						68 300	14,72	01.03.16
						68 400	14,72	01.03.17
DA Polkinghorne	242 500			51 800	14,72	–	16,25	01.03.12
				43 300	14,72	–	23,50	01.03.12
						43 400	23,50	01.03.13
			19 000			28 300	16,33	01.03.14
						28 400	16,33	01.03.15
						28 300	16,33	01.03.16
		131 000	131 000			–	14,72	01.03.15
						–	14,72	01.03.16
						–	14,72	01.03.17

REMUNERATION REPORT continued

Director	Options at 1 January 2012	Options granted during the year	Options cancelled*	Options vested during the year	Vesting price R	Options at 31 December 2012	Option price R	Vesting dates
DA Rennie	768 800			51 800	14,72	–	16,25	01.03.12
				28 000	14,72	–	23,50	01.03.12
						28 000	23,50	01.03.13
				68 600	14,72	–	14,30	01.03.12
						68 600	14,30	01.03.13
						68 800	14,30	01.03.14
						88 000	13,95	01.03.13
						88 000	13,95	01.03.14
						88 000	13,95	01.03.15
			2 000			63 000	16,33	01.03.14
						63 000	16,33	01.03.15
						63 000	16,33	01.03.16
		498 000	498 000			–	14,72	01.03.15
						–	14,72	01.03.16
						–	14,72	01.03.17
AF Stewart	763 500			16 800	14,72	–	16,25	01.03.12
(resigned				31 300	14,72	–	23,50	01.03.12
31 May 2012)			31 400			–	23,50	01.03.13
				68 000	14,72	–	14,30	01.03.12
			68 000			–	14,30	01.03.13
			68 000			–	14,30	01.03.14
			83 600			–	13,95	01.03.13
			83 700			–	13,95	01.03.14
			83 700			–	13,95	01.03.15
			76 300			–	16,33	01.03.14
			76 300			–	16,33	01.03.15
			76 400			–	16,33	01.03.16
MR Wade	905 000			31 000	14,72	–	28,22	01.03.12
						31 000	28,22	01.03.13
				26 600	14,72	–	14,30	01.03.12
						26 700	14,30	01.03.13
						26 700	14,30	01.03.14
						132 600	13,95	01.03.13
						132 700	13,95	01.03.14
						132 700	13,95	01.03.15
			154 000			70 300	16,33	01.03.14
						70 400	16,33	01.03.15
						70 300	16,33	01.03.16
		146 000	146 000			–	14,72	01.03.15
						–	14,72	01.03.16
						–	14,72	01.03.17
AG Waller	294 000					98 000	16,33	01.03.14
						98 000	16,33	01.03.15
						98 000	16,33	01.03.16
		367 000	300 000			22 300	14,72	01.03.15
						22 300	14,72	01.03.16
						22 400	14,72	01.03.17
	5 076 200	**2 640 000**	**2 797 400**	**870 600**		**4 048 200**		

* *Includes options cancelled in lieu of shares issued under the forfeitable share plan and AF Stewart options cancelled on resignation.*

Grindrod Bank Limited share price linked option scheme

A share price linked scheme was introduced in 2009 for Grindrod Bank executives and key employees. The scheme operates on the same principle as the Grindrod Limited share price linked option scheme, with the exception of the share price being based on the greater of the net asset value of Grindrod Bank or an agreed price earnings value as opposed to the Grindrod listed price.

Vesting date for the schemes are the dates of the remuneration committee meetings for Grindrod Limited and Grindrod Bank.

Settlement price for the Grindrod scheme is the weighted average of the share price seven days prior to the vesting date.

A summary of options granted to executives and senior management of the Bank, still to vest as at 31 December 2012, is as follows:

Date option granted	Number of options granted	Price R	Cancellations	Vesting on retirement	Vested	Net total
2009	2 032 000	4,66	(310 000)	(171 000)	(517 000)	1 034 000
2010	1 144 000	4,99	–	(88 000)	–	1 056 000
2011	2 996 000	6,04	–	–	–	2 996 000
2012	**2 604 000**	**6,86**	**–**	**–**	**–**	**2 604 000**
	8 776 000		**(310 000)**	**(259 000)**	**(517 000)**	**7 690 000**

Bonus payments totalling R1 137 400 were made on Bank options vesting in 2012.

The detail of awards granted to an executive as at 31 December 2012 is as follows:

Director	Options at 1 January 2012	Options granted during the year	Options vested during the year	Vesting price	Options at 31 December 2012	Option price R	Vesting dates
DA Polkinghorne	976 000		149 000	6,86	–	4,66	01.03.12
					149 000	4,66	01.03.13
					149 000	4,66	01.03.14
					83 000	4,99	01.03.13
					83 000	4,99	01.03.14
					83 000	4,99	01.03.15
					93 300	6,04	01.03.14
					93 300	6,04	01.03.15
					93 400	6,04	01.03.16
		281 000			93 600	6,86	01.03.15
					93 700	6,86	01.03.16
					93 700	6,86	01.03.17
	976 000	**281 000**	**149 000**		**1 108 000**		

REMUNERATION REPORT continued

Forfeitable share plan

During the year 2 302 884 million shares were issued under the forfeitable share plan. As a condition of the approval of the scheme, the equivalent number of existing share linked options were required to be forfeited. In 2012, 2 150 000 share linked options were forfeited in lieu of the award of Forfeitable Share Plan (FSP) shares.

Date option accepted	Number of options granted	Award price R
25 June 2012	2 150 000	13,65
27 August 2012	152 884	14,71

In accordance with the shareholders' approval obtained at the 2012 annual general meeting, a maximum of 6 000 000 ordinary shares may be issued in terms of this scheme.

The table below shows the executive participants in the scheme and the value granted during 2012:

Executive	Number of options granted	Award price R	Value R
AK Olivier	600 000	13,65	8 190 000
HJ Gray	300 000	13,65	4 095 000
DA Polkinghorne	150 000	13,65	2 047 500
DA Rennie	500 000	13,65	6 825 000
MR Wade	300 000	13,65	4 095 000
AG Waller	300 000	13,65	4 095 000
	2 150 000		29 347 500

The value granted at the awarded price will be recognised in the income statement over the vesting period.

In terms of the FSP, the participants are entitled to receive dividends paid and to vote in respect of the shares awarded. However, the forfeitable shares cannot be disposed of or otherwise encumbered and they are also subject to a risk of forfeiture until the delivery date.

The shares vest in three equal tranches ending on 31 May 2015, 31 May 2016 and 31 May 2017 respectively. For the delivery conditions to be met the participants are required to remain employed by the group until the vesting date. There are no performance criteria in the vesting conditions. Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will be classified as bad leavers and will forfeit all unvested awards.

Directors' interests in the company

At 31 December 2012, the directors' held interests in the company as follows:

Ordinary shares	2012		2011	
Director	Beneficial indirect	Non-beneficial indirect	Beneficial indirect	Non-beneficial indirect
IAJ Clark	**6 119 900**	**–**	5 969 900	–
IM Groves*	**1 298 947**	**–**	1 298 947	–
MJ Hankinson	**8 000**	**8 000**	8 000	8 000
AK Olivier	**2 034 250**	**–**	1 634 250	–
DA Rennie	**750 000**	**–**	750 000	–
AF Stewart (resigned 31 May 2012)	**462 050**	**–**	462 050	–
	10 673 147	**8 000**	10 123 147	8 000

* *Includes 248 947 zero cost collar options which expire on 6 December 2013.*

Preference shares Director	2012 Beneficial indirect	2011 Beneficial indirect
IAJ Clark	**–**	205 931
IM Groves	**–**	15 000
	–	**220 931**

The ordinary and preference shareholdings were unchanged at 28 February 2013.

ASSURANCE STATEMENT

Independent assurance statement by Deloitte & Touche to Grindrod on their sustainability indicator disclosure in their Integrated Report for the year ended 31 December 2012 ("the Report").

Scope of our work

Grindrod engaged us to perform limited assurance procedures for the year ended 31 December 2012 on the following subject matter:

- Direct energy consumption (in gigajoules);
- Indirect energy consumption (in gigajoules);
- Total direct and indirect GHG (in metric tonnes of CO2);
- Fatalities; and
- Lost time injury frequency rate.

We also confirmed management's representation regarding the absence of:

- Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations; and
- Significant fines and non-monetary sanctions for non-compliance with laws and regulations.

Assurance process and standard

We conducted our limited assurance engagement in accordance with the International Standard on Assurance applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE 3000"). To achieve limited assurance ISAE 3000 requires that we review the processes and systems used to compile information in the areas on which we provide assurance. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our assurance are the Grindrod definitions and basis of reporting.

Key procedures

Considering the risk of material error, our multi-disciplinary team of sustainability assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient appropriate evidence on which we base our conclusion. Our work was planned to mirror Grindrod's own group level compilation processes, tracing how data for each indicator within our assurance scope was collected, collated and validated by corporate head office and included in the Report.

Key procedures we conducted included:

- Gaining an understanding of Grindrod's systems through interview with management responsible for reporting systems at corporate head office and site level; and
- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance data included in the Report.

Conclusion

We noted a year on year improvement in the reporting systems and procedures relating to the indicators under review.

Although progress has been made with the implementation of robust processes and controls and providing training to personnel on procedures, we noted deviations relating to the accuracy and completeness of the lost time injury frequency rate at the Freight Services division.

With the exception of the matters noted above, based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that the selected sustainability performance indicators are not fairly presented.

Responsibilities of directors and Independent assurance provider

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for the preparation of the Integrated Report 2012, including the implementation and execution of systems to collect required sustainability data.

DELOITTE'S RESPONSIBILITIES

Our responsibility is to express our limited assurance conclusion on the performance data for the year ended 31 December 2012.

This report is made solely to Grindrod in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. Thus, we do not accept or assume responsibility to anyone other than Grindrod for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche

Per Nina le Riche; Chartered Accountant (SA); Registered Auditor; Partner

Cape Town, South Africa

26 March 2013

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Greenpoint, Cape Town, 8005

National Executive: LL Bam *Chief Executive*, AE Swiegers *Chief Operating Officer*, GM Pinnock *Audit*, DL Kennedy *Risk Advisory*, NB Kader *Tax*, TP Pillay *Consulting*, K Black *Clients & Industries*, JK Mazzocco *Talent & Transformation*, CR Beukman *Finance*, M Jordan *Strategy*, S Gwala *Special Projects* TJ Brown *Chairman of the Board*, MJ Comber *Deputy Chairman of the Board*, Regional Leader: MN Alberts.

A full list of partners is available on request

SOCIAL AND ETHICS COMMITTEE REPORT

Introduction

The Grindrod social and ethics committee was established by the board of directors on 16 November 2011 in terms of section 72(4) of the Companies Act, and operates in terms of written terms of reference approved by the board.

Memberships

The committee comprises of two independent non-executive directors and two executive directors:

Name	Capacity	Appointed
MJ Hankinson	Chairman	November 2011
MR Faku	Member	November 2011
AG Waller	Member	November 2011
CAS Robertson	Member	November 2011 (resigned February 2013)
B Ntuli	Member	February 2013
CI Lewis	Secretary	February 2013

Subsequent to year end, Mrs B Ntuli (Executive – Corporate Services) was appointed to the committee in place of Mr CAS Robertson who has resigned. The new group company secretary, Mrs CI Lewis serves as secretary to the committee.

Meetings

The committee met twice during the year under review to discharge its duties and responsibilities in terms of its terms of reference. Committee attendance is set out on page 78.

Terms of reference/statutory duties

The committee is responsible for the following as per its terms of reference:

- to ensure effective training in the Code of Ethics by all employees;
- to review the effectiveness of the group's Code of Ethics and related policies;
- to monitor compliance with the Organisation for Economic Co-operation and Development recommendations on corruption;
- to monitor legal compliance;
- to monitor management actions following breaches of the Code of Ethics or misconduct at senior level;
- to monitor the implementations of skills development of employees;
- to ensure equal opportunities for all employees are provided for;
- to monitor management to ensure that no human rights violation against relevant stakeholders, such as employees, community members and suppliers are committed;
- to monitor employee wellness, which include safe and healthy working environments; and
- to monitor external risks of the group relevant to the responsibilities of the committee.

In execution of its statutory duties during the past financial year, the committee considered and was satisfied with progress made on:

- activities relating to SED;
- promotion of equality and the prevention of unfair discrimination;
- reduction of corruption;
- contribution to development of the communities;
- sponsorships, donations and charitable giving;
- the environment, health and safety, including the impact of the group's activities and services;
- stakeholder engagement;
- the group's standing in terms of the International Labour Organisation Protocol on working conditions;
- the group's employment relationships;
- contribution towards the educational development of its employees;
- adherence to and implementation of the group's policies to ensure diversity is promoted throughout its operations;
- advancement of non-discrimination through the elimination of unfair discriminatory conditions, whether purposeful or inadvertent;
- B-BBEE and high level transformation initiatives pursued by the company;
- the group's measures adopted to advance the objectives of empowerment and transformation which include taking positive steps to recruit, hire and promote qualifying persons from previously disadvantaged groups; and
- the transfer of equity, development of skills preferential procurement and socio-economic development and enterprise development by, *inter alia,* supporting emerging businesses.

On behalf of the social and ethics committee.

MJ Hankinson
Chairman

26 February 2013

INTEGRATED HUMAN CAPITAL

The group promotes employee growth through career path development and supporting a work-life balance. This approach facilitates a dynamic and conducive environment within which the group and staff are in a position to add meaningful and reciprocal value.

Grindrod's success is directly impacted by the skills, motivation and commitment of its people. One of the key factors contributing to the group's achievements of its objectives of growing profitable revenue through expansion, innovation, building and maintaining key strategic alliances and partnerships, is having the right skilled people in place.

The group continues to focus on retaining and attracting high-calibre people. Grindrod seeks to treat all employees and contractors fairly, with respect and to provide a safe and positive working environment.

The human resource strategies, driven by the business strategy, are implemented using best practice initiatives and complying with all relevant legislation. A holistic approach is used, integrating sustainability targets, including B-BBEE and employment equity into divisional, senior management and executive performance measures to ensure alignment to these targets.

The group has revised its policies and procedures in order to assist the various committees and forums within the group to effectively manage employee engagement and sustainability priorities. In 2013, independent human resource experts have been engaged to review and evaluate the human resources structures, policies, procedures and performance measurements, in light of best industry practice. The recommendations received from the review process will be implemented accordingly.

In 2012 a new people management system was introduced for more efficient management and reporting on Grindrod's human capital. This initiative will drive corporate and strategic objectives in the workforce. A focus is, strategic workforce planning, which, takes into account the projected loss of knowledge through employee exits and the projected knowledge requirements for sustaining and progressing the business. Knowledge requirements include technology, new skills, and new roles, documentation of key workforce intelligence or new business demands.

Talent acquisition and development

Grindrod believes in employing people with integrity, who recognise opportunities and thrive in an entrepreneurial culture, people who revel in achieving worthwhile goals and who care about the communities in which they operate. Grindrod uses an on-line e-recruitment tool to source critical technical skilled personnel; expand the talent database and reduce the cost of sourcing employees through recruitment agencies. The group has relationships with established agencies to assist with sourcing talent where required.

Access to the Grindrod Limited careers portal can be gained through www.grindrod.co.za.

The development of a robust talent pipeline is considered a critical objective and senior management are actively involved in the development of future management. Senior managers are active as mentors, coaches or trainers, and share their experiences and insights. The establishment of a talent pipeline is considered a key process, with much attention given to identifying employees with high potential and determining specific career paths for these employees.

While the strength of current leadership in the group will drive the achievement of strategic objectives, succession planning is equally important to Grindrod in ensuring maintained sustainability. Leadership development and senior management succession planning have been identified as potential risks to the group as a whole and will continue to be focus areas.

Grindrod recognises that PEOPLE are a key success factor in today's globally integrated, highly regulated and increasingly competitive business environment. People represent one of Grindrod's most significant investments and provide the group with opportunities to gain competitive advantages.

Where employees are promoted into people management roles because they have strong technical skills rather than leadership and management capabilities, management skills weaknesses are highlighted and improved through various management learnership programmes for employed learners.

Specific targeted leadership development programmes to build and enhance leadership skills and capacity in each business will be implemented from 2013. Leadership development and succession planning continue to be supported by various career development, performance management and retention initiatives.

Business management is accountable for managing the succession and integration of human acquisition, skills development, performance improvement and reward processes. Technical and software skills programmes were attended by staff and underpinned the growth in training and development spend (refer to the skills development section for statistics on page 97).

Employee performance

Performance discussions are held annually with employees to recognise the achievement of goals, address areas for development and define learning skills which may be required to improve productivity and career growth and development.

Employee wellness

Grindrod supports employee work-life balance through promoting employee wellness. Grindrod recognises that employee well being is critical to the continued delivery of high quality services and the achievement of organisational objectives.

An employee wellness programme has been adopted by the group, allowing employees access to a wide range of services including counselling, practical life management and workplace relationship management services. Wellness days have been held, promoting the physical wellness of employees by offering glucose, blood pressure and body mass index tests.

Staff complement

The number of group employees (permanent and temporary) worldwide increased from 6 879 (restated) at 31 December 2011 to 7 295 at the end of December 2012. The increase was primarily due to the acquisition of companies and joint ventures in the Trading and Freight Services divisions.

The table below reflects a breakdown of the geographic distribution of the group human resources complement, which includes subsidiary, joint venture and associated companies. There is a noticeable increase in the group's presence in the rest of Africa and Asia, clearly indicating the group's expansion in these two strategic geographical areas.

INTEGRATED HUMAN CAPITAL continued

Country	2012	2011	% Change
South Africa	**4 959**	4 619	7
Rest of Africa	**1 851**	1 773	4
Asia	**406**	405	–
Europe	**58**	64	(9)
North America	**6**	2	200
South America	**14**	15	(7)
Australia	**1**	1	–
Total	**7 295**	6 879*	6

* *2011 figures restated to include the IVS Fleet and Trading joint venture (Progroup).*

The table below reflects staff complements by business relationship, permanent/temporary and South African/offshore-based businesses and operations:

Group relationship	Permanent staff (SA citizens)	Permanent staff (non SA citizens)	Contract staff (SA citizens)	Contract staff (non SA citizens)	Grand total
Total subsidiaries	2 643	424	363	370	3 800
Total joint ventures	1 647	778	94	448	2 967
Total associated companies	2	526	–	–	528
Total Grindrod group	**4 292**	**1 728**	**457**	**818**	**7 295**

Employee relations

Employees are engaged through formal structures mandated by law, as well as through internally constituted structures and work-related interaction. These various forums allow employees and management to raise issues of concern and inform employee development, attraction and retention strategies and improved productivity.

Leadership supports the group culture and implementation of a collaborative and consultative approach in guiding employees to achieve both corporate and personal objectives during the year.

Established communication forums are optimised, i.e. employment equity, skills development and bargaining forums and are supported by the intranet and group-wide publications providing channels of engagement, particularly to geographically dispersed staff. Further dedicated platforms have been created and utilised to enhance business development and internal innovation through identifying and driving opportunities for cross-service integration and sales.

There were unfortunately some retrenchments during the year as a result of restructuring initiatives within the Trading and Freight Services divisions. Management was, however, able to minimise retrenchments and the resultant after effects of low morale by engaging with staff and shop stewards in identifying solutions to support the businesses.

Whilst most employee-related matters are concluded through consultations which are conducted in-house, a proportion of employees 30% (2011: 35%) fall under the auspices of a bargaining council.

Unionisation levels within the South African-based businesses, was 39% (2011: 38,5%) in keeping with the industry trends. In terms of the recognition agreements between Grindrod and organised labour, each union or combination thereof requires a representation threshold of 50% within the bargaining unit in order to bargain within that particular unit.

The following table indicates the memberships of the respective bargaining councils:

Bargaining council	Abbreviation	Number of members
National Bargaining Council for the Road Freight Industry	NBCRFLI	548
Metal and Engineering Industry Bargaining Council of South Africa	MEIBCSA	37
Motor Ferry Industry Bargaining Council of South Africa	MFIBCSA	478
National Employment Council – Milling	NECM	478
Syndicate of Maputo Coal Terminal Employee	MCT	58
International Bargaining Forum (IMEC)	IBF	590

In supporting on-going relations, supervisor and middle management are continuously trained and supported by divisional-based human resource experts in building communication platforms, managing employee issues, addressing performance challenges and administering progressive discipline.

Transformation

It is recognised that a workforce comprising specific percentages of people from different races, age groups and genders does not constitute holistic transformation. Grindrod's transformation strategy takes into account the fact that transformation is more than just the achievement of standards and targets. It is focused on a representative workforce which is empowered through various means such as skills development and focused training suited to the specific individual.

B-BBEE

During the year, an average level 3 B-BBEE rating had been maintained for most of the South African entities.

An analysis of the workforce profile revealed that whilst 78% are designated employees, white males and white females are overrepresented at middle, senior and executive management. The implementation of affirmative action measures to ensure fair representation of all population groups of both sexes at these grades is key for the implementation of equality in the workplace and the improvement of our B-BBEE status. To this end, the scope of the graduate programme will be broadened in 2013 to ensure the successful identification of talented historically disadvantaged South Africans for development and fast tracking into leadership roles at the appropriate grade.

The group continues to support the B-BBEE principles and objectives as defined in legislation and recognises this Department of Trade and Industry (DTI) initiative as a business imperative rather than a compliance matter, aimed at bringing all sectors of the population into the economic mainstream. In order for such a strategy to be sustainable, it is necessary to build on the strengths of each individual in the group. In terms of this, the group has seen the implementation of 186 learnerships (2011: 242) aimed at developing and empowering previously disadvantaged individuals.

The group is committed to formal assessment of its B-BBEE ratings and has retained the services of AQRate as an independent accredited body to assist with the verification of each of the companies within the Grindrod group.

Employment equity

All group companies are involved with promoting the employment equity policy. This business imperative is monitored by employment equity forums, including the group human capital committee. The group will continue to attract, retain and develop talent from the designated groups in line with available employment opportunities, even though scarcity of industry skills remains a challenge. The South African-based operations' overall composition of the designated groups as a percentage of the workforce stood at 78% (2011: 81%) and, in particular, black representation stood at 68% (2011: 73%).

In 2013, Grindrod will measure the extent to which the transformation strategy is successfully executed using the following considerations:

- Transparent succession strategy representative of race, gender and disability amongst the top three levels of leadership.
- An environment conducive to attracting, developing and retaining employees representative of colour, gender and disability.
- Successful implementation of Grindrod's employment equity plan to progress transformation in employment
- Equity and management controls.
- Successful implementation of human capital initiatives which will contribute to the continued sustainability of Grindrod.
- A measurable positive impact on the socio-economic environment, particularly on educational development and the HIV/AIDS pandemic.

Skills development

The board and executives recognised and recommitted to developing and retaining skills as the engine of productivity and to position the group for growth. Training spend, both on formal training, professional development and on-the-job-coaching was R12,5 million (2011: R9,8 million).

The group offers a portfolio of training and development interventions including on-the-job-training, classroom and professional development at training centres and through external service providers.

Skilled and experienced drivers are an increasingly scarce resource a. A pilot professional drivers' learnership commenced in 2011 to develop Grindrod's own drivers, has resulted in the placement of seven highly skilled drivers. The success of the pilot has prompted requests to continue this learnership with greater emphasis on selection criteria, particularly business unit evaluation of basic skills.

Business units have highlighted the short supply of well qualified, competent and experienced artisans. This critical skill will be addressed through discretionary grant funding granted by TETA at an accredited trade school.

DEMOGRAPHIC PROFILE FOR SOUTH AFRICAN-BASED COMPANIES

	Male			Female				Desig-nated	White	Foreign nationals		
Occupational levels	**African**	**Coloured**	**Indian**	**African**	**Coloured**	**Indian**	**White**	**Total**	**Male**	**Male**	**Female**	**Total**
2012												
Top management	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**7**	**1**	**–**	**9**
Senior management	**10**	**1**	**12**	**2**	**1**	**8**	**17**	**51**	**111**	**5**	**–**	**169**
Middle management	**29**	**13**	**49**	**6**	**10**	**28**	**63**	**198**	**138**	**21**	**5**	**362**
Skilled	**679**	**116**	**250**	**65**	**51**	**160**	**261**	**1 582**	**273**	**212**	**27**	**2 094**
Semi-skilled	**901**	**81**	**99**	**145**	**39**	**50**	**81**	**1 396**	**134**	**4**	**–**	**1 534**
Least skilled	**181**	**2**	**2**	**96**	**2**	**1**	**2**	**286**	**37**	**81**	**3**	**407**
Total permanent	**1 800**	**213**	**412**	**315**	**103**	**247**	**424**	**3 514**	**700**	**324**	**35**	**4 575**
Temporary/contract	**163**	**17**	**40**	**68**	**8**	**10**	**24**	**330**	**50**	**4**	**–**	**384**
Grand total	**1 963**	**230**	**452**	**383**	**111**	**257**	**448**	**3 844**	**750**	**328**	**35**	**4 959**
Percentage (%)	**39,6**	**4,6**	**9,1**	**7,7**	**2,2**	**5,9**	**9,0**	**77,5**	**15,1**	**6,6**	**0,7**	**100**
2011 Total	1 933	254	460	328	121	253	413	3 762	799	51	7	4 619
Percentage (%)	41,9	5,5	10,0	7,1	2,6	5,5	8,9	81,5	17,3	1,1	0,2	100

INTEGRATED HUMAN CAPITAL continued

Course programme	Total attendees	% Designated	% Black	% Female	Total cost R	% Cost on black
Computer skills	423	80	63	45	1 392 695	69
Mobile hoist/driver	433	93	93	4	702 246	94
Management and support	80	59	46	23	583 431	73
Adult basic education and training	20	100	100	20	86 233	–
Continual professional development	680	85	69	49	3 916 131	62
Regulatory	1 605	81	74	14	2 903 361	73
Workplace effectiveness	840	80	64	46	2 758 119	53
Shipping	22	64	59	32	132 601	37
Grand total	**4 103**	**82**	**72**	**29**	**12 474 817**	**65**

The leadership programmes are fully integrated with other human resources processes, such as performance management, promotion policy, training and development, reward, succession and career planning.

Grindrod SA (Pty) Ltd, a Grindrod Limited subsidiary, launched a graduate development programme, where nine graduates were contracted for 12 months and are participating in a National Certificate in Generic Management NQF 5. Six of the graduates have secured permanent employment in Grindrod. The new in-take for the 2013 graduate development programme consists of 14 graduates. A strong culture of talent development is being created where funds are being invested in leadership development through these initiatives.

A total of 4 103 (2011: 6 473) training interventions were attended by employees, critical to growing the business and developing their skills. A total of 82% of these learners (2011: 87%) were designated employees.

Learnerships

A total of 186 learners attended learnership programmes in 2012. The table below depicts the breakdown of learnerships by demographics.

Grindrod SA (Pty) Ltd completed seven learnerships programmes, two of which were attended by unemployed learners. Seven of the unemployed learners secured permanent employment on the completion of their learnership with nine disabled black females progressing onto a more advanced learnership for an additional year. In total, 104 learners were found competent. All of the learners were from designated groups.

An additional eight learnership programmes with a total of 174 participants commenced in the last quarter of 2012, nine of which are unemployed disabled black females.

A short "Business Practice" course was run with 20 black disabled females. The course content covered the following entrepreneurship topics:

- preparing for your success
- starting your own business
- managing your own business

Grindrod continues to actively develop maritime skills through Unicorn's Maritime Training School which offers SAMSA accredited, internationally recognised training to individuals, local and neighbouring port authorities and international shipping companies. During 2012, 2 110 (2011: 2 011) seafarers completed courses at the training school, of which 215 are employed by Unicorn. Seafarers attending the training school are amongst others, local and internationally-based navigation and engineering officers, cadets, ratings, auxiliary crew for cruise liners and yachtsmen.

Grindrod's cadet training programme is amongst the industry leaders in producing male and female navigation and engineering officers. The cadet programme continues the heritage which was started in 1970. During 2012, 25 cadets (2011: 24), of which 13 were black and three female attended the cadet training programme. The programme remains extremely successful with a 100% pass rate from recruitment to the achievement of their first licence. The programme is a significant investment in skills with a budget of R3,9 million in 2012.

2012 Scope and demographics	Black		White		Total	% Black
	Male	Female	Male	Female		
Certificate in Banking Leadership	**2**	**8**	**–**	**–**	**10**	**100**
National Certificate Business Administration NQF 2	**3**	**3**	**–**	**–**	**6**	**100**
National Certificate Business Administration NQF 4	**11**	**25**	**2**	**4**	**42**	**86**
National Certificate Freight Handling NQF 3	**14**	**10**	**–**	**–**	**24**	**100**
National Certificate Generic Management NQF 3	**32**	**9**	**2**	**1**	**44**	**93**
National Certificate Generic Management NQF 4	**11**	**3**	**4**	**3**	**21**	**67**
National Certificate Generic Management NQF 5	**8**	**6**	**2**	**1**	**17**	**83**
National Certificate Transport NQF 1	**15**	**–**	**–**	**–**	**15**	**100**
Learnership: Generic Management NQF5	**2**	**5**	**–**	**–**	**7**	**100**
Total	**98**	**69**	**10**	**9**	**186**	**90**

Human rights

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

HIV/AIDS

The group, as a responsible corporate citizen, remains continuously committed in raising awareness, educating and actively encouraging employees to know their status and curb the spread and impact of the HIV/AIDS pandemic.

Employees continue to be guided by the group HIV/AIDS policy which is informed by the South African national framework and leading practice. The policy protects employees from discrimination, enshrines voluntary disclosure, empowers management to support staff appropriately and promotes education and awareness.

HIV/AIDS related initiatives amounting to R860 936 (2011: R1,3 million) spend were implemented in 2012. This included continued contribution to corporate fundraising initiatives such as the National AIDS Bannerthon, National AIDS Day awareness campaigns, testing, on-going counselling and training/awareness during the year. An HIVAIDS Awareness Campaign "Be a Hero work towards Zero" was launched in line with the World AIDS Day theme of "Getting to zero: zero new HIV infections, Zero discrimination. Zero AIDS related deaths" using industrial theatre.

A number of death and disability claims on the various provident funds cite the cause as HIV/AIDS-related illnesses. The cost of this condition is displayed in the business through high absenteeism, retraining and recruitment and can be reduced through effective HIV/AIDS awareness programmes resulting in a decrease in staff turnover.

This continues to be an area of focus in 2013.

Occupational health and safety

Grindrod recognises its moral and legal responsibility to protect the health and safety of its employees or any person(s) affected by the operations within the group. Grindrod's health and safety objectives and targets remain simple, through full compliance with applicable legislation with a target of zero incidents, within a culture of continual improvement.

Safety policy statement

Grindrod undertakes to:

- implement risk management systems which are relevant and suitable for the organisation's risk exposure, as well as identify, promote and continuously improve health and safety performance;
- establish clear targets and objectives on an annual basis to improve health and safety in the workplace;
- comply with all statutory obligations, including the provision of adequate supervision, information instruction and training;
- actively respond to and investigate all incidents and ensure injured employees are given the best possible medical care;
- provide, operate and maintain buildings, plant, equipment and systems that are safe and without risk to employees health;
- consult with employees on health and safety issues; and
- ensure that contractors and visitors also comply with all site health and safety requirements, as well as work with the group's partners to achieve comparable health and safety standards.

Shipping and Freight Services account for the bulk of the group's safety efforts. Occupational health and safety is managed in terms of site-level and ship-based integrated safety, health and environment and quality management systems. Senior management in the group are obligated to ensure that legal requirements are complied with as this also forms part of their annual performance assessment. All serious incidents are reported to the board and dealt with in the most serious light, with full investigations conducted and remedial actions taken in all cases.

Total investment in occupational, health and safety during 2012 was R23,6 million (2011: R19,6 million), an increase of 20%.

Shipping

Good progress was made with driving down indicators. The lost time injury frequency rate improved by 47% year on year.

Freight Services

Regrettably the number of medical treatment cases and facilities continued to increase despite considerable additional investment in improving safety measures. Refer to the sustainability section on page 40 for further information.

Shipping key performance indicators		2012	2011	2010	2009
Health and safety spend	(R)	**6 286 610**	4 380 000	2 100 989	2 325 071
Medical treatment cases		**6**	7	4	2
Lost time incidents		**2**	3	1	–
Fatalities		**–**	–	–	–
Lost time injury frequency rate (per million man hours)		**0,47**	0,88	0,8	–

Freight Services key performance indicators		2012	2011	2010	2009
Health and safety spend	(R)	**17 326 011**	15 181 666	11 034 955	4 366 734
Medical treatment cases		**125**	85	68	24
Lost time incidents		**120**	74	72	52
Fatalities		**2**	1	2	5
Lost time injury frequency rate (per million man hours)		**8,42**	5,53	7,03	7,03

SOCIAL AND ECONOMIC DEVELOPMENT

Introduction

A revised social and economic development policy was adopted during the year. The policy is available on the company website.

The group has a strong bias towards education-related programmes, especially in previously disadvantaged communities and continued to expand its SED programmes in line with this theme. In many instances the work took place in the same communities in which the company operates.

The group spent R5,6 million on SED in 2012 (R4,1 million in 2011). The spend was increased for a second consecutive year despite a challenging economic period. The group's SED strategy is to continue investing into sustainable initiatives especially in underprivileged communities.

The SED spend is allocated approximately 70% to education and skills development, 20% to community and welfare needs and 10% to business development.

The social and ethics committee is responsible for monitoring the SED strategy and providing management with the necessary guidance.

Employee engagement

The opportunity to involve a broader base of employees in the group's SED initiatives was given further priority during 2012. Employee engagement was encouraged in a number of ways including:

- allowing employees time during normal working hours to participate in various community programmes;
- involvement in leadership training and motivational sessions at schools where the group is involved and in particular at the King Shaka High School; and
- communication of SED projects at employee induction programmes and through the medium of a quarterly newsletter.

FOCUS AREAS

Infrastructure upliftment

During the year, the following infrastructure projects were completed:

- completion of two new classrooms at Zwakele Primary School in the Amaoti Township north of Durban, giving much relief given to overcrowded Grade R facilities;
- construction of administration block at King Shaka High School at Umlazi through the association with Adopt-A-School foundation. This was part of a five-year commitment plan. To date, a Science Laboratory, a Home Economics Centre and a Computer Laboratory have been built and as a result there has been a significant improvement in academic results at the school; and
- commenced construction of two classrooms at the Mbasela Primary School in Inanda, outside Durban to add to previous facility upgrades at this school.

Educational initiatives

Other educational initiatives included:

- provision of school bursaries to black scholars attending various schools in KZN which included Maritzburg College, Durban Girls College and Northlands Primary School;
- bursary scheme for children of employees with a leaning towards the previously disadvantaged;
- support of READ education trust;
- contribution to various other educational-institutions and foundations; and
- support of PondoPedal, which provides assistance to rural schools in the Transkei.

Due to the company's activities in Mozambique, support has been provided to the Zizele foundation which was established by Graca Machel. The company also partnered with Kingsley Holgate in his anti-malaria campaign in Mozambique in 2012.

Community, welfare and health

The group supports a number of different charities including on-going support of the National Sea Rescue and the International Sailors Society due to their association to the group's shipping activities.

Various HIV/AIDS programmes have received financial support.

The social impact in the instance of employees is dealt with in the integrated human capital report.

Business development

The following business foundations are supported:

- Shanduka Black Umbrella's foundation;
- Adopt-A-School;
- African Port Sponsor Commonwealth Business Council both locally and in Maputo; and
- National Business Initiative.

The owner driver/subcontractor programme in the Logistics division continues to receive focus. This project is gaining momentum with 10 participants involved.

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

Grindrod continues to co-sponsor and participate in the KwaZulu-Natal Growth Coalition which is a PPP aimed at accelerating economic development in the province and focus on major infrastructional projects and planning. Executives of top listed KwaZulu-Natal-based companies participate at this forum which engages with local government and other key stakeholders.

Future focus

In 2013, focus will be placed on the following areas:

- further communication of SED programmes to ensure external stakeholders' understanding of the group's strategy;
- closer monitoring and guidance to group business units to ensure alignment and spend within key focus areas of the group SED strategy and targeted spend; and
- further expansion of the level of participation of employees in SED programmes.

Molasses discharged at liquid storage facility in Durban.

HIV awareness and prevention address at a school in KwaZulu-Natal.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE

Revised policy "Vision 2020"

"This year the board approved a new and improved environmental and climate change policy – restating our guiding principles and measurable and auditable objectives and targets for improving integrated performance in this area of the business – by 2020. The revised policy applies to all group subsidiaries around the world which Grindrod has operational control over. A copy of the policy can be found on the company website – www.grindrod.co.za"

Alan Olivier *Chief Executive Officer*

PERFORMANCE AT A GLANCE

Recognition

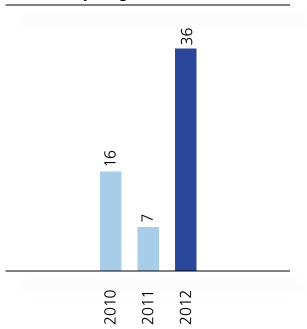
- "Best Practice" result for Environmental Performance for the second year in a row and for the first time a "Best Practice" result for Climate Change in the 2012 JSE SRI assessment.
- Significant improvement by the group in its annual CDP assessment. Grindrod's overall score of 88B (88 refers to the Carbon (C) disclosure score out of 100 and B to the performance band, with bands being A to E), jumped from the previous year's result of 63E. As a direct result of this improvement, Grindrod was selected for inclusion in the Nedbank Green Index, for the first time, which will result in direct investment in Grindrod by Nedbank (to the exclusion of companies taken off the index) in terms of products that track this index.

Protecting the marine environment

Shipping achieves zero significant oil spills (less than one barrel of oil) for the SEVENTH consecutive year.

Waste

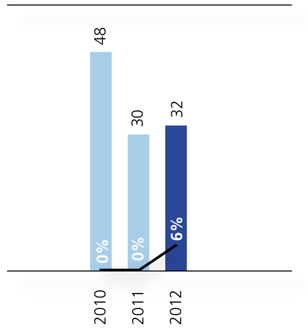
Recycling
Land-based non-hazardous solid waste recycling rates (%)



* *20% annual recycling target surpassed*
* *66% of all waste tyres now recycled (nil in previous years)*

Water

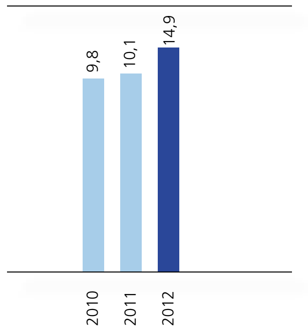
Harvested rainwater
Normalised water consumption (kilolitre per full time equivalent)



New rainwater reservoir at Richards Bay Terminal supplied 21% of the terminal's water and 6% of the total group water consumption.

GHG emissions

Group GHG emissions intensity
(gCO_2-e per Rand revenue)



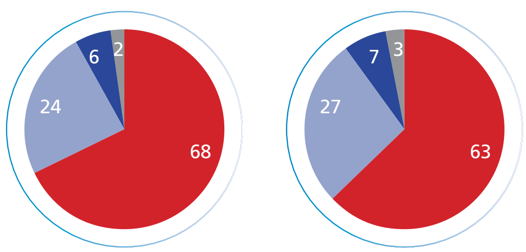
Increase as a result of rise in total Shipping emissions (new acquisitions) combined with challenging market conditions in Shipping.

Scope 1 and 2 carbon emissions

Scope 1 are all direct GHG emissions (e.g. combusting fuel in ships' engines) and Scope 2 are indirect emissions from consumption of purchased electricity.

Grindrod's carbon footprint (%)

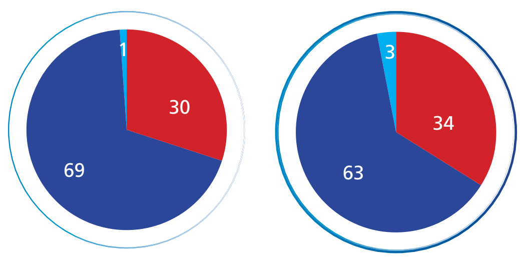
2012 **2011**



- Combustion of marine fuels in ships
- Land-based combustion of diesel and petrol
- Electricity
- Other sources

Divisional carbon footprint (%)

2012 **2011**



- Freight Services
- Shipping
- Trading, Financial Services and Group

Ships are eco-efficient

"Shipping is the least energy-intensive form of trade transport but, to create a truly sustainable model, we still have to find ways to lessen our impact on the planet."

Tom Boardley *Marine Director, Lloyd's Register*

Grindrod's global footprint

Grindrod's environmental footprint is global and its management response encompasses all its operations around the world that fall within the defined organisational boundary.

As a diversified global transport, logistics and financial services provider, material environmental and climate change impacts are characterised as follows:

- GHG emissions (expressed as Carbon (C) emissions) from the combustion of non-renewable petroleum-based fuels in ships, vehicles, generators and locomotive engines is by far the group's single biggest operational environmental impact, comprising 92% of Grindrod's global Scope 1 and 2 C emissions. Combustion of fuel in ships is the single biggest source of C emissions, comprising 68% of the total of Scope 1 and 2 C emissions;
- GHG emissions from the use of electricity in buildings and offices makes up 6% of Scope 1 and 2 C emissions;
- water consumption and the disposal of waste-water, particularly in land-based vehicles and equipment cleaning operations. Ship-based water use is of less concern since onboard desalination plants provide more than 90% of ships' water requirements;
- the potential for accidental oil and fuel spills by ships at sea and by growing the group's fleet of vehicles and locomotives on land and the resultant impacts on marine and terrestrial ecosystems; and
- impacts on natural habitats/ecosystems and biodiversity-related construction and operation of infrastructure (e.g. the Maputo coal terminal expansion).

The Freight Services and Shipping divisions combined produce 99,3% of Grindrod's Scope 1 and 2 emissions. For this reason Grindrod's environmental management and reporting efforts are concentrated on these two divisions.

In setting its organisational boundary for reporting GHG or C emissions and by implication, all other environmental KPIs, Grindrod has for the last three years adopted the operational control approach in setting its organisational boundary for reporting KPIs, as defined by the international GHG Protocol so as to track progress with meeting the quantified objectives and targets of the Group Environmental and Climate Change Policy.

In line with the GHG Protocol's definition of operational control, Grindrod has disclosed 100% of emissions from its entities it has operational control of and 0% of emissions for entities where, regardless of equity shareholding, Grindrod does not have full authority to introduce and implement its operating policies. A detailed description of Grindrod's application of this methodology, including a description of inclusions and exclusions can be found on the company's website (www.grindrod.co.za).

Measurement and reporting of environmental KPIs are, as in previous years, guided by:

- the Global Reporting Initiative's environmental indicator guidelines;
- the global Carbon Disclosure Project;
- the JSE's SRI environmental reporting requirements; and
- best practice via on-going benchmarking of peer group companies.

Roles, responsibilities and engagement

Key roles and responsibilities for environmental and climate change management are organised, from the top down, within the group structure as follows:

- Grindrod's CEO assumes overall responsibility for the group's environmental performance.
- Climate change risk forms part of the mandate of the board-level risk assessment function. The social and ethics committee includes an environmental and climate change mandate.
- Environmental and climate change management is a standing agenda item for Grindrod executive meetings and all directors have environmental/climate change performance indicators as part of their personal performance assessment criteria (these were once again revised and strengthened at the end of 2012).
- The group environmental and climate change committee, a management meeting with senior-level representation from all divisions, meets bi-annually and reports directly to the CEO.
- The group environmental sustainability manager co-ordinates group policy implementation, monitoring and reporting.
- Senior divisional SHE managers have been appointed in the Shipping and Freight Services divisions to drive divisional strategies in support of the group policy.
- Personnel have been designated at sites, business and ship level to monitor environmental KPI and drive change, typically as part of the ISO 14001 EMSs.

On-going environmental training and awareness initiatives occur at all levels of the organisation.

Stakeholder engagement is a critical element of Grindrod's environmental and climate change strategy and response. Details of these stakeholders and how Grindrod engages with them is included as part of the stakeholder engagement report on pages 16 to 19.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE continued

ENVIRONMENTAL PERFORMANCE

Measurement and reporting

Grindrod moved closer to its objective of reporting accurately and completely on 100% of its global operational footprint.

- close to 100% of all land-based sites of any significance (greater than 10 employees) report data. A few omissions remain at a few small global office sites and a few Intermodal sites in SA where data was not available;
- data from 100% of ships which Grindrod has operational control of, are included; and
- 95%+ of fuel and electricity data was measured and auditable.

Accuracy was improved by checking reported data for 2012 against comparable 2011 data and any significant variances were queried. Data extrapolations were made only where sufficient measured data points were available. Accuracy and completeness of data was verified by the Grindrod internal Audit division and for the third year by the limited assurance procedures conducted by Deloitte & Touche (see page 93 for the assurance statement).

Legal compliance

There were no material incidents of non-compliance or fines or non-monetary sanctions in any jurisdiction that the group operated in during the year under review.

Grindrod has an established policy, in all jurisdictions, of meeting and where feasible exceeding applicable environmental and industry regulatory requirements to which the group subscribes.

All ships operated by the Shipping division hold Documents of Compliance issued by the relevant maritime authorities in terms of IMO legislation and were once again fully compliant with:

- MARPOL (International Convention for the Prevention of Pollution from Ships), with respect to solid and liquid waste and Annex VI that deals with air pollution from ships; and
- Low sulphur fuel requirements for designated shipping areas (e.g. parts of the EU).

Land and ship-based ISO 14001 EMS (see next section) require on-going review of legal compliance and include relevant legal registers that detail compliance requirements with relevant acts, regulations and by-laws.

All new land-based developments are required to comply in full with EIA regulations and approval conditions.

Management systems

The estimated coverage by formalised business, ship or site-level EMSs within the group is 80% (in terms of group environmental footprint coverage):

- **A total 30 of the 34 sites that Freight Services has designated as requiring formal EMSs are now certified or are certification ready (to ISO 14001). The remaining sites will achieve this status during 2013.**
- **Unicorn Shipping maintained the ISO 14001 certification received in 2010/11 covering all ships and shore-based crewing services. IVS bulk carriers maintained their ISO 14001 certification status.**

Formalised EMSs based on ISO 14001 are in place at all applicable sites. This encompasses all major land-based sites within the Freight Services division and on-board all ships which the group has operational control.

These management systems form the backbone of Grindrod's group-wide environmental strategy, because by definition auditable and documented programmes are required to drive staff responsibility and awareness, legal compliance, operational eco-efficiency and continual improvement of performance at the business unit/site level.

Protecting marine biodiversity

Shipping achieved a record of zero significant oil spills (less than one barrel of oil) for the seventh consecutive year.

The Shipping division continued to maintain measures and management systems to prevent marine pollution and negative impacts on marine biodiversity in terms of its policy of "Zero material pollution of the world's marine ecosystems". These include:

- A policy of not transporting any hazardous waste;
- Continued non-use of Tributyltin or lead containing anti-fouling paint;
- Ballast Management Plans that comply with IMO requirements on all ships to minimise the potential impacts related to ballast water (spreading invasive marine organisms between ecosystems); and
- Signing up to the "Clean Ship" class notation, indicating a higher level of environmental impact control and include requirements stipulating how to control and limit operational air emissions and sea discharges. This notation also requires an environmental approach to installed equipment and arrangements on board. All Unicorn "River Class" vessels (i.e. Berg, Breede, Kowie, Kei and Umgeni) now have Clean Ship notation and are subject to additional scrutiny when audited.

Full compliance with MARPOL:

- Ships' wastewater (galley wastewater, domestic/toilet and bilge water) is discharged directly into the sea while vessels are underway;
- Solid waste and waste oils are separated on board and where possible incinerated; waste that may contain heavy metals is not incinerated on-board;
- Biodegradable waste (food waste, etc.) is disposed of at sea away from ports or coastal areas; and
- Garbage logs (for solid waste) and safe disposal receipts for any solid waste landed at certified landfill sites are maintained.

Collision risk is mitigated by ensuring the use of robustly constructed ships and effective navigation systems to avoid impacts. These include:

- 100% of oil and chemical tankers have double hull constructions and/or are constructed with materials designed to minimise corrosion and to promote robustness and longevity;
- Ships that are not double hulled have cargo tanks divided into sections and bund containment is fitted on all deck areas;
- On-board navigation and safety equipment which is of the latest design and technology;
- On-board integrated SHEQ management systems and procedures are regularly audited both internally and by external specialists; and
- All at-sea staff receive regular and on-going emergency preparedness training related to potential marine accidents and collisions.

Minimising biodiversity impacts on land

Grindrod continued to strive towards its on-going goal of "Zero material pollution of terrestrial ecosystems" through the maintenance of rigorous management systems, on-going training and awareness initiatives and the completion of environmental risk audits of sites.

There was an increase in the number of spill incidents within the Fuelogic (road transportation) business relating to driver behaviour (e.g. opening incorrect lines or overfilling). In 2011, eight fuel spills resulted in a loss of 5 517 litres. During 2012, there were 50 spillages reported, resulting in a total of 9 116 litres lost.

Fuelogic will, during 2013, focus on the introduction of a "drivers league" programme where health, safety and KPIs form part of each driver's performance assessments.

The terminal at Walvis Bay in Namibia was fined R12 193 by the port authorities for the release of copper concentrate (>100 kg) caused by incorrectly positioned tarpaulins between quayside hoppers and the vessel, while discharging. Shift foremen have received further instructions regarding the correct positioning of the tarpaulins to prevent future incidents.

Conserving water

The new rainwater harvesting reservoir at the Richards Bay Terminal has significantly reduced municipal water consumption at this large facility. During 2012, the reservoir supplied 21% of the terminal's water requirement, 7% of the total of Freight Services' consumption and 6% of total group water consumption.

The majority of Grindrod's land-based operations are based in southern Africa, a dry region with water conservation being imperative. Grindrod's revised objective is to reduce normalised water consumption and the resulting wastewater effluent within the group by 20% (from the 2010 base year) by 2020. After two years this has been achieved.

Total group water usage for 2012 was 191 529 kilolitres, up from 180 824 kilolitres in 2011, but lower than the 199 315 kilolitres in 2010. A total of 93% (89% in 2011 and 94% in 2010), of this water footprint was generated by the Freight Services division which uses large amounts of water to wash machinery, conveyor belts, containers and vehicles at some sites and for dust suppression.

Normalised total water consumption for the year was 26 kilolitres per full time equivalent (FTE), a 13% improvement compared to 30 kilolitres in 2011 per FTE, and 45% lower than the 2010 baseline figure of 48 kilolitres per FTE. If the new rainwater harvesting reservoir at the Richards Bay Terminal is subtracted from the group consumption total this reduced the figure down to 24 kilolitres per FTE.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE continued

Initiatives that did or will save water introduced during the year included:

- The Walvis Bay Terminal using a sprinkler rather than a hosepipe for yard dust suppression. Average water savings at the terminal were 370 kilolitres per month, or 4 445 kilolitres for the year;
- The wash bay at RRL Grindrod's Pretoria West facility – re-using water approximately six times. Despite an increase in the construction of locomotives, monthly water consumption has decreased since 2011, a saving of approximately 500 kilolitres over the year; and
- Office buildings in Durban reducing consumption by 28 litres per m^2 through retrofits and awareness initiatives, with overall consumption savings of 11% year on year (on top of the 7% decrease in 2011 over 2010).

The Shipping division's water footprint was much lower and insignificant from a group perspective (refer Shipping KPI summary below). Most ships under Grindrod's control have on-board desalination systems to generate sufficient fresh water.

Waste reduction

A major achievement in 2012 was the introduction of a waste tyre re-use and recycling programme within Freight Services. From a zero base in previous years, the division re-used or recycled 66% of all waste tyres. Only 781 used tyres were disposed of to landfill sites compared to 5 245 in 2011.

Total solid and liquid (hazardous and non-hazardous) waste reported in 2012 was 10 481 tonnes, an increase of 7 471 tonnes reported in 2011. However, recycling rates showed significant improvements as tabled below.

Waste recycling efforts at the three group buildings included recycling 1,5 tonnes of electronic waste (e-waste) for the first time and double the amount of plastic and paper being recycled. A total of 15% of all solid waste generated at these buildings was recycled in 2012.

All ship waste was disposed of in strict compliance with MARPOL regulations. During the year, these regulations were tightened, such that no waste is now disposed of overboard by any ship whilst at sea.

Energy efficiency, reducing air pollution and greenhouse gas emissions

11,7% of all marine fuel used by ships under Grindrod operational control was low sulphur fuel oil (LSFO), up from 9,7% in 2011 and 8% in 2010.

Detailed year on year performance in terms of energy usage, emissions and normalised efficiency is summarised in the KPI data tables, found on the company website (www.grindrod.co.za).

Combustion of petroleum-based fuels in ships, vehicles, locomotives and site-based equipment such as front-end loaders, forklifts and generators and the resulting CO_2 emissions, comprised 92% of Grindrod's Scope 1 and 2 energy/GHG emissions and air pollution footprint (2011: 90%). Sulphur Oxide (SO_x) and Nitrogen Oxide (NO_x) emissions are the two key pollutants resulting from the burning of fossil fuels and are used as the KPI for air pollution by Grindrod. Grindrod does not have any significant stationary/site-based sources of air pollution.

Total year on year fuel usage for land-based petrol and diesel and ship-based marine diesel oil (MDO) remained static, whilst total combustion of ship-based high sulphur fuel oil (HSFO) and LSFO increased by 18% and 44% respectively, as a result of new ships being delivered in the Shipping division. Correspondingly, total air pollution (tonnes SO_x and NO_x emissions), total GHG emissions (tonnes CO_2-e) and total energy usage (GJoules) also increased year on year.

However, some progress was made on reaching normalised energy, GHG and SO_x/NO_x emissions efficiency targets. These are summarised in the table below:

WASTE REDUCTION Policy objectives and targets (from base year of 2010 and a target date of 2020)	Performance in 2012
Solid waste reduction – to improve material recycling to 20% of total solid waste generated (target exceeded).	Achieved. Re-use and recycling initiatives were aggressively pursued by Freight Services, resulting in 36% of general solid waste being recycled, a marked improvement over the 6,6% level in 2011. 13,5% of all land-based solid and liquid waste was recycled compared to 2% in 2011.
Liquid waste reduction – to improve liquid waste recycling by 10% of total liquid waste generated.	Slow progress due to lack of appropriate recycling facilities for hazardous liquid waste in SA. Only 0,54% of hazardous liquid waste recycled.
End-of-life vehicles and ships will be recycled as completely as possible.	No material disposals of end-of-life ships or vehicles occurred during the year under review.

ENERGY/GHG Policy objectives and targets (2010 base year, unless otherwise stated and a target date of 2020)	Performance in 2012
Reduce normalised overall group emissions CO_2-e (grammes) per Rand revenue by 10%.	Target not achieved. Increased from 10,1 (2011) to 14,9, resulting from a combination of adding new ships (with higher normalised emissions per Rand revenue) plus poor market conditions in Shipping (i.e. more ships sailing without full loads). Shipping emissions intensity increased from 55 to 70 g CO_2-e per Rand revenue as a result of this factor, despite efforts to improve fuel efficiency throughout the fleet (see below for details).
Reduce ship-based GHG emissions (CO_2-e) per tonne/NM by an average (across the fleet) of 10% and to comply with IMO regulations regarding ships' emissions.	New IMO energy efficiency regulations (that include how efficiency is measured) are now in effect (refer information below) and have resulted in a resetting of the base year from 2010 to 2012 for this specific KPI. A combination of newbuild regulations and operational measures being implemented, (refer information below) will ensure that this objective and target is achieved; however, market conditions (which dictate ship loads) will always impact on this metric.
Reduce land-based diesel vehicle GHG emissions per kilometre by an average (across the transport fleet) of 10% (using 2011 as the base year).	On track. Heavy vehicle diesel emissions efficiency (kg CO_2 per km) decreased from 1,47 in 2011 to 1,41 during the year, a 4,2% year on year improvement. SO^X and NO^X emissions (kg per 1 000 km) dropped by the same margin year on year.
Reduce normalised land-based Scope 2 electricity (i.e. electricity consumption in machinery and buildings on property owned and operated by Grindrod) usage by 20%.	On track. Normalised electricity usage improved by 10% year on year from 3 445 kWh/FTE (2011) to 3 093 kWh/FTE, a 17% improvement from the base year figure of 3 736 kWh/FTE.
Increase the proportion of renewable energy consumption (wind and solar-produced electricity, use of biofuels, etc.) to 5% of total energy usage.	No progress made during the year. Hampered by market and regulatory regime in SA (renewable options not widely available yet).
Begin to seize market opportunities related to global climate change responses (e.g. developing products and services with environmentally differentiated attributes).	Some progress made. Trading continues to stay abreast of the C trading market, but has not entered this market as yet.

Total ship-based SO_x and NO_x emissions increased as a result of the larger pool of vessels falling into the reporting scope. Ship-based SO_x per 1 000 nautical mile (NM) increased by 39% from 3,11 in 2011 to 4,31, (believed to be in part due as a result of a more accurate measurement of SO_x), but was still 8% lower than the 2010 base year figure of 4,69. NO_x per 1 000 NM decreased 10% from 6,89 in 2011 to 6,19, which was 21% lower than the 2010 base year figure of 7,82.

Greater market availability of cleaner fuels will likely drive reductions in SO_x and NO_x emissions from land-based vehicles in SA. Similarly, the Shipping division is starting to benefit from the introduction of clean air legislation and the resulting market availability of lower sulphur fuel oil in a number of shipping jurisdictions. For example, after 2015, the sulphur content for any ship's fuel in an Emission Control Area (ECA) cannot exceed 0,10%. As of late 2012, this covered large parts of Europe and North America.

The two key divisions that comprise 95%+ of Grindrod's energy footprint (Freight Services and Shipping) continued with concerted efforts to implement energy efficiency, air emissions and pollution reduction measures.

Within Freight Services this included:

- All of Freight Service's Logistics businesses reduced the average litres per 100 kilometres of their Heavy Duty Vehicle (HDV) fleets. The average HDV fuel consumption decreased from 47,27 to 45,28 litres per 100 kilometres during 2012;
- Grindrod Logistics Automotive (GLA) business unit continued its phase out of older, less efficient trucks, purchasing 13 new HDVs with an average fuel efficiency of 40,5 litres per 100 kilometres. GLA's average fleet fuel efficiency improved from 45,32 to 43,72 litres per 100 kilometres over the course of the year. The implementation of the Drive Smart initiative further improved efficiency related to driver behaviour; and
- Continued and on-going energy saving programmes across the business include maintenance schedules, route optimisation, retrofits, metal halide lighting, day/night switches and satellite tracking of fleet.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE continued

Within Shipping, energy efficiency measures being implemented included:

- fitting selected ships with Propeller Boss Cap Fins (PBCF), a device that when fitted to the ships' propeller controls the flow behind the propeller and reduces drag. Encouragingly these ships have shown a 2% to 3% improvement in fuel efficiency. Newbuildings are being fitted with these devices and sea trials are continuing;
- fitting ships' with power management systems that automatically match the electrical output to the demand in order to save energy, fuel and produce fewer emissions;
- fitting Diesel Tune systems to optimise main engine performance and reduce fuel consumption and emissions (two ships fitted to date);
- optimising ships' main engines for the most efficient fuel consumption at 85% maximum continuous rating; and
- fitting dedicated LSFD tanks to ships (all applicable ships have now been retrofitted).

Two new ships' energy efficiency standards are now in place:

1. The Energy Efficiency Design Index (EEDI) applies to new ships (newbuildings). Effective 1 January 2013, newbuildings will be required to meet new energy efficiency design criteria. The CO_2 reduction level (grammes of CO_2 per tonne mile) for the first phase is set to 10% and will become more stringent every five years to keep up with the pace with regard to technological developments of new efficiency and reduction measures; and
2. The Ship Energy Efficiency Management Plan (SEEMP) standard now applies to all existing operational ships. Ship Energy Efficiency Management Plan incorporates best practices for fuel efficient ship operation, as well as guidelines for voluntary use of the Energy Efficiency Operational Indicator (EEOI) as a monitoring tool. Grindrod has prepared SEEMPs for all tankers and dry fleet ships.

Greener office buildings

Grindrod remained a member of the Green Building Council of SA and applies environmental design principles to the development and renovation of its buildings. Grindrod continued to extend influence to its tenants as much as possible and environmental management requirements form a component of all new lease agreements.

The drive to make Grindrod's three Durban office buildings more energy efficient continued for the second year running. Retrofits, contract arrangements and staff awareness initiatives resulted in electricity consumption being reduced by a further 7%, on top of the 10% decrease in 2011.

Grindrod's long-term carbon reductions strategy

While the short to medium-term objectives and targets focus on driving operational longer-term reductions in GHG emissions related to transport activities (which form the bulk of our footprint) will efficiencies (as outlined above), we believe that flow from technological and market changes.

Over the next 10 to 20 years, Freight Services therefore plans to phase out inefficient petrol and diesel burning vehicles as and when new and alternative (including hybrid) engine technologies become available.

Climate change risks and opportunities

Grindrod acknowledges that future climate change related risks, over which it may have little control, could impact the business in new and unforeseen ways. A description of the key risk areas and Grindrod's proactive response to these is summarised on page 109.

Conversely, there are climate change related opportunities that have been identified and being pursued by Grindrod. These include:

- **Marketing the C benefits of shipping**
  The transporting of materials and products by ships, particularly over longer distances around the globe, is the most eco-efficient way of doing so (on a CO_2-e per tonne, distance measure compared to land and air transport options). Grindrod's young, modern, fuel-efficient fleet is well positioned to seize opportunities in the changing global transport market; and
- **Developing environmentally friendly technologies**
  In line with its adoption of Principle 9 of the UN Global Compact, Grindrod will begin to become more active in this area. Innovations in ship and vehicle fuel efficiency (like the initial trials with fuel saving propellers mentioned above) will likely dominate the group's interest in this area.

Full disclosure of Grindrod's assessment and management approach to climate change risk and opportunities can be found as part of the company's 2012 CDP disclosure. See www.cdproject.net (search Grindrod).

Climate change risk area (description, time frame and likelihood)	Action plan
PHYSICAL ENVIRONMENTAL IMPACTS ON TRANSPORT OPERATIONS	
The risk of shipping accidents or groundings resulting in environmental damage through oil spills could increase over the medium to longer term as the severity and frequency of tropical cyclones, adverse sea conditions, tsunamis and other extreme weather events which scientists predict may occur as a direct result of human-induced global climate change, start to happen. Such events would disrupt operations, result in inflated insurance premiums and potential loss of assets and/or loss of business.	As a result of maintaining a modern, seaworthy fleet, utilising the best available navigation and weather tracking technology and operating a highly professional, world-class shipping operation, Grindrod has not had a major shipping accident or collision to date. Grindrod carries comprehensive risk insurance covering environmental aspects of all operations and assets. Global Protection and Indemnity Club cover is maintained separately for each ship and comprehensively covers catastrophic shipping accidents or collisions resulting in oil pollution and resultant environmental liabilities imposed by international convention, national legislation or common law.
INTERNATIONAL AGREEMENTS AND C TAXES	
If SA and other countries where Grindrod's assets are registered, commit to aggressive country Carbon emissions reduction targets and these countries pass on primary responsibility for achieving these to the private sector (which is likely), then this could also pose business risks to Grindrod, given the fuel-intensive nature of its transport business. The likelihood of this occurring is considered near certain over the next 10 years. In order to meet international climate change commitments made, the South African Government has proposed further Carbon taxes, which if/when introduced would impact operational costs, particularly for the South African-based Freight Services' transport fleet. Grindrod at group level may not be materially impacted by the proposed country emissions taxes (depending on how they are applied) as its South African C footprint is in fact quite small. The likelihood of this impact is high.	Grindrod continues to engage with the South African Government on this issue, however, the group is bound to comply with all current and future legislation and taxes flowing from such agreements. By focusing acutely on what the group can do, which is to aggressively drive fuel efficiency in its fleet of vehicles, locomotives and ships and stay abreast with new fuel savings technologies and alternatives, the group is managing and addressing this area of risk to the best of its ability.
FUEL/ENERGY TAXES AND REGULATIONS	
Driven in part by country-level climate change mitigation measures, Grindrod is facing new fuel and energy taxes and regulations. As part of its C tax package announced in the 2012 budget speech, the South African Government introduced an increase in the general fuel levy and Road Accident Fund (RAF) levy by 20,0 cents per litre and 8,0 cents per litre respectively, which came into effect from April 2012. The Freight Services division, in particular is being impacted directly and immediately by this increase in input cost. Similarly, the Government levy (3,5 cents per kWh) for electricity generated from non-renewable sources will increase operational costs. This is on top of a series of general electricity price increases in SA in recent years. However, electricity is not a material operational cost and only comprises 7% of the total GHG emissions for the group, so rising electricity costs do not pose a material risk to the group.	The electricity conservation initiative that was introduced in 2010/11 within Freight Services and at all the group buildings, is well underway as outlined above. Grindrod's vehicle fuel efficiency improvement measures are covered above and in the previous sections.
AIR POLLUTION LIMITS	
Shipping has started experiencing the impacts related to jurisdictional tightening of air pollution limits (e.g. European Union's (EU's) stricter SOx emission limits). Further changes globally could incur additional unforeseen capital expenditure and higher running costs.	All applicable ships are being retrofitted to enable taking on-board lower sulphur fuel oil (as outlined in previous sections) ensuring that the Shipping division is abreast of these regulations.

Key environmental indicators for the group with performance trends over three years are presented in the tables and graphs on www.grindrod.co.za, including detailed summaries for the two divisions (Shipping and Freight Services), which together comprise 95%+ of Grindrod's environmental footprint (99% of total GHG emissions, 99% of waste and 93% of water consumption). Data for the other divisions is incorporated into group totals.

AUDITED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2012

Directors' responsibility and approval

The directors of Grindrod Limited have pleasure in presenting the annual financial statements for the year ended 31 December 2012.

In terms of the South African Companies Act, No 71 of 2008, as amended, the directors are required to prepare the consolidated annual financial statements that fairly present the state of affairs and business 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.

The annual financial statements comprise:

- accounting policies;
- statements of financial position;
- income statements;
- statements of comprehensive income;
- statements of cash flows;
- statements of changes in equity;
- segmental analyses; and
- notes to the financial statements.

The reviews by the chairman, the CEO, 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 2012 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 2013 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 112 to 121 were approved by the board of directors on 26 February 2013 and were signed on their behalf by:

IAJ Clark
Chairman

AK Olivier
Chief executive officer

Certificate by company secretary
for the year ended 31 December 2012

In my capacity as company secretary, I hereby 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 Companies Act, 2008 (or the Companies Act, 1973, where applicable). Further, I certify that such returns are true, correct and up to date.

Mrs CI Lewis
Group company secretary

Durban
26 February 2013

Preparer of annual financial statements
for the year ended 31 December 2012

These annual financial statements have been prepared under the supervision of:

AG Waller CA(SA)
Group financial director

Durban
26 February 2013

INDEPENDENT AUDITORS' REPORT

The accompanying condensed consolidated financial statements, which comprise the condensed consolidated income statement, condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year ended and related notes, are derived from the audited consolidated financial statements of Grindrod Limited for the year ended 31 December 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 26 February 2013. Those financial statements, and the condensed financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The condensed consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the condensed consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of Grindrod Limited.

Directors' responsibility for the condensed financial statements

The directors are responsible for the preparation of the condensed consolidated financial statements in accordance with the framework concepts, and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting, and the requirements of the Companies Act of South Africa.

Auditors' responsibility

Our responsibility is to express an opinion on the condensed consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the condensed consolidated financial statements derived from the audited consolidated financial statements of Grindrod Limited for the year ended 31 December 2012 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts, and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the information as required by IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa.

Deloitte & Touche
Registered auditors

Per CA Sagar
Partner

26 February 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

		Audited 31 December 2012 R000	Audited 31 December 2011 R000
Ships, property, terminals, vehicles and equipment		**5 443 757**	5 267 565
Investment property		**33 826**	22 096
Intangible assets		**679 643**	547 931
Investments in associates		**512 646**	266 081
Investments in joint ventures		**1 668 233**	719 528
Deferred taxation		**107 435**	89 472
Other investments and derivative financial assets		**325 888**	129 478
Recoverables on cancelled ships		**379 050**	380 566
Total non-current assets		**9 150 478**	7 422 717
Loans and advances to bank customers		**3 188 454**	2 542 048
Liquid assets and short-term negotiable securities		**626 378**	190 259
Short-term loans		**518 819**	303 513
Bank balances and cash		**4 226 367**	2 979 172
Other current assets		**4 089 390**	3 616 122
Non-current assets held for sale		**273 615**	3 467 286
Total current assets		**9 734 569**	10 556 352
Total assets		**22 073 501**	20 521 117
Shareholders' equity		**10 114 356**	9 216 769
Non-controlling interests		**126 533**	94 336
Total equity		**10 240 889**	9 311 105
Interest-bearing borrowings		**2 028 392**	2 226 575
Financial services funding instruments		**813 947**	–
Deferred taxation		**147 004**	124 796
Provision for post-retirement medical aid		**49 426**	52 336
Other non-current liabilities		**58 611**	33 669
Non-current liabilities		**3 097 380**	2 437 376
Deposits from bank customers		**4 661 346**	2 910 945
Current interest-bearing borrowings		**1 987 398**	2 017 190
Financial services funding instruments		**193 519**	130 514
Other liabilities		**1 741 914**	1 297 036
Non-current liabilities associated with assets held for sale		**151 055**	2 416 951
Total current liabilities		**4 073 886**	5 861 691
Total equity and liabilities		**22 073 501**	20 521 117
Net worth per ordinary share – at book value	(cents)	**1 609**	1 454
Net debt:equity ratio		**0,07:1**	0,10:1
Capital expenditure		**1 209 563**	1 166 228
Capital commitments		**647 324**	472 423
Authorised by directors and contracted for		**185 857**	247 016
Due within one year		**185 857**	199 190
Due thereafter		**–**	47 826
Authorised by directors, not yet contracted for		**461 467**	225 407

The condensed consolidated annual financial statements have been included in this integrated annual report. The full set of consolidated annual financial statements are available on www.grindrod.co.za

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

		Change %	Audited 31 December 2012 R000	Audited 31 December 2011 R000
Revenue		(24)	**27 262 223**	35 885 258
Earnings before interest, taxation, depreciation and amortisation		(5)	**953 825**	1 005 537
Depreciation and amortisation			**(412 430)**	(362 979)
Operating profit before interest and taxation		(16)	**541 395**	642 558
Non-trading items			**199 689**	60 152
Interest received			**206 941**	169 709
Interest paid			**(227 398)**	(218 647)
Profit before share of associate and joint venture companies' profit		10	**720 627**	653 772
Share of associate companies' profit after taxation			**9 385**	4 291
Share of joint venture companies' profit after taxation			**340 029**	114 024
Profit before taxation			**1 070 041**	772 087
Taxation			**(148 228)**	(175 363)
Profit for the year		54	**921 813**	596 724
Attributable to:				
Ordinary shareholders		61	**853 266**	530 905
Preference shareholders			**57 297**	53 271
Owners of the parent			**910 563**	584 176
Non-controlling interests			**11 250**	12 548
			921 813	596 724
Exchange rates (R/US$)				
Opening exchange rate			**8,11**	6,62
Closing exchange rate			**8,48**	8,11
Average exchange rate			**8,22**	7,27
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders			**853 266**	530 905
Adjusted for:			**(133 759)**	(54 543)
IAS 38 – Impairment of goodwill			**21 045**	9 168
IAS 38 – Impairment of other investment			**11 208**	5 849
IAS 16 – Impairment/(reversal of impairment) of ships, intangibles, plant and equipment			**178 648**	(18 067)
IFRS 3 – Net profit on disposal of investments			**(312 887)**	(48 180)
IAS 16 – Net loss/(profit) on disposal of plant and equipment			**2 023**	(8 922)
IAS 21 – FCTR adjustment on disposal of investment			**(33 965)**	–
Joint ventures:				
IAS 16 – Impairment of ships, plant, equipment and property			**20 305**	–
Total taxation effects of adjustments			**(20 136)**	5 609
Headline earnings		51	**719 507**	476 362
Ordinary share performance				
Number of shares in issue less treasury shares	(000's)		**590 486**	589 536
Weighted average number of shares on which earnings per share are based	(000's)	23	**590 097**	478 234
Diluted weighted average number of shares on which diluted earnings per share are based	(000's)	24	**592 728**	479 192
Earnings per share	(cents)			
Basic		30	**144,6**	111,0
Diluted		30	**144,0**	110,8
Headline earnings per share	(cents)			
Basic		22	**121,9**	99,6
Diluted		22	**121,4**	99,4
Dividends per share	(cents)	12	**32,9**	29,5
Interim			**17,5**	17,5
Final			**15,4**	12,0
Dividend cover	(times)		**4,4**	3,8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Audited 31 December 2012 R000	Audited 31 December 2011 R000
Profit for the year	**921 813**	596 724
Other comprehensive income		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	**263 750**	901 974
Cash flow hedges		
(Losses)/profits during the year	**(6 345)**	161 735
Reclassification adjustments for amounts recognised in assets	**(859)**	(2 070)
	(7 204)	159 665
Business combination release	**5 998**	–
Fair value loss arising on available-for-sale investments	**(25 000)**	–
Total comprehensive income for the year	**1 159 357**	1 658 363
Total comprehensive income attributable to:		
Owners of the parent	**1 145 519**	1 648 400
Non-controlling interests	**13 838**	9 963
	1 159 357	1 658 363

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Audited 31 December 2012 R000	Audited 31 December 2011 R000
Operating profit before working capital changes	**890 190**	1 069 342
Working capital changes	**532 465**	(1 264 377)
Cash generated from/(utilised in) operations	**1 422 655**	(195 035)
Net interest paid	**(20 457)**	(125 180)
Net dividends paid	**(215 472)**	(230 115)
Taxation paid	**(101 985)**	(63 004)
	1 084 741	(613 334)
Net bank advances to customers and other short-term negotiables	**667 876**	453 489
Net cash flows generated from/(utilised in) operating activities before ships sales and purchases	**1 752 617**	(159 845)
Refund on ships under construction cancelled	**16 846**	–
Capital expenditure on ships and locomotives	**(242 372)**	(842 831)
Net cash flows generated from/(utilised in) operating activities	**1 527 091**	(1 002 676)
Acquisition of property, terminals, vehicles and equipment	**(949 300)**	(320 494)
Acquisition of other investments	**(95 046)**	(30 190)
Proceeds from disposal of property, terminals, vehicles and equipment and investments	**499 936**	111 062
Proceeds from repayment of share capital by joint venture	**–**	262 235
Intangible assets acquired	**(17 891)**	(2 903)
Loans advanced to joint venture and associate companies	**(73 186)**	(13 249)
Net cash flows (utilised in)/generated from investing activities	**(635 487)**	6 461
Net proceeds from issue of ordinary share capital	**7 839**	1 983 803
Proceeds from disposal of treasury shares	**2 989**	1 945
Long-term interest-bearing debt raised	**1 432 603**	1 548 382
Payment of capital portion of long-term interest-bearing debt	**(834 015)**	(708 718)
Short-term interest-bearing debt (repaid)/issued	**(126 514)**	179 130
Net cash flows from financing activities	**482 902**	3 004 542
Net increase in cash and cash equivalents	**1 374 506**	2 008 327
Cash and equivalents at beginning of the year	**2 901 050**	903 846
Difference arising on translation	**(25 306)**	(11 123)
Cash and cash equivalents at end of the year	**4 250 250**	2 901 050

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Ordinary share capital R000	Preference share capital R000	Share premium R000	Equity compen-sation reserve R000	Foreign currency translation reserve R000
Balance at 31 December 2010	9	2	28 671	37 300	(160 461)
Share options exercised			2 612		
Share-based payments				647	
Share issue	3		1 999 997		
Share issue expenses			(18 810)		
Treasury shares sold			1 945		
Non-controlling interest acquired					
Profit for the year					
Other comprehensive income					904 559
Total comprehensive income					
Ordinary dividends paid					
Preference dividends paid					
Balance at 31 December 2011	12	2	2 014 415	37 947	744 098
Share options exercised			7 839		
Share-based payments				4 179	
Treasury shares sold			2 989		
Business acquisitions/(disposals)					
Non-controlling interest disposed					
Profit for the year					
Other comprehensive income					261 162
Total comprehensive income					
Ordinary dividends paid					
Preference dividends paid					
Balance at 31 December 2012	**12**	**2**	**2 025 243**	**42 126**	**1 005 260**

Business combination reserve R000	Hedging reserve R000	Other non-distributable reserve R000	Accumulated profit R000	Interest of owners of the parent R000	Non-controlling interests R000	Interest of all shareholders R000
–	(152 706)	–	6 104 046	5 856 861	113 854	5 970 715
				2 612		2 612
				647		647
				2 000 000		2 000 000
				(18 810)		(18 810)
				1 945		1 945
(18 718)				(18 718)	(26 277)	(44 995)
			584 176	584 176	12 548	596 724
	159 665			1 064 224	(2 585)	1 061 639
				1 648 400	9 963	1 658 363
			(202 897)	(202 897)	(3 204)	(206 101)
			(53 271)	(53 271)	–	(53 271)
(18 718)	6 959	–	6 432 054	9 216 769	94 336	9 311 105
				7 839		**7 839**
				4 179		**4 179**
				2 989		**2 989**
			(31 160)	**(31 160)**	23 397	**(7 763)**
				–	2 849	**2 849**
			910 563	**910 563**	11 250	**921 813**
5 998	(7 204)	(25 000)		**234 956**	2 588	**237 544**
				1 145 519	13 838	**1 159 357**
			(174 482)	**(174 482)**	(7 887)	**(182 369)**
			(57 297)	**(57 297)**	–	**(57 297)**
(12 720)	**(245)**	**(25 000)**	**7 079 678**	**10 114 356**	**126 533**	**10 240 889**

SEGMENTAL ANALYSIS
for the year ended 31 December 2012

	Audited 31 December 2012 R000	Audited 31 December* 2011 R000
Revenue		
Freight Services	**3 929 411**	3 190 083
Trading	**27 074 222**	29 756 780
Shipping	**4 009 832**	3 914 926
Financial Services	**252 686**	193 558
Group	**911**	433
	35 267 062	37 055 779
Segmental adjustments**	**(8 004 839)**	(1 170 521)
	27 262 223	35 885 258
Earnings before interest, taxation, depreciation and amortisation		
Freight Services	**729 753**	680 726
Trading	**258 660**	218 474
Shipping	**308 390**	245 322
Financial Services	**127 702**	81 512
Group	**(10 340)**	(1 312)
	1 414 165	1 224 722
Segmental adjustments**	**(460 340)**	(219 185)
	953 825	1 005 537
Operating profit before interest and taxation		
Freight Services	**509 842**	480 689
Trading	**241 815**	202 866
Shipping	**65 154**	53 729
Financial Services	**126 380**	80 462
Group	**(13 973)**	(4 623)
	929 218	813 123
Segmental adjustments**	**(387 823)**	(170 565)
	541 395	642 558
Share of associate companies' profit after taxation		
Freight Services	**50 196**	4 291
Trading	**(815)**	–
	49 381	4 291
Segmental adjustments**	**(39 996)**	–
	9 385	4 291
Profit/(loss) attributable to ordinary shareholders		
Freight Services	**793 328**	317 831
Trading	**113 546**	143 989
Shipping	**(169 710)**	6 801
Financial Services	**65 145**	58 398
Group	**50 957**	3 886
	853 266	530 905

* *Restated due to segmental adjustments in relation to IFRS and operating segments.*

** *Joint venture earnings are reviewed together with subsidiaries by the key decision maker. Segmental adjustments relate to joint ventures necessary to reconcile to IFRS presentation.*

CONDENSED CONSOLIDATED NOTES
for the year ended 31 December 2012

BUSINESS COMBINATIONS
Acquisition of subsidiaries, joint ventures and associates

During the year, the group acquired the following additional interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2012	Purchase consideration R000
Ocean Africa Container Lines (Pty) Ltd	Seafreight	51,0	1 January	–
Petrologistics Botswana (Pty) Ltd	Logistics	75,5	1 June	28 891
JFM Sturrock Holdings (Pty) Ltd	Ships agencies	50,0	1 November	–
Grey Haven Riches 27 Limited (Plexus)	Financial	95,1	31 July	50 414
Vitol Coal South Africa B.V.	Trading	35,0	1 January	156 643
New Limpopo Bridge Projects Limited	Rail	46,4	1 July	388 478
Russelstone Protein (Pty) Ltd	Soybean crushing	30,0	1 September	29 060
Total purchase consideration				**653 486**

Reasons for acquisitions
The primary reasons for the business acquisitions were to acquire outstanding non-controlling interests to consolidate Grindrod's position and to expand Grindrod's presence into new markets and geographical areas.

Impact of the acquisitions on the results of the group
From the dates of their acquisition, the acquired businesses contributed attributable profit of R79 486 000.

Net assets acquired in the subsidiaries' transactions and the goodwill/intangible assets arising, are as follows:

Net assets acquired	Acquirees' carrying amount before combination at fair value R000
Property, plant and equipment	54 707
Interest in associate companies	208 899
Interest in joint venture companies	156 643
Investments	4 304
Taxation	1 687
Working capital	(90 320)
Cash and bank	158 954
Non-controlling interest	(8 037)
Long-term liabilities	(27 431)
Deferred taxation	(5 260)
Total	454 146
Goodwill and intangible assets arising on acquisition	170 280
Purchase consideration relating to associate	29 060
	653 486

The goodwill arising on the acquisition of these businesses is attributable to the anticipated profitability of these businesses and synergies expected.

Disposal of subsidiaries, joint ventures and associates

During the year the group disposed of the following interests:

Company disposed	Nature of business	Percentage disposed	Interest disposed 2012	Disposal consideration R000
Terminal De Carvo da Matola Limitada (Mozambique)	Terminals	35,0	1 January	444 379
Röhlig-Grindrod (Pty) Ltd	Clearing and forwarding	7,5	1 June	–
Grindrod Ships Agencies (Pty) Ltd	Ships agencies	50,0	1 November	–
Grindrod Ships Agencies (Mozambique) Limitada	Ships agencies	50,0	1 November	–
Sinpor Trading (Pty) Ltd	Steel trading	100,0	9 November	456
Cockett Holdings Limited	Marine fuel and lubricants	50,0	30 June	16 045
Grindrod Trading and Bunkering Netherlands BV (Bunker trading)	Bunker trading	50,0	30 June	11 298
Equus Investments Limited	Marine fuel and lubricants	50,0	30 June	132 608
Cockett Marine Oil (Asia), a division of Grindrod Trading (Asia) Pte Ltd	Marine fuel and lubricants	50,0	30 June	50 319
Cockett Marine South Africa (Pty) Ltd	Marine fuel and lubricants	50,0	30 June	673
Total disposal consideration				**655 778**

Reason for disposals

The primary reason for the disposals was to expand Grindrod's presence into new markets and geographics together with chosen partners.

Net assets disposed	Fair value R000
Property, plant and equipment	5 975
Intangible assets	13 388
Interest in associate companies	28 862
Investments	(98 775)
Working capital	(148 701)
Cash and bank	199 223
Non-controlling interest	(8 037)
Short-term liabilities	(1 476)
Deferred taxation	3 666
Non-current assets disposed	622 460
Total	616 585
Profit on disposal	39 193
	655 778

Contingent assets/liabilities

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R6 422 946 000 (2011: R5 101 000 000) of which R3 104 728 000 (2011: R2 372 000 000) had been utilised at year end.

The company has guaranteed charter hire payments and other guarantees of subsidiaries amounting to R1 524 356 000 (2011: R1 501 250 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2012 to 2019.

On disposal of an interest in an entity, the acquirer has agreed to compensate the group if certain targets are met. At reporting date, the achievability of these targets was undetermined.

Leases and ship charters

	Audited 31 December 2012 R000	Audited 31 December 2011 R000
Operating leases and ship charters		
Income	**763 267**	659 412
Expenditure	**2 652 727**	3 768 860
Finance lease liabilities	**75 861**	56 817

SHARE ANALYSIS OF ORDINARY SHAREHOLDERS

at 31 December 2012

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
SHAREHOLDER SPREAD				
1 to 5 000 shares	**8 968**	**70,30**	**16 222 033**	**2,71**
5 001 to 10 000 shares	**1 664**	**13,04**	**12 632 002**	**2,11**
10 001 to 50 000 shares	**1 524**	**11,95**	**32 644 986**	**5,44**
50 001 to 100 000 shares	**227**	**1,78**	**16 574 994**	**2,76**
100 001 shares and over	**373**	**2,92**	**521 591 299**	**86,98**
	12 756	**100,00**	**599 665 314**	**100,00**
NON-PUBLIC SHAREHOLDERS				
Directors of the company	**5**	**0,04**	**10 219 097**	**1,70**
Treasury stock	**1**	**0,01**	**9 179 348**	**1,53**
Remgro Limited	**1**	**0,01**	**147 767 261**	**24,64**
Public shareholders	**12 749**	**99,95**	**432 499 608**	**72,12**
	12 756	**100,00**	**599 665 314**	**100,00**
INVESTOR PROFILE				
Banks	**70**	**0,55**	**29 029 970**	**4,84**
Close corporations	**187**	**1,47**	**5 428 449**	**0,91**
Endowment funds	**69**	**0,54**	**1 216 778**	**0,20**
Individuals	**9 684**	**75,92**	**82 643 567**	**13,78**
Insurance companies	**36**	**0,28**	**11 723 935**	**1,96**
Investment companies	**29**	**0,23**	**4 988 915**	**0,83**
Medical schemes	**14**	**0,11**	**719 158**	**0,12**
Mutual funds	**172**	**1,35**	**96 974 533**	**16,17**
Nominees and trusts	**1 890**	**14,82**	**31 858 706**	**5,31**
Other corporations	**76**	**0,60**	**345 049**	**0,06**
Private companies	**305**	**2,39**	**87 260 580**	**14,55**
Public companies	**18**	**0,14**	**148 385 717**	**24,74**
Retirement funds	**206**	**1,61**	**99 089 957**	**16,52**
	12 756	**100,00**	**599 665 314**	**100,00**
GEOGRAPHICAL BREAKDOWN				
South Africa	**12 454**	**97,63**	**542 775 450**	**90,51**
United States of America and Canada	**53**	**0,42**	**32 246 290**	**5,38**
United Kingdom	**75**	**0,59**	**19 206 280**	**3,20**
Rest of Europe	**39**	**0,31**	**1 912 796**	**0,32**
Rest of the World	**135**	**1,06**	**3 524 498**	**0,59**
	12 756	**100,00**	**599 665 314**	**100,00**
MAJOR SHAREHOLDERS				
Remgro			**147 767 261**	**24,64**
Grindrod Investments (Pty) Ltd (Grindrod Family)			**77 287 039**	**12,89**
Government Employees Pension Fund			**60 988 608**	**10,17**
			286 042 908	**47,70**
TOP 10 FUND MANAGERS				
Public Investment Corporation			**50 176 726**	**8,37**
Coronation Fund Managers			**34 277 092**	**5,72**
Investec Asset Management			**30 200 457**	**5,04**
Dimensional Fund Advisors			**17 021 393**	**2,84**
Oasis Asset Management			**15 432 898**	**2,57**
Foord Asset Management			**14 130 620**	**2,36**
STANLIB Asset Management			**11 448 966**	**1,91**
PSG Alphen Asset Management			**7 683 264**	**1,28**
Cadiz Asset Management			**4 657 189**	**0,78**
The Vanguard Group, Inc			**3 929 155**	**0,66**
			188 957 760	**31,51**

SHARE ANALYSIS OF CUMULATIVE, NON-REDEEMABLE, NON-CONVERTIBLE PREFERENCE SHARES

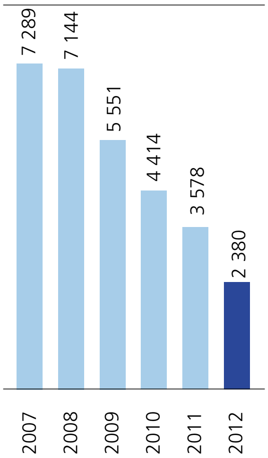
at 31 December 2012

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
SHAREHOLDER SPREAD				
1 to 5 000 shares	**2 335**	**89,98**	**3 265 983**	**44,13**
5 001 to 10 000 shares	**145**	**5,59**	**1 083 697**	**14,64**
10 001 to 50 000 shares	**106**	**4,08**	**1 996 605**	**26,98**
50 001 to 100 000 shares	**5**	**0,19**	**385 132**	**5,20**
100 001 shares and over	**4**	**0,15**	**668 583**	**9,03**
	2 595	**100,00**	**7 400 000**	**100,00**
Public shareholders	**2 595**	**100,00**	**7 400 000**	**100,00**
	2 595	**100,00**	**7 400 000**	**100,00**
INVESTOR PROFILE				
Banks	**1**	**0,04**	**2 087**	**0,03**
Close corporations	**28**	**1,08**	**60 148**	**0,81**
Endowment funds	**16**	**0,62**	**36 140**	**0,49**
Individuals	**1 776**	**68,44**	**3 565 810**	**48,19**
Insurance companies	**3**	**0,12**	**78 794**	**1,06**
Investment companies	**6**	**0,23**	**38 097**	**0,51**
Medical schemes	**1**	**0,04**	**9 046**	**0,12**
Mutual funds	**19**	**0,73**	**717 189**	**9,69**
Nominees and trusts	**634**	**24,43**	**1 944 857**	**26,28**
Other corporations	**13**	**0,50**	**118 927**	**1,61**
Private companies	**92**	**3,55**	**621 201**	**8,39**
Public companies	**4**	**0,15**	**204 407**	**2,76**
Retirement funds	**2**	**0,08**	**3 297**	**0,04**
	2 595	**100,00**	**7 400 000**	**100,00**
GEOGRAPHICAL BREAKDOWN				
South Africa	**2 572**	**99,11**	**7 372 135**	**99,62**
United States of America and Canada	**3**	**0,12**	**3 637**	**0,05**
United Kingdom	**7**	**0,27**	**9 284**	**0,13**
Rest of Europe	**6**	**0,23**	**7 804**	**0,11**
Rest of the World	**7**	**0,27**	**7 140**	**0,10**
	2 595	**100,00**	**7 400 000**	**100,00**

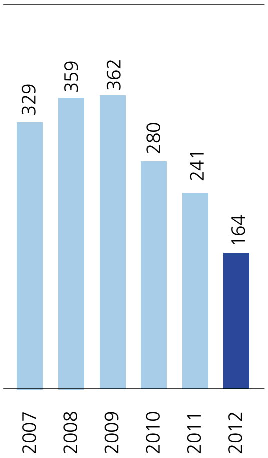
SHARE PERFORMANCE
for the year ended 31 December 2012

		2012		2011		2010	
		Ordinary	**Preference**	Ordinary	Preference	Ordinary	Preference
Market price per share							
Opening	(cents)	**1 400**	**9 720**	1 895	10 375	1 778	9 700
Year end	(cents)	**1 585**	**9 150**	1 400	9 720	1 895	10 375
Highest	(cents)	**1 585**	**10 010**	1 939	10 400	1 910	10 700
Lowest	(cents)	**1 270**	**9 000**	1 250	9 050	1 350	9 400
Number of shares	(000)	**590 486**	**7 400**	589 536	7 400	455 802	7 400
– in issue	(000)	**599 665**	**7 400**	598 715	7 400	464 981	7 400
– treasury	(000)	**(9 179)**	**–**	(9 179)	–	(9 179)	–
Number of transactions recorded	(000)	**53 488**	**1 920**	79 713	1 891	82 968	2 942
Number of shares traded	(000)	**163 690**	**1 505**	240 887	1 616	279 898	901
Volume of shares traded as a percentage of total issued shares	(%)	**27,3**	**20,3**	40,2	21,8	60,2	12,2
Value of shares traded	(R000)	**2 380 166**	**141 329**	3 577 810	153 251	4 413 777	90 580
Market capitalisation	(R000)	**9 252 274**	**677 100**	8 382 014	719 280	8 811 408	767 750
PE ratio	(%)	**11,0**		12,6		11,1	
Dividend yield	(%)	**2,1**		2,1		2,8	
Earnings yield	(%)	**9,1**		7,9		9,6	

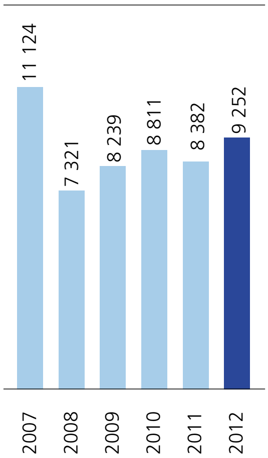
Value of ordinary shares traded
(R million)



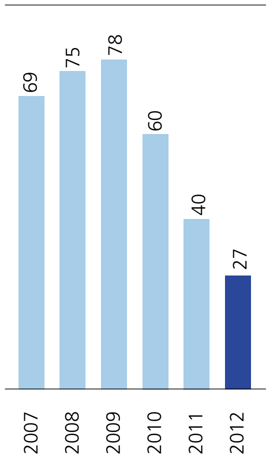
Volume or ordinary shares traded
(R million)



Market capitalisation of ordinary shares
(R million)



Volumes traded/total issued ordinary shares
(%)



		2009		2008		2007	
		Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Market price per share							
Opening	(cents)	1 530	8 600	2 300	10 900	1 560	10 959
Year end	(cents)	1 778	9 700	1 530	8 600	2 342	10 300
Highest	(cents)	1 870	9 900	2 886	10 900	2 740	11 000
Lowest	(cents)	1 115	8 600	943	8 600	2 143	9 502
Number of shares	(000)	454 203	7 400	450 252	7 400	455 509	7 500
– in issue	(000)	463 382	7 400	478 476	7 500	474 956	7 500
– treasury	(000)	(9 179)	–	(28 224)	(100)	(19 447)	–
Number of transactions recorded	(000)	95 473	1 505	98 692	1 381	55 642	1 599
Number of shares traded	(000)	361 749	1 132	358 554	1 616	329 078	1 898
Volume of shares traded as a percentage of total issued shares	(%)	78,1	15,3	74,9	21,5	69,3	25,3
Value of shares traded	(R000)	5 551 232	104 702	7 144 093	156 833	7 289 001	193 031
Market capitalisation	(R000)	8 238 932	717 800	7 320 700	645 000	11 123 500	772 500
PE ratio	(%)	9,2		3,2		8,9	
Dividend yield	(%)	3,4		8,9		3,3	
Earnings yield	(%)	10,9		31,1		11,3	

Grindrod share performance vs ALSI and Industrial Transportation Indices

Sized coal loading at the Port of Maputo.

Grindrod transporting dry cargo by road.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 46th (forty-sixth) annual general meeting of Grindrod Limited (the company) will be held on Wednesday, 29 May 2013 at 14:00 in the boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban, South Africa.

The purpose of the annual general meeting is for the following business to be conducted and to consider and, if approved, to pass with or without modification, the following resolutions, in the manner required by the Companies Act, as read with the JSE Limited (JSE) Listings Requirements (Listings Requirements):

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

1.1 To present the audited financial statements for the year ended 31 December 2012, together with the reports of the audit committee, the directors and the auditors.

The abridged annual financial statements for 2012 are set out on pages 110 to 119 of the document of which this notice forms part. A copy of the full audited annual financial statements is available on the company's website at www.grindrod.co.za.

1.2 To present the report of the social and ethics committee, which is set out on page 94 of the integrated annual report.

2. ORDINARY RESOLUTIONS

2.1 Ordinary resolution 2.1 – Re-election of directors retiring by rotation

To vote on the re-election, each by way of a separate vote, the following directors who are required to retire by rotation in accordance with article 5.1(8) of the Memorandum of Incorporation and being eligible, offer themselves for re-election:

2.1.1 H Adams

2.1.2 WD Geach

2.1.3 IM Groves

The remuneration/nomination committee of the company has conducted an assessment of the performance of each of the retiring candidates and the board accepted the results of that assessment. Accordingly, the board recommends their re-election to shareholders.

Brief CV's of the directors are provided on pages 21 and 23 of the 2012 integrated annual report.

2.2 Ordinary resolution 2.2 – Confirmation of appointments of directors appointed by the board during the year

To confirm, each by way of a separate vote, the following directors appointed by the board during the course of the year in accordance with article 5.1(5) of the Memorandum of Incorporation:

2.2.1 JJ Durand

2.2.2 PJ Liddiard (Alternate)

2.2.3 AC Brahde

2.2.4 GG Gelink

The remuneration/nomination committee of the company assessed the eligibility of the directors, taking into account their experience and potential contribution and the board accepted the results of that assessment. Accordingly, the board recommends their election to shareholders.

Brief CVs of the directors are provided on pages 20 and 23 of the 2012 integrated annual report.

2.3 Ordinary resolution 2.3 – Re-election of audit committee members

To vote on the re-election in terms of the Act, each by way of a separate vote, the following non-executive members of the audit committee to hold office until the end of the next annual general meeting:

2.3.1 IM Groves – Chairman (subject to him being re-elected as a non-executive director in terms of resolution 2.1.3 above)

2.3.2 WD Geach (subject to him being re-elected as a non-executive director in terms of resolution 2.1.2 above)

2.3.3 MJ Hankinson

The remuneration/nomination committee reviewed the qualifications and the suitability of each director as members of the audit committee and concluded that each of them has adequate relevant financial knowledge and experience to fulfil their duties as members of the audit committee and that they meet the requirements of section 94(4) of the Act. The board accepted the results of that review. Accordingly, the board recommends their re-election to shareholders.

Brief CVs of the audit committee members are provided on pages 20 and 21 of the 2012 integrated annual report.

2.4 Ordinary resolution 2.4 – Appointment of audit committee member

To vote on the appointment in terms of the Act, the following non-executive director as an audit committee member to hold office until the end of the next annual general meeting:

2.4.1 GG Gelink

A brief CV of the non-executive director is provided on page 21 of the 2012 integrated annual report.

NOTICE OF ANNUAL GENERAL MEETING continued

2.5 Ordinary resolution 2.5 – Re-appointment of independent auditors and appointment of designated audit partner

To vote, each by way of a separate vote, on:

2.5.1 the re-appointment of Deloitte as independent auditors of the company, to hold office until the next annual general meeting

2.5.2 the appointment of C Sagar as designated audit partner, to hold office until the next annual general meeting

The audit committee nominated Deloitte to be independent auditors of the company and C Sagar to be designated audit partner and the board accepted that recommendation. Accordingly, the board proposes that Deloitte and C Sagar be appointed as independent auditors and designated audit partner, respectively.

2.6 Ordinary resolution 2.6 – Directors' authority to issue ordinary shares

To continue to place the unissued ordinary shares in the capital of the company reserved for the purpose of the company's share option scheme, comprising 2 000 000 ordinary shares in total, under the control of the directors, who shall be authorised to issue these shares, in accordance with the provisions of the share option scheme, at such times and on such terms as they may determine, subject to the JSE Listings Requirements and approval of the JSE.

The Memorandum of Incorporation of the company, as required by the JSE Listings Requirements, provides that the shareholders of the company may authorise the board to issue unissued shares as the board in its discretion thinks fit, provided that any such transaction shall be subject to the JSE Listings Requirements and approval of the JSE.

3. SPECIAL RESOLUTIONS

3.1 Special resolution 3.1 – Approval of fees payable to non-executive directors

That the fees payable to the non-executive directors for the year 1 July 2013 to 30 June 2014, as set out below, be approved:

	Present R	Proposed R
Board		
Chairman	495 000	700 000
Non-executive director	209 000	225 000
Audit committee		
Chairman	110 000	180 000
Member	65 000	100 000
Remuneration/nomination committee		
Chairman	80 000	100 000
Member	52 000	55 000
Social and ethics committee		
Chairman	75 000	84 000
Member	45 000	50 000

The proposed increase to the non-executive directors' fees is to align them to market-related rates.

The reason for this resolution is to ensure compliance with section 66(9) of the Act which requires that the remuneration of directors for their service as such may be paid only in accordance with a special resolution approved by the shareholders within the previous two years.

3.2 Special resolution 3.2 – General authority to provide financial assistance in terms of sections 44 and 45 of the Act

That the directors of the company be authorised, as a general approval, to grant authority to the company to provide:

3.2.1 financial assistance as contemplated in section 44 of the Act to any person approved by the board (or any committee of the board to which the board has delegated the power to approve recipients of the financial assistance); and

3.2.2 direct or indirect financial assistance as contemplated in section 45 of the Act:

- to a related or inter-related company or corporation as contemplated in the Act; and/or
- to a member of such a related or inter-related company or corporation; and/or
- to a director or prescribed officer of the company or of a related or inter-related company; and/or
- to a person related to any such company, corporation, member, director or prescribed officer.

The effect of resolution 3.2.1 will be a general approval, authorising the board to grant authority to the company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, as may be required from time to time, for a period of two years.

The effect of resolution 3.2.2 will be a general approval, authorising the board to grant authority to the company to provide direct or indirect financial assistance to the potential recipients as provided in the resolution, as may be required from time to time, for a period of two years.

3.3 Special resolution 3.3 – Renewal of general authority to repurchase ordinary shares

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 cents each (ordinary shares) issued by the company, in terms of section 48 read with section 46 of the Act and in terms of the JSE Listings Requirements 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 JSE 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;
- 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; and
- unless prior notice is given in terms of the JSE Listings Requirements, the company may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements.

The general approval for the company to acquire its own ordinary shares which was renewed by special resolution at the annual general meeting held on 30 May 2012 will lapse at this annual general meeting and special resolution 3.3 will renew that authority. The authority contemplated in special resolution 3.3 will remain in effect until the next succeeding annual general meeting, provided that it will not extend beyond 15 months from the date of the 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.

4. NON-BINDING ADVISORY VOTE

4.1 Endorsement of group remuneration policy

To endorse on an advisory basis, the group's remuneration policy, which is set out on page 84 of the document of which this notice forms part.

In terms of the King Report on, and Code of, Governance for South Africa 2009 (King III), an advisory vote should be obtained from shareholders on the group's annual remuneration policy. The vote allows shareholders to express their views on the remuneration policy adopted and their implementation, but will not be binding on the company.

NOTICE OF ANNUAL GENERAL MEETING continued

INFORMATION SCHEDULE

1. Voting

1.1 The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution.

1.2 The percentage of voting rights that will be required for the adoption of each special resolution to be adopted is the support of at least 75% of the voting rights exercised on the resolution.

2. Information related to JSE Listings Requirement 11.26 can be found in the 2012 integrated annual report on the page numbers set out below:

	Page number
Directors and management	20
Material change	31
Directors' interest in securities	92
Responsibility statement	110
Litigation statement	121
Major shareholders	122
Share capital of the company (refer to note 19 on page 46 of the full consolidated annual financial statements on www.grindrod.co.za)	

3. Record dates

3.1 The record date that has been set by the board for the purpose of determining which shareholders are entitled to receive notice of the meeting is eight days before the date of this notice (it being recorded that the shareholders to whom this notice is sent will have been determined by reference to such record date).

3.2 The record date that has been set by the board for the purpose of determining which shareholders are entitled to participate in, and vote at, the meeting is 24 May 2013.

4. 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 Wednesday, 29 May 2013, preference shareholders are entitled to attend the meeting and to vote together with ordinary shareholders in respect of special resolution 3.3 regarding a renewal of the general authority to repurchase shares.

5. 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) Ltd, 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 the company 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.

6. Identification

Section 63(1) of the Act requires meeting participants to provide the person presiding the meeting with satisfactory identification.

By order of the board

Mrs CI Lewis
Group Company Secretary

Durban
3 April 2013

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 ZAE000071106)
(the company)

For use at the 46th (forty-sixth) annual general meeting of the company by certificated shareholders or of dematerialised shareholders with own name registration.

Holders of dematerialised ordinary shares, other than those with own name registration, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary letter of representation. If they do not wish to attend the annual general meeting in person, they should provide their CSDP with their voting instructions.

I/We (full names in block letters please)

of (address)

being the registered holder/s of ordinary shares and 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 meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting of the company to be held on Wednesday, 29 May 2013 at 14:00 in the boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban, South Africa and any postponement or adjournment thereof, as follows:

RESOLUTION		**For**	**Against**	**Abstain**
2.1	Re-election of directors retiring by rotation			
2.1.1	H Adams			
2.1.2	WD Geach			
2.1.3	IM Groves			
2.2	Confirmation of appointments of directors appointed by the board during the year			
2.2.1	JJ Durand			
2.2.2	PJ Liddiard (Alternate)			
2.2.3	AC Brahde			
2.2.4	GG Gelink			
2.3	Re-election of audit committee members			
2.3.1	IM Groves (Chairman)			
2.3.2	WD Geach			
2.3.3	MJ Hankinson			
2.4.1	Appointment of GG Gelink as an audit committee member			
2.5	Re-appointment of independent auditors and appointment of designated audit partner			
2.5.1	Re-appointment of Deloitte as independent auditors			
2.5.2	Appointment of C Sagar as designated audit partner			
2.6	Directors' authority to issue ordinary shares			
3.1	Approval of fees payable to non-executive directors			
3.2	General authority to provide financial assistance			
3.2.1	General authority to provide financial assistance in terms of section 44 of the Act			
3.2.2	General authority to provide financial assistance in terms of section 45 of the Act			
3.3	Renewal of general authority to repurchase ordinary shares			
4.1	Endorsement of group remuneration policy			

(Indicate instruction by making an "X" in the space provided.)
Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this day of 2013

Signature/s

NOTES TO THE FORM OF PROXY

1. In accordance with the company's Memorandum of Incorporation, voting shall be by poll only.
2. A shareholder may insert the name of a proxy of the shareholder's choice in the space provided.
3. Forms of proxy must be lodged at, or posted to, office of the Transfer Secretaries, Computershare Investor Services (Pty) Lt d, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 14:00 on Monday, 27 May 2013.
4. Any alternation or correction made to this form of proxy must be initialled by the signatory.
5. If any shares are jointly held, the first name appearing in the register shall, in the event of any dispute, be taken as the shareholder.
6. The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

Registered office
Quadrant House
115 Margaret Mncadi Avenue
Durban
4001
(PO Box 1, Durban 4000)

Transfer Secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown 2107)

CORPORATE INFORMATION

Grindrod Limited
Registration number 1966/009846/06

Group company secretary
Mrs CI Lewis
LLB; LLM (Law of Contract); LLM (Corporate Law), Admitted Attorney and Conveyancer

Registered office and business address
Quadrant House
115 Margaret Mncadi Avenue
Durban
4001

Postal address
PO Box 1
Durban
4000

Telephone +27 31 304 1451
Facsimile +27 31 305 2848
E-mail grindrod@grindrod.co.za
Website www.grindrod.co.za

Investor relations
E-mail investorrelations@grindrod.co.za

GROUP AUDITORS
Deloitte & Touche

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001

Postal address
PO Box 61051
Marshalltown
2107

Telephone +27 11 370 5000
Facsimile +27 11 370 5271/2

MAIN BANKERS
Refer to the stakeholder engagement report on page 16.

SPONSORS
Grindrod Bank Limited
First Floor, Building 3, North Wing, Commerce Square
39 Rivonia Road
Sandhurst
Sandton
2196

Postal address
PO Box 78011
Sandton
2146

Telephone +27 11 459 1860
Facsimile +27 11 459 1872

TERMS AND EXPRESSIONS

BACKHAUL

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 CAPESIZE INDEX (BCI)

The BCI 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 172 000 dwt vessel and maximum 10 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 Forward Freight Agreement (FFAs).

BALTIC DRY INDEX (BDI)

The BDI is published every London working day by the Baltic Exchange, who collate information for handysize, supramax, panamax and capesize vessels to create this lead freight market indicator.

BALTIC HANDYSIZE 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 PANAMAX INDEX (BPI)

The BPI 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 74 000 dwt vessel and maximum seven 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.

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 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.

BARGING

Transfer of cargo between a ship and the shore using a barge.

BEAM

The greatest width of a vessel.

BRANCH LINE LOCOMOTIVE

Small to medium sized locomotive typically used for shunting or branchline operations.

BREAKBULK

Dry, loose cargo.

BULK CARRIER

Ship designed to carry dry, loose cargoes in bulk.

BUNKER(S)

Fuel, consisting of fuel oil and diesel, burned in the vessel's engines.

BUNKER TANKER

A small tanker used to refuel ships with bunkers.

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.

CHEMICAL TANKER

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").

COMMERCIAL MANAGEMENT

Management of those aspects of ship owning 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.

CONTAINERSHIP
Ship designed to carry containerised cargo.

CONTRACT OF AFFREIGHTMENT (COA)
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.

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.

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 vessel from the water for inspection, maintenance and/or repair of parts that are normally submerged.

FLAG STATE
The country where the vessel is registered.

FORWARD FREIGHT AGREEMENT (FFA)
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 vessel 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 BULK CARRIER
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.

HANDYMAX BULK CARRIER
Drybulk carriers of about 40 000 to 50 000 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.

IMO
International Maritime Organisation, the international United Nations advisory body on transport by sea.

ISM CODE
The international management code for the safe operation of ships and for pollution prevention adopted by the International Maritime Organisation.

JOINT SERVICES AGREEMENT/POOL
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.

LOCOMOTIVE
Self propelled engine used for hauling a train.

MAINLINE LOCOMOTIVE
Large locomotive typically used for mainline rail operations.

MAJOR BULK
Drybulk cargoes such as iron ore, coal and grain.

MARPOL
The international convention governing Marine Pollution Prevention. It is part of the IMO.

MINOR BULK
Drybulk 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.

TERMS AND EXPRESSIONS continued

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
A person/company 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 metres 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.

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, on occasion in multiple tanks.

SHUNTING LOCOMOTIVE
Small locomotive exclusively used for shunting operations.

SPOT MARKET
The market for immediate chartering of a vessel, usually for a single cargo or short-term trading.

SPOT RATE
Freight rate for a voyage agreed on the basis of current market level.

SUPRAMAX BULK CARRIER
Drybulk carrier within the handymax sector of about 50 000 dwt to 63 000 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 contacted capacity is not utilised.

TECHNICAL MANAGEMENT
Management of those aspects of ship owning 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 filling the vessel with cargo and any delays at port or during the voyage except where caused by a defect of the ship.

TIME CHARTER EQUIVALENT OR 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.

TWENTY FOOT EQUIVALENT UNIT OR TEU
The standard length of a container and the measurement used to determine the container carrying capacity of a container ship.

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.

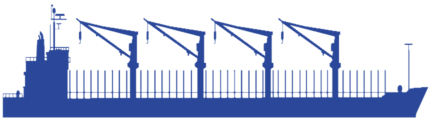
VOYAGE CHARTER
Charter under which a shipowner is paid freight on the basis of transporting cargo from a load port to a discharge port and is responsible for paying both vessel operating costs and voyage costs.

VOYAGE COSTS
Bunker costs, port charges and canal dues (or tolls) incurred during the course of a voyage.

WAGON
Rail carriage used for the haulage of freight.

SHIPPING FLEET

Drybulk



Handysize bulk carrier

Cargoes shipped: agricultural/general bulk products/steel/logs/fertilisers

Handymax bulk carrier

Cargoes shipped: agricultural/general bulk products/steel/logs/fertilisers/alumina/limestone

Supramax bulk carrier

Cargoes shipped: grain/iron ore/coal/general bulk products

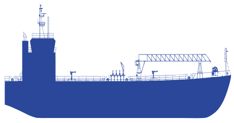
Panamax bulk carrier

Cargoes shipped: grain/coal

Capesize bulk carrier

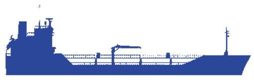
Cargoes shipped: iron ore/coal

Tankers



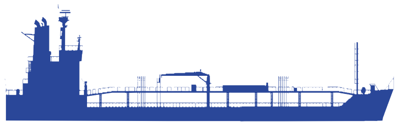
Bunker tanker

Cargoes shipped: marine bunker fuels



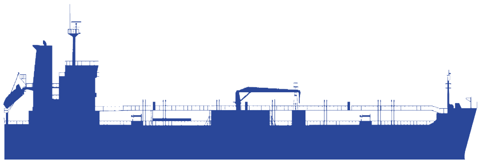
Small products tanker

Cargoes shipped: petrol/diesel/bulk liquids



Chemical tanker

Cargoes shipped: industrial chemicals/bulk liquids



Medium-range products tanker

Cargoes shipped: petrol/diesel/vegetable oils

FREIGHT SERVICES FLEET

Rail

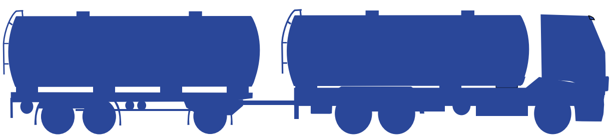
RL30 mainline locomotive

Cargoes: drybulk such as coal and iron ore

R70i heavy duty shunting locomotive

Cargoes: drybulk such as coal and iron ore

Logistics



Road tanker

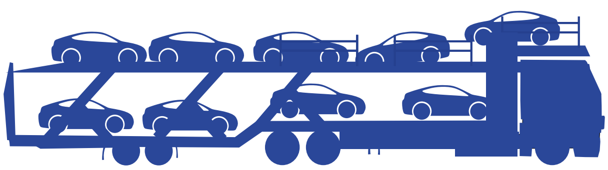
Cargoes: liquid petroleum gas/fuel

Drybulk truck

Cargoes: magnetite/manganese ore/coal/chrome ore/agricultural lime/fertilisers/soda ash/grains

Road tanker

Cargoes: molasses/vegetable oils



Car carrier

Cargoes: vehicles