

ANNUAL REPORT 2005



*Effective strategies for sustained*

performance and growth

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# Mission

## Shipping Services

- To be a world respected shipping company operating from a predominantly international base.

## Trading, Freight and Financial Services

- To be a leading bulk product trader operating from a local and international base.
- To be the largest and first choice Southern African land, sea, air and rail logistics service provider by operating from an empowered South African base.
- To be a leading provider of financial services through an empowered bank.

# Strategic Objectives

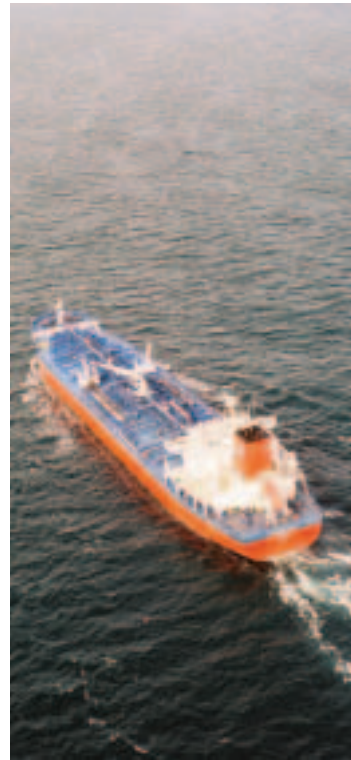
The group's main strategic objectives, reviewed annually by the executive committee and endorsed by the Grindrod Limited board, are as follows:

## Shipping Services

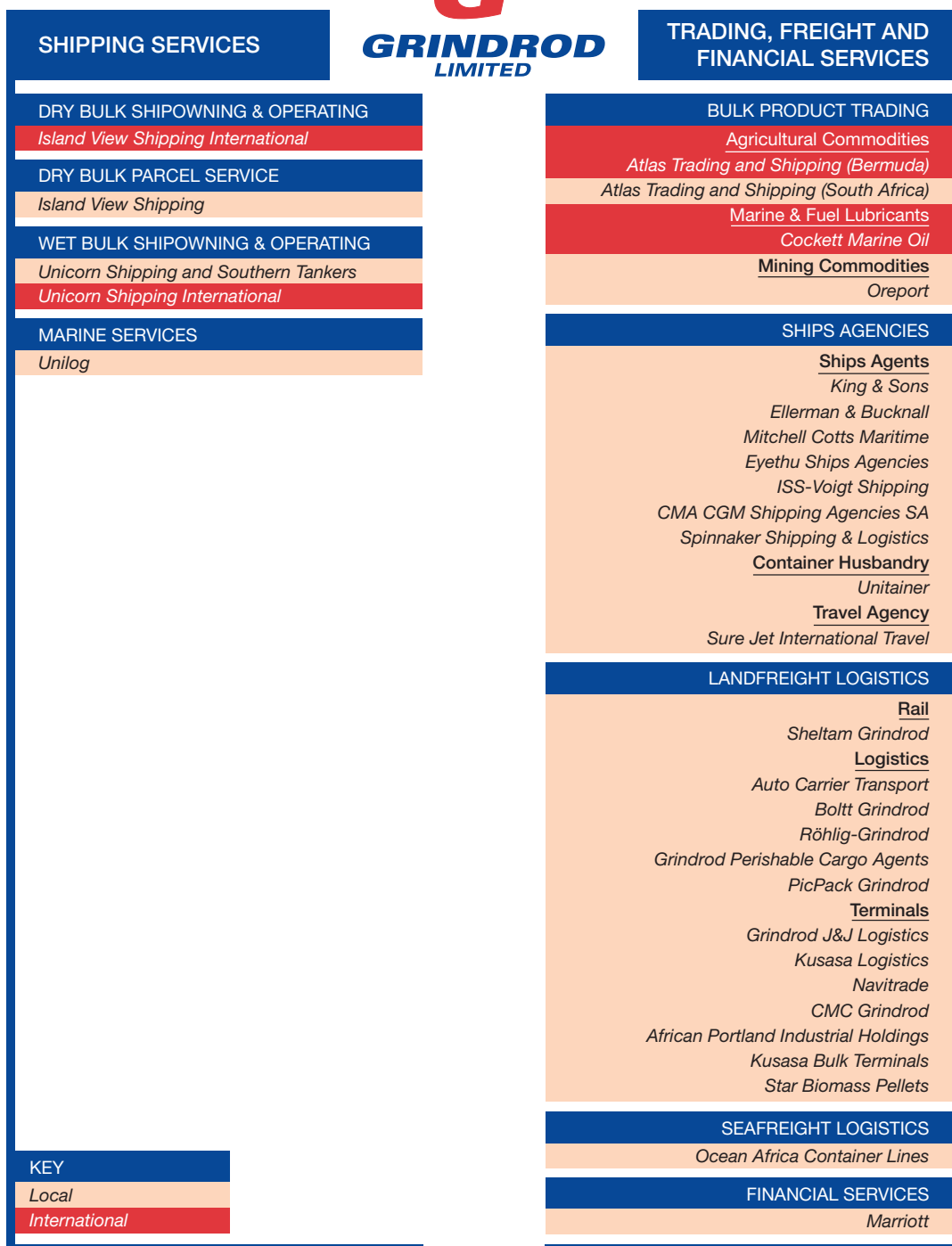
- Ensure a solid platform of earnings and a low level of risk by fixing out a portion of the group's fleet.
- Achieve favourable spot earnings on ships operated in specialised sectors.
- Look for restocking opportunities in lower shipping markets.
- Where appropriate sell ships at favourable prices to lock in value.

## Trading, Freight and Financial Services

- Non-shipping activities to provide one-third of the group's income.
- Expand bulk product trading to new markets.
- Continue the expansion of landfreight logistics through ports, terminals, road, rail and logistical services.
- Grow the group's banking operation.



# Group Structure



# Group Profile

Grindrod Limited is a holding company principally investing in subsidiaries, joint ventures and associates, operating in two business divisions, Shipping Services and Trading, Freight and Financial Services, which provide operating and marketing synergies both locally and internationally.

The two divisions, which seek to add value to all stages of the transport logistics chain, together with their main brand names, products, location and staff complement are as follows:

| BRAND NAME                                     | PRODUCT   | LOCATION IN ADDITION TO SOUTH AFRICA                              | STAFF COMPLEMENT |
|--|---|---|------------------|
| <b>Shipping Services</b>                       |   |   |                  |
| Island View Shipping                           | Dry bulk shipowning and operating                     | Singapore, Spain, Portugal and Holland                            | 44               |
| Unicorn Shipping                               | Wet bulk shipowning and operating                     | United Kingdom and Isle of Man                                    | 245              |
| Southern Tankers                               | Marine services and wet bulk shipowning and operating |   | 32               |
| <b>Trading, Freight and Financial Services</b> |   |   |                  |
| Atlas Trading and Shipping                     | Agricultural commodities                              | Bermuda, Equador, Colombia, Peru                                  | 52               |
| Cockett Marine Oil (50%)                       | Marine fuel and lubricants                            | United Kingdom, Singapore, Russia, USA and Monaco                 | 48               |
| Oreport (50%)                                  | Mining commodities                                    |   | 39               |
| King & Sons                                    | Ships agency  | Moçambique and Namibia  | 208              |
| Mitchell Cotts Maritime                        | Ships agency  | Moçambique  | 98               |
| Eyethu Ships Agencies                          | Ships agency  |   | 4                |
| Ellerman & Bucknall                            | Ships agency  |   | -                |
| ISS-Voigt Shipping                             | Ships agency  |   | 80               |
| CMA CGM Shipping Agencies SA (45%)             | Ships agency  |   | 21               |
| Spinnaker Shipping & Logistics (40%)           | Ships agency  |   | 3                |
| Unitainer                                      | Container husbandry                                   | Namibia   | 63               |
| Sure Jet International Travel                  | Travel agents   |   | 77               |
| African Portland Industrial Holdings (79,8%)   | Bulk terminals  | Moçambique and Namibia  | 463              |
| Auto Carrier Transport (50%)                   | Auto logistics  |   | 931              |
| Boltt Grindrod (50%)                           | Furniture transportation and logistics                |   | 300              |
| CMC Grindrod (50%)                             | Container husbandry                                   |   | 224              |
| Grindrod Perishable Cargo Agents (75%)         | Perishable cargo logistics                            |   | 149              |
| Grindrod J&J Logistics (74,9%)                 | Storage, warehousing and logistics                    |   | 297              |
| Kusasa Bulk Terminals (86,2%)                  | Bulk storage  |   | 76               |
| Kusasa Logistics (87,5%)                       | Bulk cargo handling                                   |   | 52               |
| Navitrade (93,7%)                              | Bulk cargo handling                                   |   | 15               |
| PicPack Grindrod (51%)                         | Storage, warehousing and logistics                    |   | 244              |
| Röhlig-Grindrod (50%)                          | Clearing and forwarding                               | Moçambique, Tanzania and Botswana                                 | 376              |
| Sheltam Grindrod (50%)                         | Rail transport, marine and aviation                   |   | 330              |
| Star Biomass Pellets                           | Wood pellet manufacturing                             |   | 50               |
| Ocean Africa Container Lines (49%)             | Seafreight logistics                                  | Moçambique, Namibia, Angola, Kenya, Tanzania, Malawi and Zimbabwe | 98               |
| Marriott (50% investment)                      | Financial and asset management services               |   | 350              |

The company is listed on the JSE under the Marine Transportation sub-sector of the Industrial Transport sector.

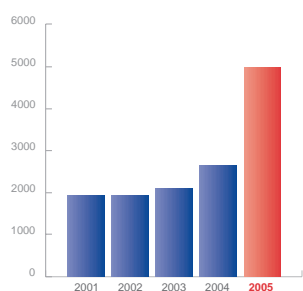
The group's head office is in Durban where it maintains a strong operating presence and has operations based in Johannesburg, Cape Town, Port Elizabeth, East London and Richards Bay.

# Group Operational Highlights

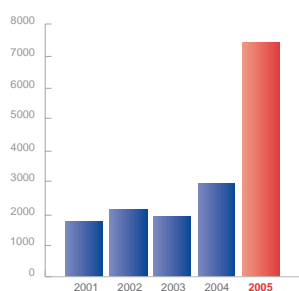
- 56% increase in profit attributable to ordinary shareholders
- 53% increase in headline earnings per share
- 49% increase in annual dividend
- 115% increase in cash generated from operations
- Owned and chartered ship fleet expansion at low cost
- Favourable spot earnings on ships operated
- 61% of fleet contracted out for 2006
- Contracted shipping profit of US\$49 million for 2006
- Expansion of warehousing capacity
- Entry into coal terminal and rail businesses
- Establishment of a bulk product trading division
- Sale of Marriott asset and property management

## Group Financial Highlights

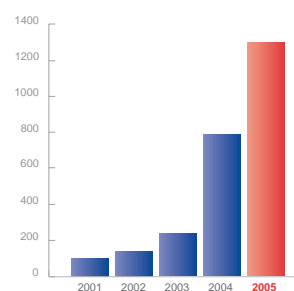
Total assets (R millions)



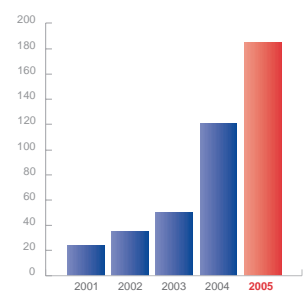
Revenue (R millions)



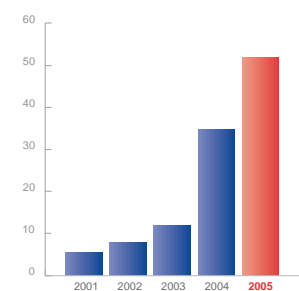
Year-end ordinary share price (cents)



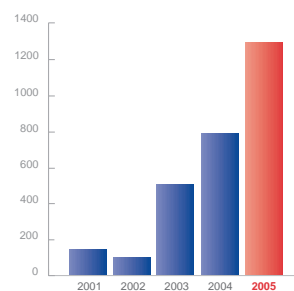
Headline earnings per share (cents)



Dividends per share (cents)



Net worth per share at market value (cents)

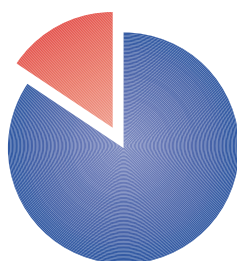


# Group Financial Highlights

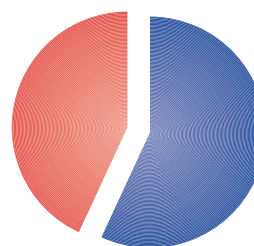
|  |         | 2005     | 2004    |
|--|---------|----------|---------|
| <b>Financial results</b>                               |         |          |         |
| Revenue  | (Rm)    | 7 449    | 2 974   |
| Operating profit before interest and taxation          | (Rm)    | 925      | 602     |
| Profit attributable to ordinary shareholders           | (Rm)    | 851      | 546     |
| <b>Financial ratios</b>                                |         |          |         |
| Interest bearing debt to total shareholders' interests | (%)     | 33,0     | 53,3    |
| Return on ordinary shareholders' funds                 | (%)     | 74,6     | 75,7    |
| Return on net assets                                   | (%)     | 37,1     | 37,7    |
| Operating margin                                       | (%)     | 12,4     | 20,2    |
| Operating margin excluding bulk product trading        | (%)     | 24,2     | 20,2    |
| <b>Ordinary share performance</b>                      |         |          |         |
| Earnings per share                                     | (cents) | 185,7    | 121,3   |
| Headline earnings per share                            | (cents) | 185,3    | 121,4   |
| Cash earnings per share                                | (cents) | 214,4    | 164,5   |
| <b>Dividends per share</b>                             |         |          |         |
| – preference   | (cents) | 303,8    | –       |
| – ordinary   | (cents) | 52,0     | 35,0    |
| <b>Closing share price at year end</b>                 |         |          |         |
| – preference   | (cents) | 11 650,0 | –       |
| – ordinary   | (cents) | 1 300,0  | 790,0   |
| <b>Market capitalisation at year end</b>               |         |          |         |
| – preference shares                                    | (Rm)    | 582,5    | –       |
| – ordinary shares                                      | (Rm)    | 6 001,1  | 3 591,4 |

Ordinary dividends per share include a final dividend of 32 cents (2004: 25 cents) that, in accordance with the International Financial Reporting Standards (IFRS), has not been provided for.

Segmental Result before Interest and Taxation



Segmental Equity



■ Shipping Services  
■ Trading, Freight and Financial Services



## Chairman's Report

### Group Activities

The past year has been another record year with the group reporting the best financial results in its history. The group has grown substantially and is well positioned in the mid cap sector of the JSE with a market capitalisation of R6,5 billion. A solid platform of strong cash flows and good low cost assets present further exciting opportunities for the future of the group.

Further diversification of the group took place during the year under review, with the most notable development being the introduction of a bulk product trading arm which complements the shipping activities. Acquisitions were also made in the landside activities as well as an increase in warehousing and terminal capacity within existing businesses.

Shipping markets remained relatively high during the year, although bulk shipping markets did decline in the second half of 2005. The group, however, continued to manage its exposure to markets through a diversification of activities within the dry and wet sectors and the container market, and through the fixing of charters and cargo contracts.

### Business Environment

During 2005 the South African economy had its strongest economic growth since the early 1980s. Interest and inflation rates are at their lowest level for many years. While the strong Rand continues to impact on the group's financial results, this has been counteracted by the strong shipping markets.

From an international perspective there has been significant economic upturn, driven mainly by China, Japan, India and other developing economies. This has been achieved against the backdrop of increasing interest rates and high energy prices.

### Financial Review

The group has reported record earnings of R851 million compared to R546 million in 2004. The board has maintained a 3,5 dividend cover and a final dividend of 32 cents per ordinary share has been declared, bringing the total for the year to 52 cents compared to 35 cents for the previous year.

### Equity

On 27 July 2005 shareholders approved the creation of cumulative, non-redeemable, non-participating, non-convertible preference shares. The initial offer of 5 000 000 shares was issued and listed in 2005 and the balance of 2 500 000 shares on 17 February 2006. This has provided additional permanent capital of R754 million for the group.

Shareholders also approved a 5 for 1 share subdivision which took effect on 31 October 2005. The share split was undertaken to increase the liquidity of the share and to align the price with the group's peers on the JSE. These objectives have been achieved.

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## Sustainability

The group continued to place high emphasis on ensuring that it complied in all material respects with King II Corporate Governance Guidelines. It also continues to ensure that the business is conducted with discipline, integrity, transparency and with increasing focus on its social responsibility. A comprehensive board charter is in place which commits the directors to uphold these principles.

The board recognises that it carries the ultimate responsibility for risk management within Grindrod and a significant portion of board time is set aside to ensure that correct processes have been designed to assess and monitor the group's risk position. The increased diversity of operations has necessitated further development and integration of risk management structures during the year.

Significant progress was made during the year in terms of developing and reporting on material environmental, social and economic sustainability key performance indicators (KPI) for our business. There is more disclosure in this year's report on this aspect of our business included in Corporate Governance, Stakeholder Engagement, Social Performance, Environmental Performance and Corporate Social Investment sections. The group is committed to continual improvement in this area, in line with global best practice, and in this regard the group is following the development of the Global Reporting Initiative's (GRI) new 'G3' set of guidelines. Our intention is to use the revised guidelines, due out in October 2006, insofar as they apply to our business, as the basis for developing our own sustainability KPI for future reporting cycles.

## Black Economic Empowerment

The group is a signatory to the Maritime Empowerment Charter and is totally committed to the process of broad-based empowerment within the group. External accreditation is currently in process and further progress has been made to empower both shipping and landfreight operations in South Africa.

## Directorate

John Hall retired during the past year and has not been replaced, as additional non-executive appointments were made at the end of 2004. We are extremely appreciative of the contribution made by John on the board.

The board comprises eight non-executive and seven executive directors and there is a strong balance of knowledge, skill and appropriate experience in line with best corporate governance practice.

## Appreciation

The board and all employees are extremely proud of the group's achievements in 2005. Grindrod was honoured with the Sunday Times/Business Times Top Company Award for the second year running, the 2005 Financial Mail Top Company as well as winning the listed corporate sector of the Standard Bank KZN Business Growth Awards. In addition, the company was awarded the number one ranking of public shipping companies worldwide by Marine Money International, a leading global ship finance publication. These achievements have raised Grindrod's profile in the financial and investment markets, and certainly would not have been possible without the commitment and vision of an extremely experienced executive management team and the support of their staff.

I commend the group chief executive officer and his team on these outstanding achievements. I also extend my thanks to the non-executive directors for their wise counsel and involvement in the affairs of the group.



W M Grindrod  
Chairman

Durban  
22 February 2006



## Chief Executive Officer's Report

The strong base developed in previous years continued to reap rewards with a 53% growth in headline earnings per share to R1,85. Shipping Services was again the major contributor to group profits from its diversified fleet of new, low cost ships, while Trading, Freight and Financial Services had good profit growth from a low base.

### Trading Environment

Shipping markets continued to remain at high levels during the year with some decline in the dry bulk markets being offset to some degree by stronger product and chemical tanker markets. China was again the major driver of shipping demand, but India, Japan and a resilient USA economy also contributed. Ship newbuildings, delivered during the year, kept shipping rates in check, but factors such as scrapping of old ships, new regulatory requirements, shortages of oil refining capacity and the expected continued economic growth from the world's major economies continue to keep shipping markets at historically high levels.

The predominantly Southern African based landfreight logistics environment was very buoyant, mainly as a result of the strong local economy and the increased import and export requirements. Demand for agricultural and mining commodities was firm as a result of the strong local and world economies.

### Financial

This annual report has been prepared in accordance with IFRS. IFRS and the revised IAS 39 Financial Instruments and IAS 17 Operating Leases were adopted with effect from 1 January 2005. The effect of the adoption of IFRS, IAS 39 and IAS 17 is set out in the Statement of Changes in Equity and reconciliation of previous SA Accounting Standards to IFRS included in this report. The previous year's figures have been restated for the effects of IFRS, IAS 39 and IAS 17.

Group revenue was 150% up on last year due to increased business activities, the acquisition of the bulk product trading businesses and the consolidation of Röhlig-Grindrod which was previously equity accounted. Operating margins have reduced due to the inclusion of these low margin businesses.

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Investment of R1,7 billion was made in ship acquisitions, bulk product trading operations and landfreight expansion. Due to the strong operating cash flows and the issue of R488 million in preference shares, net borrowings only increased from R628 million at 31 December 2004 to R878 million at 31 December 2005. The group's debt:equity ratio has improved from 53% to 33% as a result of good earnings and the preference share issue.

Although the group's share price is trading at a premium to book net asset value (NAV), there is substantial unrecognised value in owned ships, ship charters and options as well as in our freight and financial operations. The group's mark to market value per share is R13, which provides shareholders with assurance that the share price is underpinned by asset value.

Included in current assets are the carrying values of a product tanker which has been contracted to be sold, a 50% interest in two handysize bulk carriers which are likely to be disposed of during the year and the interest in Marriott's property and asset management businesses, which have been sold subject to Competition Commission approval.

## Strategy

The group will continue to ensure that a substantial portion of the fleet is fixed out either on time charter or through contracts of affreightment, but will continue to target spot earnings in specialised sectors. Expansion of Shipping Services will only be pursued against contracted income or in specific niche markets as current pricing on ships is still high. Restocking opportunities will be considered in lower shipping markets, but ship sales will be considered at favourable prices to lock in value.

During the year, in line with the group's strategy to expand its non-shipping operations, the following acquisitions were made:

- African Portland Industrial Holdings, a bulk terminal operator in Namibia and Moçambique
- 50% of Sheltam Rail, a locomotive operator
- Additional warehousing facilities in Grindrod J&J Logistics
- Sea Munye's bulk product warehousing operations in Richards Bay
- Shareholding in Röhlig-Grindrod was increased from 42,5% to 50%

In line with the group's strategy a number of group companies expanded their operations. These expansions are dealt with in more detail in the Operational Reviews section of this report.

Subsequent to year end, a joint venture with Lauritzen Cool Logistics to provide South African perishable goods logistics services was concluded.

## Chief Executive Officer's Report (continued)

The group's strategy is to increase the profit contribution from freight operations through the acquisition or development of complementary businesses to ensure that a full range of services is provided to our customers.

The group will focus on expanding its non-shipping operations, particularly in the following areas:

- Bulk product trading
- Ports
- Terminals
- Rail
- Logistics
- Banking

It is the intention that non-shipping operations will contribute at least one third of group profits in the future.

### Capital Commitments

Capital expenditure and commitments of the group are:

| Description<br>R000           | Capital expenditure |         | Capital commitments |            |
|-------------------------------|---------------------|---------|---------------------|------------|
|                               | 2005                | 2006    | 2007                | Thereafter |
| Ships                         | 489 900             | 343 991 | 626 446             | 337 762    |
| Property, plant and equipment | 158 235             | 194 381 | 1 000               | –          |
|                               | 648 135             | 538 372 | 627 446             | 337 762    |
| Investment in new businesses  | 1 056 245           | –       | –                   | –          |
| Total                         | 1 704 380           | 538 372 | 627 446             | 337 762    |

Capital commitments will be funded by cash reserves, cash generated from operations and bank financing facilities.

### Prospects

Dry bulk shipping markets are expected to be at lower levels in 2006 and the Rand/US Dollar exchange rate is forecast to be at similar levels to 2005. However, as a result of an expanded, low cost, diversified fleet of ships, the high level of contracted income, the anticipated strong performance by the non-shipping operations and profits from re-investment of cash generated, the board expects that the group will achieve growth in earnings for the year to December 2006.

### Directorate and Secretary

The names of the directors and secretary appear on pages 12 to 15 and 117.



*Executive directors Ivan Clark and Tim McClure in New York accepting the Marine Money Award for the number one listed shipping company in the world.*

## Appreciation

We would like to thank our customers, suppliers, shipyards, shipowners, charterers, financiers and brokers for their support during the year and look forward to continued and mutually beneficial relationships in the future.

We enjoy good relationships with our partners, both local and international, and look forward to continued growth with them in the future.

I would like to thank my executives and each member of our dedicated and knowledgeable Grindrod team who have contributed to the group's success.

I further thank our chairman, Murray Grindrod, and the Grindrod non-executive directors who have contributed significantly through their support of the group's expansion initiatives and the encouragement of management in its endeavours.

A handwritten signature in black ink, appearing to be 'I A J Clark'.

**I A J Clark**  
*Chief executive officer*

Durban  
22 February 2006

## Directorate NON-EXECUTIVE



**W M GRINDROD** (70) – BA; DEcon (hc)

*Chairman*

Appointed 1966 ■ ◆ ●

Career commenced with group in 1957. Currently chairman of RMBT Holdings Limited and non-executive director of Marriott Holdings Limited, Marriott Corporate Property Bank Limited and Sea Containers Limited. Has previously served as a non-executive director of major listed companies, which include Sanlam Limited and Anglo Alpha Limited. Past president of SA Shipowners' Association.



**D R D WHITE** (69)

*Deputy chairman*

Appointed 1991 ■ ◆

Attorney practising in commercial and corporate law.

Served as deputy chairman since 1998. Senior partner at Garlick & Bousfield 1989 – 2002. Currently practises as an executive consultant to the law firm.



**H ADAMS** (53)

Appointed 2000

Consulting engineer ▲

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



**S M GOUNDEN (Dr)** (47) – BEng; PhD

Appointed 2004

Professional engineer ▲ ●

Chairman and CEO of Bateman BV, a global process engineering company responsible for its operations worldwide. Having initiated the concept of public/private sector partnerships, he was a lead player in major government privatisation transactions. Currently serves as a director of various companies which includes Anglo American South Africa.

**I M GROVES** (60) – CA(SA)

Appointed 1986 ▲ ◆ ●

Previous managing director of the group. Retired from position in 1999. 35 years' experience in the transport industry. Non-executive director of Value Group Limited, Tiger Wheels Limited, Marriott Holdings Limited, Marriott Corporate Property Bank Limited and Marriott Property Fund Managers (Pty) Limited. Past president of SA Shipowners' Association.



**N MTSHOTSHISA** (61) – BCur (Unisa)

Appointed 2004

Business consultant ▲

Chairman of Telkom SA Limited, Majweng Resources, Eco Electrical (Pty) Limited and Arch Equity (Pty) Limited and director of Links Capital (Pty) Limited and Mvelaphanda Resources. Former chairman of e-TV and director National Association of Democratic Lawyers. Previously a director of I.D.C., MossGas, Soekor and other organisations.



**R A NORTON** (67) – BA; MA

Appointed 1998 ▲ ◆ ●

Consultant to financial business

Non-executive director of Marriott Corporate Property Bank Limited, Illovo Sugar Limited and chairman of SA Retail Properties Limited. Considerable experience as an executive in commerce. Past president of the JSE.



**R J H WHITLEY** (65) – CA(SA)

Appointed 2002 ■

Previous partner in Ernst & Young, auditing firm. Currently has own accounting practice in Pietermaritzburg. He is also responsible for the management of certain shareholders' interests in Grindrod.



**KEY**

■ Not independent

▲ Independent

◆ Audit Committee

● Remuneration/Nomination Committee

## Directorate EXECUTIVE



**I A J CLARK** (62) – CA(SA)

*Chief executive officer*

Appointed 1993

Appointed group managing director in 1999. Employed by the group in 1977 and held various senior financial and executive positions in the shipping division. Presently chairman of major subsidiary companies and non-executive director of RMBT Holdings Limited, Marriott Corporate Property Bank Limited, Marriott Holdings Limited and Marine Shipping Mutual Insurance Company Limited (United Kingdom). Past president of SA Shipowners' Association and SA branch of Institute of Chartered Shipbrokers. Title changed to chief executive officer in 2005.



**J G JONES** (55)

Appointed 2002

Employed 1969. Has 36 years' experience in freight and ships agency business. Currently chief executive of ships agency division and director of various divisional subsidiary companies.



**T J T McCLURE** (55) – Dip M Law

Appointed 2002

Master mariner

Employed 1999. Managing director of Island View Shipping which position he also held when the business was acquired from Tiger Brands in 1999. Director of major local and international subsidiaries and UK Freight Demurrage & Defence Association (United Kingdom). President of SA branch of Institute of Chartered Shipbrokers.



**A K OLIVIER** (45) – CA(SA)

Appointed 1999

Employed in 1986 in the shipping division where he has held senior treasury and financial posts. Currently chief executive of Unicorn Shipping. Director of local and international subsidiary companies. Deputy chairman of The United Kingdom Mutual Steamship Assurance (Bermuda) Limited.



**D A RENNIE** (45)

Appointed 2002

Master mariner

Employed in 1978. Considerable seafaring and seafreight logistics experience and currently managing director of Ocean Africa Container Lines (Pty) Limited, a joint operation with Safmarine which services African coastal feeder and regional shipping needs. Director of Grindrod group subsidiaries, chairman of the Container Line Operators Forum and co-chairman of the South African Container Terminals Advisory Board.

**A F STEWART** (41) – CA(SA)

*Group financial director*

Appointed 2003

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



**L R STUART-HILL** (42) – CA(SA)

Appointed 1999

Employed 1993. Previous financial director, now responsible for landfreight logistics division. Director of various subsidiaries within this division and non-executive director of Marriott Asset Management (Pty) Limited and Marriott Property Services (Pty) Limited.



The Grindrod executive committee, responsible for the day-to-day management of the group, comprises the seven executive directors, the Unicorn Shipping marine director and the managing director of Marriott Corporate Property Bank Limited

**R A YOUNG** (57) – CEng (UK); BCom

Chartered marine engineer

Employed in 1965. Appointed director of Unicorn Shipping 1990. Considerable seafaring and shipbuilding experience. Executive responsible for group's marine operations. Director of various subsidiary companies. Vice president and past president of SA Shipowners' Association.



**D A POLKINGHORNE** (43) – B.COM, MA (OXON)

Appointed to Grindrod Executive Committee in 2005

Employed by the Marriott Group in 1999. Currently managing director of Marriott Corporate Property Bank Limited. Extensive corporate and investment banking experience.



# Group Financial Review

|  | 2005         | 2004*        | 2003         | 2002         | 2001         | 2000         | 1999         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Rm           | Rm           | Rm           | Rm           | Rm           | Rm           | Rm           |
| <b>Group balance sheet</b>                           |              |              |              |              |              |              |              |
| Ships, property, plant and equipment                 | 2 069        | 1 535        | 962          | 1 093        | 1 047        | 1 076        | 1 006        |
| Intangible assets                                    | 251          | 50           | 37           | 16           | 15           | 10           | (1)          |
| Investments in associates                            | 125          | 145          | 134          | 132          | 135          | 81           | 52           |
| Other investments                                    | 53           | 55           | 131          | 178          | 136          | 92           | 71           |
| Financial assets                                     | 1            | –            | 50           | –            | –            | –            | –            |
| Deferred taxation                                    | 69           | 37           | 7            | –            | –            | –            | –            |
| Current assets                                       | 2 410        | 822          | 773          | 485          | 576          | 344          | 392          |
| <b>Total assets</b>                                  | <b>4 978</b> | <b>2 644</b> | <b>2 094</b> | <b>1 904</b> | <b>1 909</b> | <b>1 603</b> | <b>1 520</b> |
| Share capital, premium and equity compensation       | 498          | 8            | 84           | 81           | 120          | 174          | 173          |
| Reserves and accumulated profit                      | 1 439        | 826          | 525          | 440          | 600          | 361          | 214          |
| Attributable to equity holders of the company        | 1 937        | 834          | 609          | 521          | 720          | 535          | 387          |
| Minority interest                                    | 7            | 8            | 7            | 3            | 2            | –            | –            |
| <b>Total equity</b>                                  | <b>1 944</b> | <b>842</b>   | <b>616</b>   | <b>524</b>   | <b>722</b>   | <b>535</b>   | <b>387</b>   |
| Deferred taxation                                    | 20           | 4            | 2            | 12           | –            | 20           | 16           |
| Interest bearing loans                               | 1 534        | 974          | 856          | 959          | 684          | 778          | 824          |
| Financial liabilities                                | 83           | 50           | 76           | –            | –            | –            | –            |
| Other liabilities                                    | 1 397        | 774          | 544          | 409          | 503          | 270          | 293          |
| <b>Total equity and liabilities</b>                  | <b>4 978</b> | <b>2 644</b> | <b>2 094</b> | <b>1 904</b> | <b>1 909</b> | <b>1 603</b> | <b>1 520</b> |
| Net current assets/(liabilities)                     | 301          | (211)        | 9            | (265)        | (70)         | (112)        | (108)        |
| <b>Group income statement</b>                        |              |              |              |              |              |              |              |
| Revenue  | 7 449        | 2 974        | 1 927        | 2 139        | 1 762        | 1 449        | 959          |
| Trading profit                                       | 1 047        | 678          | 335          | 268          | 206          | 212          | 51           |
| Depreciation   | (122)        | (76)         | (55)         | (62)         | (65)         | (89)         | (92)         |
| Operating profit/(loss) before interest and taxation | 925          | 602          | 280          | 206          | 141          | 123          | (41)         |
| Non-trading items                                    | 3            | 2            | –            | (3)          | (2)          | 3            | 2            |
| Net interest paid                                    | (87)         | (62)         | (67)         | (37)         | (41)         | (62)         | (57)         |
| Profit/(loss) before share of associate profit       | 841          | 542          | 213          | 166          | 98           | 64           | (96)         |
| Associate companies                                  | 89           | 53           | 32           | 19           | 16           | 10           | 4            |
| Profit/(loss) before taxation                        | 930          | 595          | 245          | 185          | 114          | 74           | (92)         |
| Taxation   | (65)         | (48)         | (5)          | (19)         | 13           | –            | 26           |
| Profit/(loss) for the year                           | 865          | 547          | 240          | 166          | 127          | 74           | (66)         |
| Minority interest                                    | 1            | (1)          | –            | (1)          | –            | –            | –            |
| Profit/(loss) attributable to shareholders           | 866          | 546          | 240          | 165          | 127          | 74           | (66)         |
| Preference dividends                                 | (15)         | –            | –            | –            | –            | –            | –            |
| Profit/(loss) attributable to ordinary shareholders  | 851          | 546          | 240          | 165          | 127          | 74           | (66)         |
| Ordinary shareholders' interest in non-trading items | (2)          | 1            | –            | 3            | 2            | –            | (2)          |
| <b>Headline earnings/(loss)</b>                      | <b>849</b>   | <b>547</b>   | <b>240</b>   | <b>168</b>   | <b>129</b>   | <b>74</b>    | <b>(68)</b>  |

\* 2004 figures have been restated for IFRS.

|  | Objectives | 2005<br>Rm | 2004*<br>Rm | 2003<br>Rm | 2002<br>Rm | 2001<br>Rm | 2000<br>Rm | 1999<br>Rm |
|--|------------|------------|-------------|------------|------------|------------|------------|------------|
| <b>Group cash flow</b>   |            |            |             |            |            |            |            |            |
| Cash available from operations   |            | 1 239      | 568         | 151        | 28         | 258        | 126        | 3          |
| Net dividends paid   |            | (201)      | (61)        | (30)       | (28)       | (25)       | (6)        | (12)       |
| Cash retained from/(absorbed by) operations  |            | 1 038      | 507         | 121        | –          | 233        | 120        | (9)        |
| Proceeds on disposal of property, plant and equipment, investments and other items   |            | 16         | 121         | 481        | 77         | 287        | 38         | 75         |
| Cash available for investment  |            | 1 054      | 628         | 602        | 77         | 520        | 158        | 66         |
| Cash invested  |            | (1 704)    | (581)       | (348)      | (237)      | (93)       | (62)       | (141)      |
| Net finance (raised)/repaid  |            | (650)      | 47          | 254        | (160)      | 427        | 96         | (75)       |
|  |            | 2005       | 2004        | 2003       | 2002       | 2001       | 2000       | 1999       |
| <b>Ordinary share performance</b>  |            |            |             |            |            |            |            |            |
| Number of ordinary shares in issue net of treasury shares (000s)                     |            | 461 626    | 454 610     | 480 685    | 472 483    | 496 645    | 570 845    | 570 380    |
| Weighted average ordinary shares on which earnings/(loss) per share are based (000s) |            | 458 490    | 450 220     | 477 710    | 480 862    | 527 675    | 570 400    | 570 365    |
| Earnings/(loss) per share (cents)  |            | 185,7      | 121,3       | 50,2       | 34,4       | 24,1       | 13,0       | (11,6)     |
| Headline earnings/(loss) per share (cents)   |            | 185,3      | 121,4       | 50,2       | 35,0       | 24,5       | 13,1       | (11,9)     |
| Cash earnings/(loss) per share (cents)   |            | 214,4      | 164,5       | 46,1       | 33,9       | 31,3       | 16,3       | (7,0)      |
| Dividends per share (cents)  |            | 52,0       | 35,0        | 12,0       | 8,0        | 5,6        | 4,0        | –          |
| Dividend cover (times)   |            | 3,5        | 3,4         | 4,2        | 4,2        | 4,1        | 3,3        | –          |
| Cash dividend cover (times)  |            | 4,1        | 4,7         | 3,8        | 4,1        | 5,3        | 4,1        | –          |
| Net worth per share at book value (cents)  |            | 314,0      | 183,0       | 127,0      | 110,0      | 145,0      | 94,0       | 68,0       |
| Net worth per share at market value (cents)  |            | 1 299,0    | 795,0       | 553,0      | 104,0      | 150,0      | 89,0       | 42,0       |
| <b>Profitability</b>   |            |            |             |            |            |            |            |            |
| Operating margin (%)   |            | 12,4       | 20,2        | 14,5       | 9,6        | 8,0        | 8,6        | (4,1)      |
| Operating margin excluding bulk product trading (%)                                  |            | 24,2       | 20,2        | 14,5       | 9,6        | 8,0        | 8,6        | (4,1)      |
| Return on net assets (%)   |            | 37,1       | 37,7        | 19,9       | 14,7       | 11,0       | 10,6       | (2,7)      |
| Return on ordinary shareholders' funds (%)   | 17,5       | 74,6       | 75,7        | 42,4       | 26,7       | 20,2       | 16,1       | (15,9)     |
| Return on market value (%)   |            | 18,4       | 25,6        | 42,0       | 26,8       | 20,3       | 19,9       | (22,9)     |
| Effective rate of taxation (%)   |            | 7,0        | 8,1         | 1,8        | 10,4       | (13,1)     | 0,2        | 27,1       |

\* 2004 figures have been restated for IFRS.

## Group Financial Review (continued)

|   | Objectives | 2005  | 2004* | 2003  | 2002  | 2001  | 2000  | 1999  |
|---|------------|-------|-------|-------|-------|-------|-------|-------|
| <b>Leverage and liquidity</b>   |            |       |       |       |       |       |       |       |
| Total liabilities to total shareholders' interests (%)                            |            | 130,2 | 156,3 | 125,6 | 184,5 | 98,8  | 155,9 | 233,5 |
| Interest bearing debt to total shareholders' interests (%)                        | 100,0      | 33,0  | 53,3  | 61,0  | 106,6 | 29,2  | 105,5 | 157,8 |
| Interest bearing debt to total shareholders' interests net of working capital (%) |            | 15,8  | 86,2  | 48,1  | 116,7 | 51,3  | 113,6 | 166,3 |
| Interest cover (times)  | 3,0        | 10,7  | 9,9   | 4,2   | 5,6   | 3,4   | 2,0   | (0,7) |
| Cash flow to total liabilities (%)  | 20,0       | 37,1  | 47,5  | 22,1  | 15,2  | 18,7  | 12,7  | (3,9) |
| Current ratio   | 1,0        | 1,3   | 0,9   | 1,0   | 0,6   | 1,0   | 0,9   | 0,9   |
| <b>Employees</b>  |            |       |       |       |       |       |       |       |
| Number of employees – subsidiaries  |            | 2 322 | 1 516 | 1 139 | 965   | 822   | 1 113 | 1 860 |
| – joint ventures  |            | 2 248 | 1 180 | 889   | 835   | 850   | 397   | –     |
| Revenue per employee (R000)   |            | 2 162 | 1 412 | 1 215 | 1 547 | 1 389 | 1 104 | 515   |
| Assets per employee (R000)  |            | 1 445 | 1 255 | 1 321 | 1 377 | 1 531 | 1 222 | 817   |

\* 2004 figures have been restated for IFRS.

Prior years figures have been restated for the 5 for 1 share split

### Definitions

#### Number of shares and earnings per share

Earnings per share are calculated on profit attributable to ordinary shareholders and the weighted average number of shares in issue during the period under review. Headline earnings per share are calculated after adjustment for non-trading items.

#### Cash earnings per share

Cash available from operations including taxation paid and dividends received, excluding movement in working capital divided by the weighted average number of shares in issue during the period under review.

#### Net worth per share at book value

Total equity less preference share equity divided by the total number of ordinary shares in issue.

#### Net worth per share at market value

Total equity less preference share equity adjusted by mark to market value of owned ships, ship charters, ship options and other group operations, divided by the total number of ordinary shares in issue.

#### Operating margin

Operating profit before interest and taxation expressed as a percentage of revenue.

#### Operating margin excluding bulk product trading

Operating margin before interest and taxation, excluding bulk product trading expressed as a percentage of revenue, excluding bulk product trading revenue.

#### Return on net assets

Operating profit before interest and taxation, including non-trading items and share of associate companies profit, expressed as a percentage of average net assets.

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**Net assets**

Total assets excluding deferred taxation, less current liabilities, excluding short-term and current portion of long-term borrowings.

**Return on ordinary shareholders' funds**

Profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' funds.

**Interest bearing debt**

Interest bearing loans after netting off bank balances, other investments and non-current assets held for sale.

**Total liabilities**

Other liabilities, after netting off financial assets and financial liabilities, and interest bearing debt.

**Interest cover**

Operating profit before interest and taxation, including non-trading items, divided by net interest paid.

**Cash flow to total liabilities**

Cash flow (profit after taxation plus depreciation, deferred taxation and other non-cash items) expressed as a percentage of total liabilities.

**Current ratio**

Current assets divided by current liabilities, excluding current portion of long-term assets and liabilities.

**Revenue/assets per employee**

Total revenue/assets divided by the number of employees, including 50% of the joint venture employees.



# Operational Reviews

## Shipping Services

The group's shipping activities are undertaken locally by Island View Shipping (Pty) Limited, Unicorn Shipping, a division of Grindrod (South Africa) (Pty) Limited and Southern Tankers (Pty) Limited, and internationally by Island View Shipping International Pte Limited and Unicorn Shipping International Limited.

|  | 2005    | 2004    |
|--|---------|---------|
| Revenue (Rm)                           | 2 868   | 2 479   |
| Total assets (Rm)                      | 2 146   | 1 911   |
| Attributable earnings (R000)           | 762 519 | 494 647 |
| Number of employees                    |         |         |
| – subsidiaries                         | 321     | 344     |
| Number of ships operated               |         |         |
| – owned                                | 11      | 8       |
| – average number on long-term charter  | 25      | 23      |
| – average number on short-term charter | 9       | 13      |

The group has once again benefited from an outstanding performance by its Shipping Services, which accounted for 89% of the group's earnings.

In 2005, despite the lower dry bulk markets, revenue increased by 16% as a result of a weaker Rand and the larger fleet.

US Dollar earnings were 14% higher than the prior year, but the effect of the weaker Rand throughout the year resulted in Rand earnings growth on translation of 54%.

Net capital expenditure of R262 million was incurred in the fleet expansion programme.

The group owns, and charters in under long-term contracts, ships for employment in a number of shipping markets. The ships are either time chartered out on short to medium-term contracts or utilised to move cargoes for shippers through a mix of spot to medium-term freight contracts. In addition, a number of ships are chartered in on short-term contracts to service freight commitments. A large portion of the group's fleet is employed through pooling arrangements with major international partners.



## Operational Reviews (continued)

A summary of the group's fleet of owned ships and ships on long-term charter at 31 December 2005 is as follows:

| Description             | Average size | 2005 | Average charter period remaining (years) |
|-------------------------|--------------|------|--|
| <b>Owned</b>            |              |      |  |
| Product tankers         | 41 000 dwt   | 5    | n/a                                      |
| Handysize bulk carriers | 31 500 dwt   | 5    | n/a                                      |
| Containerships          | 636 teu      | 1    | n/a                                      |
| <b>Chartered</b>        |              |      |  |
| Product tankers         | 45 000 dwt   | 2    | 6  |
| Chemical tankers        | 14 000 dwt   | 2    | 8  |
| Containerships          | 1 100 teu    | 1    | 1  |
| Handysize bulk carriers | 30 500 dwt   | 15   | 8  |
| Panamax bulk carriers   | 76 500 dwt   | 2    | 9  |
| Capesize bulk carriers  | 171 500 dwt  | 6    | 4  |
| Total number of ships   |              | 39   |  |

A summary of the group's fleet of owned ships and ships on long-term charter contracted to deliver between 2006 and 2008 is as follows:

| Description              | Average size | Contracted to deliver | Average charter period (years) |
|--------------------------|--------------|-----------------------|--------------------------------|
| <b>Owned</b>             |              |                       |                                |
| Product tankers          | 40 000 dwt   | 4                     | n/a                            |
| Product/chemical tankers | 14 000 dwt   | 6                     | n/a                            |
| <b>Chartered</b>         |              |                       |                                |
| Chemical tankers         | 25 500 dwt   | 4                     | 8                              |
| Handysize bulk carriers  | 32 000 dwt   | 3                     | 8                              |
| Capesize bulk carriers   | 170 000 dwt  | 1                     | 10                             |
| Total number of ships    |              | 18                    |                                |



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

|   | Bulk carriers |          |         | Tankers |          | Container- | Total  |
|---|---------------|----------|---------|---------|----------|------------|--------|
|   | Handysize     | Capesize | Panamax | Product | Chemical | ships      | 2005   |
| Average number of owned/long-term chartered ships trading during the year | 17,3          | 6,8      | 1,7     | 6,5     | 2,0      | 1,5        | 35,7   |
| Average daily cost (US\$)   | 7 700         | 18 000   | 8 600   | 12 400  | 10 400   | 8 400      | 10 700 |
| Average daily revenue (US\$)  | 18 000        | 26 700   | 20 600  | 19 800  | 11 600   | 11 400     | 19 500 |
| Contribution (US\$ million)   | 65,0          | 21,6     | 7,4     | 17,6    | 0,9      | 1,7        | 114,2  |
| Trading profit on ship sale (US\$ million)                                |               |          |         |         |          |            | 9,8    |
| Ship contribution (US\$ million)  |               |          |         |         |          |            | 124,0  |
|   |               |          |         |         |          |            | Rm     |
| Rand contribution at R6,38/US\$   |               |          |         |         |          |            | 791    |
| Other shipping costs  |               |          |         |         |          |            | (5)    |
| Taxation  |               |          |         |         |          |            | (23)   |
| Attributable income per segmental analysis                                |               |          |         |         |          |            | 763    |



## Operational Reviews (continued)



Island View Shipping (IVS) has offices in South Africa, Singapore, Spain, Portugal and Holland and, through its partnership with J Lauritzen, associate offices in Denmark and the United States. IVS concentrates on the shipment of dry bulk cargoes in the global shipping market in handysize, panamax and capesize vessels, carrying approximately 18 million tonnes per annum. Vessels are either owned or on charter, both long and short-term.

The joint freighting agreement with J Lauritzen consists of approximately 50 modern handysize vessels trading globally. Due to the low fleet cost these vessels have performed well in 2005. During the year IVS delivered five vessels into the venture, increasing its contribution of ships to 40%.

The handysize parcel service is based in Durban and schedules 8 to 12 vessels per month from Southern Africa to the North West Continent, Mediterranean, United Kingdom and the United States. This service carries a wide variety of bulk cargoes, including ferrochrome, chrome ore, alloys, mineral sands, concentrates, grains, vermiculite and fluorspar and in addition, breakbulk cargoes such as steels, aluminium and granite. Ships are chartered in to service the forward cargo base. During the year to further enhance the service IVS entered into an agreement with Navalmar to jointly operate a fleet of four handymax multi-purpose vessels.

The panamax and capesize operations are based in Singapore. The panamaxes have been chartered out at favourable rates for four years. During the year the capesize operation added to its forward cargo base, creating a better balanced and hedged business, and took advantage of the firm market to secure good earnings for the year.





With operations based in South Africa, the United Kingdom and the Isle of Man, Unicorn Shipping owns and operates product tankers, chemical tankers, handysize bulk carriers and feeder containerships.

Unicorn Shipping owns ships with a book value of R1,4 billion and has ships on order to the value of R1,5 billion.

During the year Unicorn Shipping purchased three ships – a 636 teu feeder containership, a 30 650 dwt handysize bulk carrier and a 6 000 dwt products tanker, all to service its Southern African requirements.

One additional 40 000 dwt product tanker, two 12 800 dwt product tankers and two 16 500 dwt product tankers were ordered during the year, bringing Unicorn's newbuilding order book to 10. These ships will deliver between 2006 and 2008.

A 40 000 dwt product tanker newbuilding was sold on delivery from the Korean shipyard.

Unicorn's product tankers are employed on medium-term charter to oil majors or in the Dorado product tanker pool, while the chemical tankers are employed in the Stolt Tankers joint service pool. Dorado has its base in the United States and Stolt in Holland.



Southern Tankers is a black economic empowerment company owned 18,75% by Holgoun Maritime Consortium, 6,25% by an employee trust and the balance by Grindrod.

Southern Tankers focuses on the oil majors' shipping requirements in Southern Africa and has reached agreement to purchase Unilog, a group marine procurement business which holds the agency for a number of specialist marine products.





## Operational Reviews (continued)

### Trading, Freight and Financial Services

The bulk product trading activities are undertaken by Grindrod (South Africa) (Pty) Limited locally, and Grindrod Trading and Shipping Limited internationally.

The freight management activities are undertaken by Grindrod Freight Investments (Pty) Limited and its subsidiaries and Ocean Africa Container Lines (Pty) Limited. The financial services are undertaken by the Marriott Group.

|                              | 2005   | 2004   |
|------------------------------|--------|--------|
| Revenue (Rm)                 | 4 582  | 495    |
| Total assets (Rm)            | 2 833  | 732    |
| Attributable earnings (R000) | 88 705 | 51 543 |
| Number of employees          |        |        |
| – subsidiaries               | 2 001  | 1 172  |
| – joint ventures             | 2 248  | 1 180  |
| Number of ships operated     |        |        |
| – average number on charter  | 9      | 8      |

The Trading, Freight and Financial Services division reported a 72% growth in earnings over the prior year.

During the year, there was major expansion with the establishment of the bulk product trading operations and acquisition/investment in landfreight logistics, namely African Portland Industrial Holdings, Sheltam Rail, Grindrod J&J Logistics, Kusasa Bulk Terminals and Röhlig-Grindrod.

The increase in revenue is as a result of the investments that took place during the year as well as from increased business activities. 82% of revenue arose from bulk product trading.

Bulk product trading has performed well since the acquisition and is expected to contribute significantly to group profits in the future.

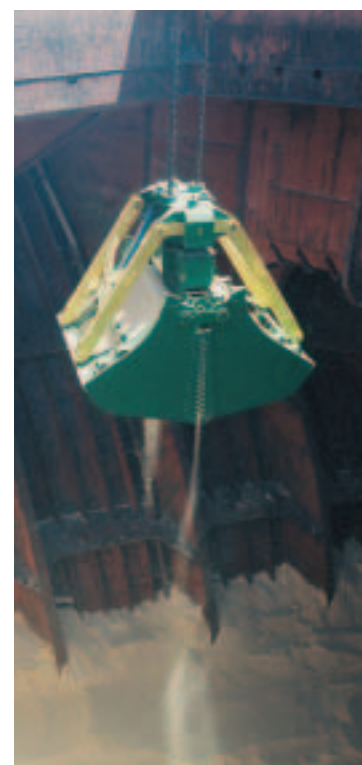
Grindrod ships agencies traded well in a competitive market and improved its contribution to the division's profits.

The landfreight logistics operations had a mixed year, with strong performances from the established operations being offset by the turnaround costs incurred by the more recent acquisitions. Subsequent to year end, a joint venture with Lauritzen Cool Logistics, a provider of South African perishable goods logistics services, was concluded.

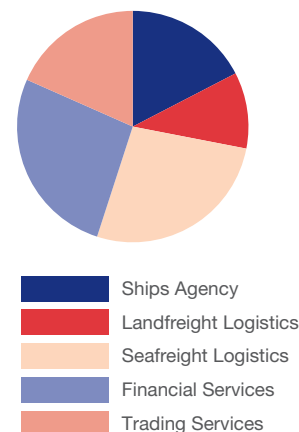
Ocean Africa Container Lines, the group's seafreight logistics partnership with Safmarine, had an excellent year with good earnings growth.

Marriott, the group's investment in banking, property management and asset management, performed well during the year.

The group's strategy is to increase the profit contribution from Trading, Freight and Financial Services through the acquisition or development of complementary businesses to ensure that a full range of services is provided to our customers.



2005 Analysis of Trading, Freight and Financial Services contribution before group costs





# Operational Reviews (continued)

## Bulk Product Trading

During the year the group established a bulk product trading division with Atlas Trading and Shipping (agricultural commodities), and the acquisition of 50% of Cockett Marine Oil (marine bunker fuels) and 50% of Oreport (mining commodities).



Atlas commenced trading during the year. This marked the group's first entry into the trading of commodities.

With offices in South Africa, Bermuda, Peru, Columbia and Equador, raw materials such as maize, wheat, oilseeds and oilseed meals are sourced across the globe and sold to customers in selected markets. Core activities include origination of agricultural commodities, chartering of vessels, delivery logistics and merchandising at destination.



Grindrod purchased a 50% equity holding in Equus Investments Limited. Equus is the UK based parent company of the international marine bunker and lubricant supplier, Cockett Marine Oil Limited.

Cockett Marine Oil is one of the world's leading specialists in the broking and trading of marine fuels and lubricants supplying in excess of five million tonnes per annum. It also acts as physical supplier in certain strategic locations. The head office is based in Petts Wood, London, United Kingdom, with subsidiary offices in Monaco, South Africa, Singapore, Russia and the USA and representative offices in Brazil and Cyprus.

The bunker market is global and the Cockett Marine Oil Group is a truly international trading and supply group. Its client base includes some of the largest and most well known names in the shipping industry, from container lines, bulk carriers, tanker fleets and cruise operators to fishing vessels, coasters, private yacht owners and military vessels.

Cockett Marine Oil is one of the oldest (celebrating its 25th anniversary this year) and well respected names in its field and has extremely knowledgeable and experienced staff.

## oreport



A 50% shareholding in Oreport was acquired during the year through its holding company Seascope Commodities (Pty) Limited. Oreport, based in Johannesburg, is an international marketing organisation specialising in the worldwide procurement, physical movement and distribution of mining commodities. The company provides a completely managed process from the materials point of origin through to delivery to the final purchaser and collection of payment. The products which Oreport presently handles include steel, stainless steel, bulk ferro alloys, noble alloys, coal, coke, mineral sands, pig iron, ore and mill rolls. Oreport is ISO 9001:2000 accredited and since its inception over 20 years ago has grown its international agency base to include many well-known and respected suppliers.



## Grindrod Ships Agencies

The ships agency business continues to provide agency services to a number of respected liner and non-liner principals. The client base is located around the globe and includes some of the largest and most respected ship owners and operators in the world. It operates under the brand names King & Sons, Mitchell Cotts Maritime, Eyethu Ships Agencies, ISS-Voigt Shipping and Ellerman & Bucknall.

The ships agencies division also comprises the partnerships in CMA CGM Shipping Agencies SA and Spinnaker Shipping & Logistics and the travel agency Sure Jet International Travel.



### King & Sons

King & Sons operates in all ports of South Africa, Moçambique and Namibia and was the first South African ships agency to be awarded ISO 9002 accreditation. Its ships agency services include vessel husbandry, landside management of cargoes, NVOCC (non-vessel owning container carriers) services and container logistics and leasing. King & Sons celebrates its 125th anniversary in 2006.

In addition to ships agency it also buys, sells and leases second-hand containers through the Unitainer brand name and offers storage, cleaning and pre-trip facilities for tank containers through its facilities close to the port of Durban. Through Kingsway Marine it also offers rail and road transport facilities to the hinterland of South Africa and its neighbouring states.



### Ellerman & Bucknall

Ellerman & Bucknall specialises in the operational support of fishing fleets trading predominantly within the Western Cape and Namibia regions. It is also the designated agent for numerous cruise line operators, attending to vessel berthing, husbandry and the embarkation management of passengers.



### MITCHELL COTT'S MARITIME

Mitchell Cotts Maritime is an internationally recognised and respected ships agency. It offers services at all ports in South Africa, Walvis Bay in Namibia and is also represented in Moçambique, Malawi, Zimbabwe, Botswana and Swaziland.

The agency has committed to the ISO 9002 Quality Assurance Standard. Services include vessel husbandry, cargo superintending, computerised freight and documentation management and the full spectrum of container logistics. Mitchell Cotts Maritime has operated in Southern Africa for over 100 years.



## Operational Reviews (continued)



Eyethu Ships Agencies, a joint venture with Chris Magagula, is one of the key contributors to the black empowerment charter in the maritime sector.

The agency provides local and international markets with ships agency services in the shipment of bulk and breakbulk cargo, both liquid and dry, along the South African coast. Eyethu received the Top Maritime Empowerment Business of the Year Award presented by the Department of Transport in 2004 and 2005.



ISS-Voigt Shipping is a multi-disciplined ships agency with offices in all the major South African ports. It is also represented in Moçambique and Namibia. The company is an ISO 9002 accredited company.

The agency is a leading service provider to the bulk grain, sugar, coal, fertiliser and oil shipping markets and is active in the reefer and project cargo arena. It is the nominated agent for numerous naval attachés. ISS-Voigt is the South African representative for the worldwide Inchcape network of agencies.



CMA CGM Shipping Agencies SA is a partnership with CMA CGM, the world's third largest container operator. CMA CGM Shipping Agencies SA are the exclusive agents for CMA CGM, which now incorporates Delmas Shipping.

### **SPINNAKER SHIPPING & LOGISTICS**

Spinnaker Shipping & Logistics is a partnership with shareholders of Asia Navigation of Singapore, offers the full range of agency, clearing and forwarding and logistical services.



Grindrod International Travel, trading as Sure Jet International Travel, specialises in quality travel agency services to the corporate market. It operates branches in Durban, Westville, Richards Bay, Johannesburg and Cape Town.

The company has a conference and corporate incentive division headquartered in Durban.

## Landfreight Logistics

With the acquisitions and expansions of existing businesses during the past year, landfreight has been streamlined into three operating divisions focused on specific areas within the logistics arena. These are Logistics, Rail and Terminals. In addition to this the group strategy is to further develop ports related opportunities in Southern Africa.

### Logistics



#### auto carriers

Auto Carrier Transport, a 50% joint venture with David Taylor, is the largest transporter of vehicles in South Africa and supplies distribution and logistical services to South African car manufacturers and importers. Integral to the company's service is the electronic interface with its clients, which includes a vehicle tracking system accommodating real time tracking of vehicles, web based user interface, advanced electronic data interchange interfacing and automated messaging.

The company is an ISO 9001:2000 certified company and is highly respected in the industry for customer service, risk management, and the ability to meet deadlines with quality delivery. Auto logistics are undertaken primarily by road carriers, as well as by rail, sea or self-drive options throughout Southern Africa.

The company continues to invest in carrying capacity. 2006 is expected to see further fleet expansion on top of the 2005 expansion, in order to meet the demands of a growing market as well as keeping the age profile of the fleet at optimum levels. Vehicle storage capacity at Durban has also been significantly expanded during the year through the extension of owned facilities at Southgate Industrial Park.

Subsequent to the reporting date the group acquired the remaining 50% interest in the company, subject to Competition Commission approval.



Bolt Grindrod is a 50% joint venture between Grindrod and Bolt, with partners Deon Augustyn and Rui Campos of Bolt in executive management. The company specialises in total supply chain solutions to the manufacturers, importers and retailers of furniture across the office, hospitality and domestic furniture segments within the Southern African region. Hubs are situated in all major centres. The joint venture commenced in December 2004, and Bolt Grindrod has moved quickly to expand its fleet and warehousing capacity during the year, against growth in its contracted customer base.



## Operational Reviews (continued)



### **RÖHLIG-GRINDROD**



The group's clearing and forwarding business under the brand name Röhlig-Grindrod continues to be one of South Africa's major forwarders, enjoying strong relationships with a wide range of top-class customers. With the retirement of Peter Krafft, the group increased its shareholding in Röhlig-Grindrod during the year and now operates this business as a 50% joint venture with Röhlig & Co Internationale. Röhlig-Grindrod offers a full freight forwarding and logistical service for import, export and domestic customers through airfreight and seafreight. The company continues to invest in both people and information systems through which it monitors the shipping and documentation process at each critical path to ensure control of trading activities and provide management information for customers.



### **GRINDROD PCA**



Grindrod Perishable Cargo Agents specialise in perishable exports and imports by air and sea as well as domestic freight. During the year it very successfully extended its activities in express services for the local market. The company is the largest South African airfreight forwarding agent, measured by turnover with airlines, and has held the number one International Air Transport Association position in excess of 25 years. The company's groundside network and direct airport accessibility provides immediacy and integrity of the cold chain for perishable products such as flowers, fruit, meat, livestock, pharmaceuticals, exotic seafood, fish and general dry cargoes destined for the domestic, regional and international markets.

Subsequent to the reporting date the group increased its shareholding in Grindrod Perishable Cargo Agents from 75% to 100%.



### **PICPACK GRINDROD**



PicPack Grindrod is a joint venture with Pieter van der Merwe, providing warehousing (both on and off site), and the full spectrum of distribution services on a national basis. Its customers are primarily blue-chip companies focused on high-end consumer durables. During the year the company started executing its strategy of expanding capacity in people, regional offices, warehousing and fleet.

## Rail



Sheltam Grindrod is a 50% joint venture with Roy Puffet in the rail, marine and aviation industries. Sheltam has been in operation since 1987 and the joint venture commenced with effect from March 2005. The company prides itself on innovative and quality service through the technical expertise of its people, well equipped workshops and well maintained locomotives and aircraft.

Rail activities include locomotive leasing and operation, contract haulage and train operation, maintenance, repair and overhaul of locomotives, rolling stock and track and parts distribution. The company is due to take delivery of 10 new diesel-electric locomotives in the second half of 2006 to cater for increased demand. Marine activities are focused on diesel-electric engine repairs, maintenance and overhaul, carried out on land and at sea. Aviation activities are focused on the light aircraft market and through owned and chartered aircraft, include air charter services for passengers and freight, and aircraft maintenance, spares and refuelling facilities. During the year the Durban operations of National Airways Corporation (NAC) were acquired, complementing the existing Port Elizabeth facilities.



## Terminals



Grindrod J&J Holdings is the landfreight division's empowerment vehicle with broad-based empowerment partners owning 25,1% of the company. The broad-based empowerment group is headed by Sivi Gounden, Jay Naidoo and Jayendra Naidoo. The company holds interests in Grindrod J&J Logistics (Pty) Limited, Kusasa Bulk Terminals (Pty) Limited, Kusasa Logistics (Pty) Limited and Navitrade (Pty) Limited.



The company, which is ISO 9001 accredited, provides total supply chain solutions and portside facilities to well respected companies in a diverse range of industries including steel, agriproducts, food, wine and general retail. The company also provides conventional storage and distribution facilities for both bulk and unitised cargoes, whilst providing added value services including bagging and repackaging, inventory management, bonded warehousing and project planning and implementation.

In February 2005 Grindrod J&J Logistics acquired the assets of Uniroute Logistics giving it a significant presence in Gauteng, together with additional facilities in Durban and Cape Town, both in close proximity to the ports. In total, the acquisition provided a further 56 000 square metres of warehousing and 150 000 square metres of outside storage capacity.





## Operational Reviews (continued)



Kusasa Bulk Terminals is a landside terminal providing bagging and silo infrastructure for the movement of heavy mineral product for export through the port at Richards Bay. Product is stored in dedicated storage silos, ensuring that refined material is stored at optimum conditions to prevent contamination. The storage facility is connected via a dedicated and owned conveyor system allowing direct loading of ships. During the year the company acquired the operations of Sea Munye, a bulk storage facility in Richards Bay with storage facilities for 150 000 tonnes and capacity for 650 000 tonnes material handling annually. The company also commissioned a newly constructed warehouse with a storage capacity of 55 000 cubic metres.



Kusasa Logistics provides logistical services for the handling and movement of heavy mineral sands through the beneficiation process from mine to finished product. This includes management of pre-export storage and shipping in Richards Bay.



### **NAVITRADE**

Navitrade, a greenfield enterprise, provides a rail truck tippler, handling facility and bulk logistics solutions for a major client in Richards Bay.



### **CMC GRINDROD**

CMC Grindrod is a 50% joint venture with CMC (Confreight Cargo Management Centre (Pty) Limited) providing container storage, handling and repair facilities on a national basis. Reefer, cold store and full container storage of reefers is also provided in Durban. The company is strategically positioned at all main centres in South Africa and is recognised for its equipment handling throughput, multi-disciplined skills and employment of state-of-the-art information technology.



Star Biomass Pellets, situated in KwaZulu-Natal, is a wood pellet manufacturing operation. Waste sawmill residues are compressed, through a non-polluting manufacturing process, resulting in a product identified as densified biomass fuel, which is a renewable source of clean energy. The final product is exported to Europe where contracts for the sale of the product have been secured. The group increased its holding in Star Biomass Pellets to 100% during the year.

Capital expenditure has been planned in 2006 in order to increase the production capabilities.





A controlling interest in API was acquired during the year. The business is engaged in bulk port terminals and distribution of coal.

The Matola Coal Terminal in Maputo serves as an export route for a number of South African coal producers and commodity traders and also handles magnetite exported from Phalaborwa.

The Walvis Bay Bulk Terminal is a multi-product terminal servicing mainly the Namibian mining sector through loading and discharging a number of commodities such as coal, manganese and mineral concentrates. The company also imports coal for the Namibian industry.

## Seafreight Logistics



Ocean Africa Container Lines is an independently managed joint venture between Grindrod and Safmarine. Ocean Africa Container Lines is a contemporary name for a company that proudly boasts an 80 year history trading on the South African coast. It operates a fleet of purpose built container vessels between Luanda in Angola and Dar Es Salaam in Tanzania.

The company provides supply chain solutions, container liner services and is a common feeder operator.

## Financial Services

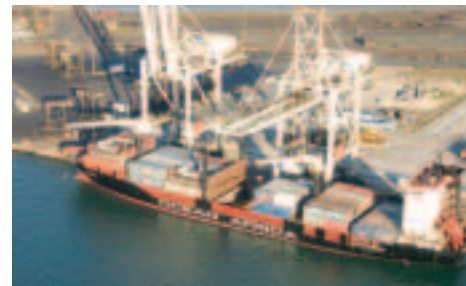


### Marriott Group (50% investment)

The Marriott Group is involved in the financial services field offering merchant banking, asset management and corporate property services.

Assets under management have increased to R22,3 billion (2004: R19,3 billion). Marriott manages the following listed property funds and companies: Martprop Property Fund, SA Retail Properties Limited Fund, Oryx Properties Limited and Ambit Properties Limited.

An agreement has been reached for the disposal of Marriott's asset management and property services operations, subject to Competition Commission approval.



# Corporate Governance

The Grindrod group is fully committed to the principles of transparency, fairness, integrity and accountability reflected in good corporate governance practice.

The board is of the opinion that the group complies, in all material respects, with the principles and code of conduct incorporated in the King Report and JSE Limited (JSE) Listings Requirements.

## Board of Directors

The Grindrod board comprises 15 directors, seven of whom serve as executive directors. The non-executive directors comprise individuals with a balance of skills and commercial experience. Five of the eight non-executive directors are independent. Details of the non-executive and the executive directors are shown on pages 12 to 15 of this report. The board meets at least four times a year and has a dynamic board charter covering the scope of its responsibilities. The board is required to annually review its operations against the charter framework. In terms of the charter the board assumes ultimate responsibility for leadership and strategic direction of the group, and is accountable to stakeholders for performance. To this end it maintains effective control of the group and considers annually the group business plan, risk management, its operating and capital budgets and performance criteria of the executive management.

The quorum for board meetings is eight directors.

The role and function of chairman and chief executive officer are separate in the Grindrod group. The chairman, W M Grindrod is a non-executive director who, by nature of his shareholding is not independent.

The Grindrod executive committee, presently consisting of the chief executive officer as chairman, the executive directors, the Unicorn Shipping marine director and the managing director of Marriott Corporate Property Bank Limited, are responsible for the operational management of the group. This team operates within group limits of authority approved by the Grindrod Limited board.

The board is supplied with all relevant information and has unrestricted access to all group information, records, documents and property, which enables the directors to adequately discharge their responsibilities. The information needs are well defined and non-executive directors have full access to management and the company secretary. Non-executive directors may in appropriate circumstances take independent professional advice at the company's expense.

At each annual general meeting at least one third of the directors retire by rotation from the board. Directors retiring in this manner may offer themselves for re-election. By convention executive directors retire from the board at 63 years of age, whilst non-executive directors retire at the annual general meeting following their 70th birthday. This may, however, be extended at the discretion of the board. In the case of the present chairman it has been agreed to extend his term, subject to shareholder re-election, to the first annual general meeting following his 72nd birthday in 2008.

The boards of directors of major local and offshore operating subsidiaries comprise executive directors/senior management, and those abroad include independent non-executive directors.



## Directors and Officers' Share Dealings

Directors and officers' are not permitted to deal, directly or indirectly, in the shares of the company during the period from the end of the interim and annual reporting periods to the announcement of the interim and annual results or during any period when they are aware of any negotiations or details which may affect the share price, or during the time declared as a prohibited period in terms of the JSE Listings Requirements. The company secretary communicates on a regular basis with the board regarding the status of dealing in the company's shares.

Directors are required to notify the company secretary in writing immediately following any transaction involving the company's shares. The JSE is advised of these notifications and they are tabled at the following board meeting.

## Board Committees

The board has an audit committee and a remuneration/nomination committee to assist it in ensuring good corporate governance. Members and the chairmen of these committees are appointed by the board.

### Audit Committee

The group audit committee provides an important function of reviewing internal controls, risk procedures and financial results. It comprises non-executive directors and include the chairman of the board of directors. The deputy chairman of the group, D R D White, is chairman of the committee. The audit committee satisfies its responsibility in line with specific terms of reference and is accountable to the board, which receives minutes of its meetings and a report on the proceedings. The internal and external auditors have full access to the committee.

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

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

An internal audit charter was adopted during the past year which defined the function, responsibility and authority of the group's internal audit activity.

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

|              | 16 Feb<br>2005 | 18 May<br>2005 | 11 Aug<br>2005 |
|--------------|----------------|----------------|----------------|
| D R D White  | ✓              | ✓              | ✓              |
| W M Grindrod | ✓              | ✓              | ✓              |
| I M Groves   | ✓              | ✓              | ✓              |
| R A Norton   | ✓              | ✓              | ✓              |

# Corporate Governance (continued)

## Remuneration/Nomination Committee

The remuneration philosophy of the group is to offer compensation that will attract, retain and motivate employees with the necessary skills and potential to achieve business goals.

The committee has formal terms of reference approved by the board. The committee is responsible for the assessment and approval of a broad remuneration strategy for the group. In particular, it reviews and determines the remuneration packages of the executive directors of Grindrod with the aim of ensuring that they are adequately compensated for their contribution to growth in operational and financial performance. It also recommends the granting of share options to executive directors and senior employees of the group and the level of fees paid to non-executive directors.

Executive directors' remuneration consists of a total guaranteed amount (including cash and benefits), short-term incentive bonuses and share options. Short-term incentive bonuses are based on group performance and individual objectives which are company/division-focused. Directors' remuneration is reviewed annually and are guided by market survey reports and advice from credible remuneration consultants. Remuneration details are given on page 96 of this report.

The chief executive officer does not participate in committee discussions concerning his remuneration or the terms and conditions of his employment.

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

The members of the remuneration/nomination committee are all non-executive directors. On 22 November 2005 S M Gounden was appointed to replace J C Hall who retired as a director. R A Norton is chairman of the committee.

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

|              | 16 Feb<br>2005 | 22 Nov<br>2005 |
|--------------|----------------|----------------|
| R A Norton   | ✓              | ✓              |
| W M Grindrod | ✓              | ✓              |
| I M Groves   | ✓              | ✓              |
| J C Hall *   | ✓              |                |

\* Retired on 25 May 2005



## Board Attendance

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

|                 | Quarterly<br>23 Feb<br>2005 | Special<br>4 Apr<br>2005 | Special<br>15 Apr<br>2005 | Quarterly<br>25 May<br>2005 | Quarterly<br>17 Aug<br>2005 | Quarterly<br>23 Nov<br>2005 | Special<br>5 Dec<br>2005 |
|-----------------|-----------------------------|--------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------|
| H Adams         | ✓                           | #                        |                           | ✓                           | ✓                           |                             |                          |
| I A J Clark     | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| S M Gounden     | ✓                           | #                        | #                         | ✓                           | ✓                           | ✓                           | #                        |
| W M Grindrod    | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| I M Groves      | ✓                           | #                        | ✓                         | ✓                           | ✓                           | ✓                           | #                        |
| J C Hall *      | ✓                           |                          | ✓                         | ✓                           |                             |                             |                          |
| J G Jones       | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| T J T McClure   | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| N Mtshotshisa   | ✓                           | #                        | #                         | ✓                           |                             |                             | ✓                        |
| R A Norton      | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| A K Olivier     | ✓                           | #                        |                           | ✓                           | ✓                           | ✓                           | #                        |
| D A Rennie      | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| A F Stewart     | ✓                           | ✓                        |                           | ✓                           | ✓                           | ✓                           | ✓                        |
| L R Stuart-Hill | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| D R D White     | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |
| R J H Whitley   | ✓                           | ✓                        | ✓                         | ✓                           | ✓                           | ✓                           | ✓                        |

# Indicates meeting participation via a conference call facility

\* Retired on 25 May 2005

## Investor Relations and Shareholder Communication

The primary responsibility of the group to investors has been to maximise shareholder value. This has been achieved with considerable success. The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. The group website ([www.grindrod.co.za](http://www.grindrod.co.za)) is also used for this purpose.

Grindrod was awarded 'The Most Improved Communicator' by the Investor Analyst Society in 2005.

# Corporate Governance (continued)

## Financial Statements

The directors are responsible for overseeing the preparation and the final approval of the group interim and annual financial statements. The auditors are responsible for auditing the financial statements and giving their opinion thereon, in the course of executing their statutory duties. The directors believe that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, which fairly present the state of the group. In this process, appropriate accounting standards have been applied and adequate accounting records maintained. The going concern basis has been adopted in preparing the annual financial statements. Based on the historical financial performance of the group, ready access to financial resources and financial forecasts, the directors see no reason to believe that the group will not continue to be a going concern in the foreseeable future.

## Internal Controls

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

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

## Internal Audit

Grindrod Limited, being a holding company, has no internal audit. Each of the main operating subsidiaries has its own internal audit function, performed internally in conjunction with auditors from Deloitte & Touche (the partner-in-charge being independent of the external audit). Ocean Africa Container Lines and Marriott have their own independent internal audit functions.

An internal audit charter was developed and implemented by the board during the year.

The function of an internal audit is to independently appraise and examine the activities of the business and thereby assist management in the effective discharge of their duties. The scope is to review the systems of internal control and the reliability and integrity of financial and operational information. The focus of internal audit flows predominantly from the identification of high risk areas from the risk management process.

## Risk Management

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

The board is responsible for risk management and the responsibility to ensure that an effective process is implemented to identify risk, measure its potential impact and activate whatever is



necessary to proactively manage such risks. The board is also responsible for determining the effectiveness of the process. Besides the quarterly assessments of risk at board meetings, a separate annual meeting of the board that focuses on the review of group risk management process is also held. The board has not appointed a separate risk committee.

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

Group insurance risks are reviewed by the group risk management and independent brokers, together with executive management. An insurance policy statement has been adopted by the board to provide guidelines of minimum requirements to management. The board is provided with a summary of the annual review of group insurances.

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

| Risk Type   | Management of Risk   |
|---|--|
| <b>Financial risks</b>  |  |
| <b>Decline in world shipping markets</b>  | Management continually assesses shipping markets utilising their own experience and detailed research. Risks are managed through careful timing of fixed charters and entry into markets and diversification of risk. The board has set risk measurement benchmarks and the group's risk model, reflecting the exposure to shipping risk, is regularly updated and its status reported to the board at each quarterly meeting. An annual review of the risk model's assumptions and the benchmarks used is also undertaken.  |
| <b>Offhire of ships chartered out or loss of owned ships</b>                    | Although limited offhire insurance for ships is in place, it is generally expensive and consequently management of this risk includes ensuring that high maintenance and safety standards are complied with. Provision is also made in the budgeting process for possible offhire to minimise the effect of any lost charter income on the group's results. Lost income as a result of the loss of an owned ship is not insured but would generally be recovered as owned ships are insured in excess of replacement values. |
| <b>Offhire of ships chartered in</b>  | 'Loss of profits' or 'increased costs in working' insurance is generally expensive. Potential loss of revenue and increased charter rates, which could result from the offhire of a ship chartered in by the group, is managed proactively by ensuring that capacity is maintained and that replacement tonnage is found as soon as possible.  |
| <b>Price fluctuations of physical commodities and futures on open positions</b> | The bulk product trading division uses derivatives and other instruments to manage this risk. The board has adopted a commodity position trading policy which includes a Value at Risk measurement of all open positions due within a year, stress testing, stop losses and formal weekly reporting on open positions against limits to executive management. A customised computer-trading platform has also been introduced.   |

## Corporate Governance (continued)

| Risk Type   | Management of Risk  |
|---|---|
| Rand/US Dollar exchange rate strengthens or remains strong  | A detailed report of the group's foreign exchange exposure is reviewed quarterly by the board. The net monetary exposure affecting the income statement is due mainly to Rand loans raised by US Dollar denominated companies and US Dollar cash in Rand companies.   |
| Fraud   | Fraud risk factors and internal controls are regularly reviewed and assessed through the group's risk management and internal audit process, as determined by the audit committee and the board.  |
| High or increased bunker fuel prices  | The risk of bunker fuel price fluctuations against fixed freight revenue is managed through the inclusion of bunker price adjustment clauses in contracts or bunker price hedges where appropriate.   |
| Bad debts/charter defaults  | Internal controls require a thorough credit approval process and regular management review. In some cases credit guarantee insurance is required to be taken out. The effectiveness of controls is assessed through the group's internal audit process, as determined by the audit committee. Charter counterparties are thoroughly investigated and third party advice is provided to ensure that only well known, secure charterers are contracted. |
| Claims resulting from non-compliance with legislation   | Non-compliance with relevant legislation could have a significant financial and/or reputational impact on the group. Such legislation and amendments are regularly reviewed by management, external consultants and internal audit to ensure compliance.  |
| Failure to properly manage acquisitions of new businesses and the purchase of shares in other companies | Management ensures that a due diligence is carried out, assets and liabilities are correctly valued and that all agreements contain the necessary warranties, representations and indemnities.  |
| Financial claims from contractual exposures   | Internal controls are in place to minimise claims for damages in respect of cargo claims and negligence. In addition, adequate insurance cover is taken in the event that a claim arises.   |
| Loss or breakdown of key assets   | Management plays a key role in ensuring that adequate insurance cover is held for all key assets. Where necessary, such insurance has been extended to business interruption cover. Management also ensures that strategic spare parts are held in store for certain equipment and that high maintenance standards are upheld.  |
| <b>Non-financial risks</b>  |   |
| Occurrence of environmental disasters   | This is particularly relevant to the group's shipping operations. The application of high level safety standards and use of modern, high-specification ships greatly reduces this risk. A more detailed review of the group's environmental policy is set out in the Environmental Responsibility section of this report. The environmental incident risk is insured through specialist marine liability underwriters.                                |



*A Unicorn tanker, the Oranjemund, on expedition to the Antarctic to refuel Greenpeace vessels.*

| Risk Type                | Management of Risk  |
|--------------------------|---|
| <b>Industrial action</b> | This is managed by following the appropriate human resources and industrial relations procedures and encouraging a culture of open communication within the group. There has been no major industrial action during the course of the year. |
| <b>Loss of customers</b> | All group companies strive to provide high quality service at competitive rates and to maintain excellent relationships with their customers. Where possible, management have entered into long-term contracts with major customers.        |
| <b>Loss of key staff</b> | This risk is managed by ensuring competitive income packages, a progressive work environment, career growth opportunities and succession planning.  |
| <b>IT system failure</b> | Effective management of the IT function significantly reduces the likelihood of this risk occurring.  |

## Corporate Governance Practices

The group has sound corporate governance practices and procedures in place, which are continually reviewed to ensure that the board fulfils its responsibilities to shareholders.

## Ethics

The group is committed to providing quality products and outstanding service to customers and believes that a high standard of ethical behaviour is paramount to achieving this. The group has a code of ethics which is being reviewed in consultation with the Ethics Institute of South Africa, of which the company is an organisational member. The code is designed to raise ethical awareness, act as a guide in day-to-day decisions and to help assure customers and suppliers of the integrity of the group companies with which they deal.

An important element of the induction process is to communicate to new employees the group's values, standards and compliance procedures. These include integrity and credibility, honouring obligations, promoting the development of employees and high attention to customer relations and service.

# Social Performance

This section focuses on internal social performance. External social performance is covered in the stakeholder engagement and Corporate Social Investment sections that follow.

## Management Approach

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

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

## Staff Complements

Business growth and acquisitions have increased the number of group employees (permanent and temporary) worldwide from 3 705 in December 2004 to 5 042 at December 2005.

The table below provides a breakdown of the number of employees per country:

|                          |       |                    |    |    |
|--------------------------|-------|--------------------|----|----|
| South Africa             | 4 422 | Equador            | 3  |    |
| Moçambique               | 470   | Monaco             | 3  |    |
| Namibia                  | 39    | Tanzania           | 2  |    |
| United Kingdom           | 25    | Germany            | 1  |    |
| Singapore                | 11    | Zimbabwe           | 1  |    |
| Russia                   | 8     | Seafarers – Angola | 8  |    |
| United States of America | 5     | – Namibia          | 7  |    |
| Bermuda                  | 5     | – Philippines      | 17 |    |
| Peru                     | 4     | – Poland           | 11 | 43 |

Of the 5 042 employees, 2 322 are employed in subsidiary companies, 2 248 by joint ventures and 472 by associate companies.

## Recruitment

Although group companies usually try to fill vacant positions from in-house, it is sometimes necessary to recruit staff from external sources to complement the available competencies.

The majority of group companies have adopted a fair and equitable competency based assessment tool to guide recruitment. Positions are carefully analysed to determine the requisite competencies. Interviews are designed to gather information to determine how a candidate will perform and whether they are adequately qualified for the position.

## Benefits

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

During the year, the trustees of the Grindrod Pension Fund agreed to enhance pensions that had been outsourced, by 10% due to the poor performance of those annuities over the past few years.

## Remuneration

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

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

A number of incentive bonus schemes have been implemented in group companies. These schemes reward exceptional performance and are structured around profit targets and specific individual objectives.

The group's salary/wage bill for the reporting year per occupation level for temporary and permanent staff was as follows:

| Occupational Level | Permanent R000 | Temporary R000 | Total R000 |
|--------------------|----------------|----------------|------------|
| Top management     | 43 057         | 590            | 43 647     |
| Senior management  | 62 474         | 545            | 63 019     |
| Middle management  | 69 594         | 340            | 69 934     |
| Skilled            | 144 153        | 2 402          | 146 555    |
| Semi skilled       | 75 890         | 3 284          | 79 174     |
| Least skilled      | 25 806         | 3 583          | 29 389     |
| Total              | 420 974        | 10 744         | 431 718    |

## Labour/Management Relations

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

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

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

## Disciplinary and Grievance Procedures

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

In minor cases of misconduct a written warning is given, subject to an investigation of the facts and based on the balance of probability. For more serious offences, a fair and unbiased disciplinary hearing is conducted. All employees who go through the disciplinary procedure are permitted to be represented by another employee of his/her choice. A formal appeal procedure is in place for dismissals.

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

# Social Performance (continued)

## Occupational Health and Safety

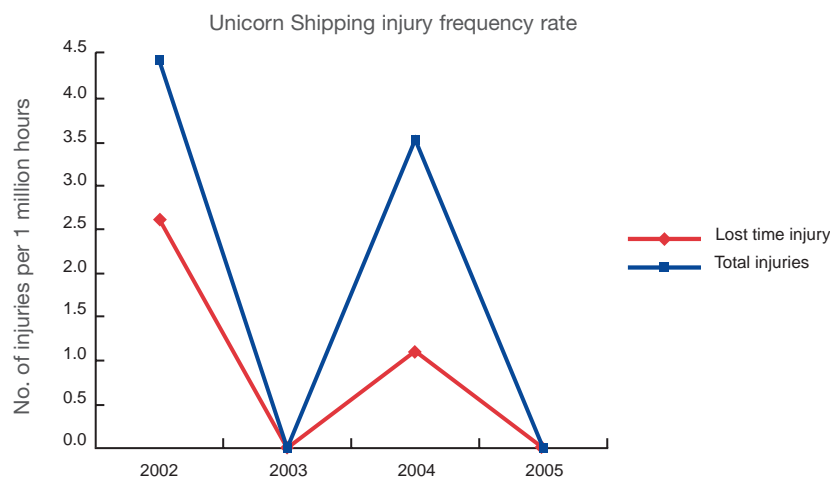
All group companies recognise their duty as employers to ensure the health, safety and welfare of all employees. Senior officials in each operation are required to ensure that all legal requirements are complied with. Where legislation does not exist, company best practices are identified and implemented.

A number of group companies utilise an external source to conduct health and safety audits and those who do not are encouraged to do so.

Major contractors (e.g. shipyards) are audited in terms of safety, health and environmental (SHE) performance. There have been cases where dealings with contractors have been terminated on the emergence of poor (SHE) standards following an audit.

The group's shipbuilding technical specifications specifically ban the use of asbestos in the ships' construction. This has been the case for all ships built for the group within the past 20 years.

High continuity levels amongst seafarers is a major contributing factor to Unicorn Shipping's excellent operational and safety record. In the year under review, the product tanker fleet exceeded two million safe-working hours. There were no serious injuries and no time was lost as a result of shipboard injuries during 2005 (refer to graph below).



In 2005 a total of R652 000 was invested in health and safety measures and health and safety audits. The figure in 2004 was R240 000.

Unfortunately, such measures did not prevent the deaths of two employees, in separate incidents, at a manufacturing plant. Every effort is being made to ensure that adequate preventative measures are implemented in order that the group's high safety standards are maintained.

## HIV/AIDS

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

Group companies have made contributions to HIV/Aids awareness programmes and support to HIV/Aids care centres.

## Broad-Based Black Economic Empowerment

Grindrod recognises that it is necessary and desirable for the future of South Africa to increase the effective participation of the majority of the country's citizens in the economy. To this end it supports initiatives taken by the Department of Trade and Industry and the various industry sectors to promote broad-based black economic empowerment.

The 10 year targets set by the Codes of Good Practice have been adopted by each group company and are measured by means of a balanced scorecard as provided by the appropriate industry in which they operate. As the majority of group companies fall within the Maritime Transport and Services industry, Grindrod has modelled its strategy on the guidelines issued by this industry's charter.

Consultants have recently been appointed by the group to prepare generic scorecards for each South African group company. Once these have been completed, a consolidated score card will be prepared for Grindrod Limited.

The 10 year targets are as follows:

---

|                          |   |
|--------------------------|---|
| Equity Ownership         | <ul style="list-style-type: none"><li>• 25,1% black voting rights</li></ul>   |
| Management & Control     | <ul style="list-style-type: none"><li>• 40% black representation</li></ul>  |
| Employment Equity        | <ul style="list-style-type: none"><li>• 50% black representation – middle to senior management</li></ul>  |
| Skills Development       | <ul style="list-style-type: none"><li>• 3% of payroll expended on training</li><li>• 3% of workforce as 'learners'</li></ul>  |
| Preferential Procurement | <ul style="list-style-type: none"><li>• 50% of discretionary procurement from black owned and empowered suppliers</li></ul>   |
| Enterprise Development   | <ul style="list-style-type: none"><li>• 5% of NAV invested in black empowerment</li><li>• 5% non-monetary investment</li></ul>  |
| Residual                 | <ul style="list-style-type: none"><li>• 3% of net profit on industry specific initiated to facilitate the inclusion of black people. Includes social development.</li></ul> |

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## Employment Equity

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

A developmental approach is taken to affirmative action with the focus on promoting education and training to assist previously disadvantaged individuals to occupy more skilled and responsible positions within the group.

The current elements of equity have been analysed, plans and goals have been established and equity reports are submitted in accordance with the Employment Equity Act No. 55 of 1998.

## Social Performance (continued)

The group's current demographic profile of permanent employees in South African companies per occupational level is tabled below:

| Occupational Level | African      |            | Coloured   |            | Indian     |            | White      |            | Total        |              | Total Permanent |
|--------------------|--------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|-----------------|
|                    | M            | F          | M          | F          | M          | F          | M          | F          | M            | F            |                 |
| Top management     | 3            |            | 3          |            | 1          |            | 65         | 5          | 70           | 5            | 75              |
| Senior management  | 5            | 1          | 1          | 1          | 12         |            | 127        | 19         | 145          | 21           | 166             |
| Middle management  | 19           | 10         | 19         | 4          | 46         | 10         | 244        | 64         | 328          | 88           | 416             |
| Skilled            | 515          | 61         | 92         | 42         | 190        | 70         | 204        | 243        | 1 001        | 416          | 1 417           |
| Semi skilled       | 671          | 66         | 82         | 72         | 133        | 139        | 87         | 225        | 973          | 502          | 1 475           |
| Least skilled      | 412          | 59         | 33         | 10         | 3          |            | 13         | 15         | 461          | 84           | 545             |
| <b>Total</b>       | <b>1 625</b> | <b>197</b> | <b>228</b> | <b>129</b> | <b>385</b> | <b>219</b> | <b>740</b> | <b>571</b> | <b>2 978</b> | <b>1 116</b> | <b>4 094</b>    |
| % per race group   | 44,5%        |            | 8,7%       |            | 14,8%      |            | 32,0%      |            | 100,0%       |              |                 |

### Skills Development

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

Training needs are identified and documented in the form of 'work place skills plans'. These plans and 'implementation' reports are submitted to the relevant Sector Education and Training Authorities (SETAs). Grants have been received from the various SETA Chambers for training completed.

Grindrod spent R5 million on training and development of their employees in 2005. 1 870 employees attended courses. The following table gives an overview of the type of formal training courses which employees attended and the number of group participants.

| Course Programme                | No. of Attendees | % Black |
|---------------------------------|------------------|---------|
| Driver & forklift driver        | 376              | 95      |
| Computer                        | 98               | 81      |
| Employment equity               | 28               | 57      |
| Team building                   | 235              | 62      |
| Cargo handling                  | 76               | 76      |
| Management & supervisory skills | 111              | 72      |

Group companies have introduced 'learnership' programmes targeting unemployed candidates with the ultimate goal of skills upliftment to support the national skills development strategy in South Africa. In 2005 a total of 51 people completed programmes. Of these, 46 (90%) were black.

In addition to the above employees with professional qualifications, are encouraged to keep abreast of developments in their particular fields by attending seminars, conferences and training courses. Financial assistance is given to employees for tertiary education.

The Unicorn Seafarers Training School based in Maydon Wharf, Durban, continues to provide valuable support and demonstrates the group's commitment to skills development and job creation for South African seafarers. 1 681 seafarers completed training courses at





the school in 2005. Courses include seamanship, shipboard familiarisation, safety, proficiency in survival craft, first aid at sea, petroleum tanker safety and chemical tanker safety. All courses are internationally recognised in terms of IMO Standards of Training, Certification & Watchkeeping.

Unicorn's Cadet Training Scheme commenced in the 1960s and South African deck and engineering officers of all races have been trained since the mid 1970s. There are currently 53 cadets undergoing training, 49 of these are black and there are 20 females from different race groups.

### Preferential Procurement

Group companies continue to support the participation of previously disadvantaged groups in the South African economy by continuously seeking to procure goods and services from entrepreneurs drawn from previously disadvantaged societies and from suppliers with a satisfactory black economic empowerment (BEE) rating.

A verification agency is currently analysing all suppliers to determine their BEE status. This will enable group companies to identify their current level of affirmative procurement.

### Enterprise Development

Grindrod, its subsidiaries and joint venture companies continually seek opportunities to enter into sustainable joint ventures (and other forms of alliances) with credible black owned or black empowered enterprises.

# Corporate Social Investment

During 2005 an increased emphasis was placed on the corporate social investment (CSI) initiatives which have mainly been focused in the following broad categories:

- Environment
- Education and training
- Community, welfare and health
- Business development

In assessing the various appeals received, the policy taken was to favour those aligned within the industries and communities that the group is involved in and where it has a physical presence.

The group spent approximately R1,1 million during 2005 on external initiatives. The group has commenced a review of CSI programmes aimed at maximising the social and environmental impacts of contributions.

## Environment

Grindrod sponsors WWF South Africa (World Wide Fund for Nature) and the KZN Conservation Trust through its association as a member.

The company is very sensitive to the marine environment in which it operates and various new opportunities for involvement in marine conservation programmes are being explored.

The group has recently entered into an agreement with Computershare in terms of which a portion of the shareholder registration fee for electronic communication with shareholders will be directed to Food and Trees for Africa.

## Education/Training

The full spectrum of internal programmes related to education, training and development within the group is referred to in the skills development sub-section of the report.

Financial support was provided to a number of external educational institutions and funds, including:

- Walter Sisulu Scholarship Fund
- Project Build (construction of school facilities)
- Simonstown High School (maritime studies)
- New Forest High School (maritime studies)
- Bel Porta Foundation (school for mentally challenged)

## Community, Welfare and Health

Grindrod is proudly associated with the African Rainbow expedition led by the modern-day adventurer Kingsley Holgate. Its mission was to distribute mosquito nets as a precaution against malaria on the Moçambique coast, as far as the Somali border. The task was successfully accomplished by the expedition team with the financial support of Grindrod.

Group companies again participated in the Habitat for Humanity housing project during the past year. Finance, as well as the hands-on involvement of employees, contributed to the building of low cost houses in Durban.

The group is committed to numerous HIV/Aids initiatives and also contributes to several health-related institutions.

The company has a long-term association with the International Sailors' Society (Southern Africa), which provides spiritual and practical support to both local and international seafarers.

Grindrod continues to support local charities and community welfare organisations as part of its social responsibility programme. The majority of operating divisions and joint venture companies within the group have their own programmes in this regard.

The National Sea Rescue Institute (NSRI) is a very appropriate operation in the context of Grindrod's shipping activities and receives continued support. Grindrod also allocated resources towards the search for the yacht, Moquini and its crew, which went missing off Madagascar during the year.

## Business Development

With regard to national business associations, Grindrod remains a member of the South African Chamber of Commerce (SACOB) and is associated with the National Business Initiative (NBI). The latter organisation uses resources to fund a diverse range of sustainable development programmes aimed at employment creation, education and skills development.



# Stakeholder Engagement

As a rapidly growing group with increasing influence in society, Grindrod is committed to maintaining sustainable relationships that are built on trust. The company therefore values its ongoing engagement with key stakeholder groups both within and outside the company.

The group has a policy of involving stakeholders in key sustainability issues and any feedback received from stakeholders that is of a material nature is discussed at executive level and brought to the board's attention.

Highlights of stakeholder engagement for the year under review are summarised in the table below:

| Key Stakeholder Groups   | Examples of Engagement  |
|--|---|
| Shareholders   | <ul style="list-style-type: none"> <li>Annual general meeting. Two additional general meetings were held in 2005 to deal with material corporate actions.</li> <li>Presentations to investors in Durban, Johannesburg and Cape Town after each half year.</li> <li>One-on-one meetings with major investors. Presentations/meetings with analysts in the United Kingdom and the USA.</li> <li>Response to approaches from the media for information and interviews with key personnel.</li> </ul> |
| Customers  | <ul style="list-style-type: none"> <li>Collective meetings with partners and key customers are held at least annually in Cape Town, Johannesburg and Durban.</li> <li>Cross-marketing function within the group.</li> </ul>   |
| Media  | <ul style="list-style-type: none"> <li>Grindrod was awarded the "Most Improved Communicator" award by the Investor Analyst Society.</li> <li>Media briefings on our website are posted: <a href="http://www.grindrod.co.za">www.grindrod.co.za</a>.</li> </ul>  |
| Government authorities and regulators  | <ul style="list-style-type: none"> <li>In the last year Grindrod executives met with the South African Minister of Transport, the CEO and COO of Transnet, the CEO of Spoornet, the CEO of the South African Port Operations (SAPO) and the CEO of the South African National Ports Authority (NPA).</li> <li>Engagement with the South African Department of Trade and Industry regarding the new South African shipping tonnage tax system.</li> </ul>  |
| Non-governmental organisations, communities and other industry interest groups | <ul style="list-style-type: none"> <li>Interaction with and membership of Ethics SA.</li> <li>Active participation in the Maritime BEE Steering Committee, the Container Liner Operators Forum, the Association of Shipping Lines and the South African Container Terminal Advisory Board (SACTAB).</li> <li>Company specific interaction with NGOs in terms of corporate social investment programmes.</li> </ul>  |
| Trade unions   | <ul style="list-style-type: none"> <li>Grindrod J&amp;J Logistics is our most labour intensive business. The company has committees and reporting structures in place to engage with the South African Freight and Dock Workers Union and the South African Transport and Allied Workers Union.</li> </ul>  |
| Staff  | <ul style="list-style-type: none"> <li>Staff are kept abreast of corporate and people developments within the group via internal newsletters, company intranets and internal memorandums.</li> <li>Grindrod makes its bi-annual presentations to investors and analysts available to staff via the company intranet.</li> </ul>   |

# Environmental Performance

Grindrod has undertaken to report publicly on the material aspects of its environmental performance. Given the maritime bias of our business, material environmental risks are predominantly related to shipping operations.

Grindrod is committed to adhering to world class maritime environmental management standards and has an impressive record of marine pollution prevention, efficient use of natural resources and generally minimising the environmental impacts of its operations.

Two Unicorn tankers (Stolt Ntaba and Stolt Ntombi) received prestigious environmental achievement awards in 2005 from the Chamber of Shipping of America for having operated a total of four years in environmental excellence.

In 2005 Grindrod conducted a review of environmental performance monitoring and reporting across the group. As a result, environmental key performance indicators (KPI) are being refined.

## Management Approach

Environmental management throughout the group is guided by a board-approved policy ([www.grindrod.co.za/about\\_environment.aspx](http://www.grindrod.co.za/about_environment.aspx)). The board requires and monitors that each of the subsidiaries maintains and strictly complies with their own environmental policies, that they operate with due care and that they comply fully with the letter and spirit of all relevant codes and regulations governing their activities.

There is a clearly defined structure for environmental management within the group. Targets are set for managing direct material environmental impacts, conducting assessments and reporting on these at group level.

All operations, including land-based facilities Kusasa, Navitrade and Star Biomass, that could potentially have material environmental impacts, have dedicated safety, health and environmental (SHE) managers or SHE and quality (SHEQ) managers. Personal key performance area (KPA) measures for all of the SHEQ key personnel include the proactive and responsible management of material risks, as determined by risk assessments conducted periodically for their specific operations.

## Environmental Management Systems

All vessels utilise integrated SHEQ management systems (driven by ISO 9001:2000) for dealing with significant potential risks. All new acquisitions (both land-based facilities and ships) must be fully compliant with the relevant regulations (including specific maritime regulations in terms of new ships).

Unicorn Shipping, enjoys ISO 9001:2000 accreditation by Det Norske Veritas (DNV), a highly regarded international accreditation agency. In addition, Unicorn Shipping vessels hold Documents of Compliance issued in terms of International Maritime Organisation legislation, by the Maritime Coastguard Agency of the United Kingdom, and by the maritime authorities of the governments of Liberia and Panama.

The bulk land-based terminals, Kusasa, Navitrade and Star Biomass, are in the process of implementing ISO 14001 environmental management systems. The aim is to have the first of these systems certified before the end of the current financial year.

Sheltam Grindrod holds a 2005 Railway Safety Regulator Permit, fully integrated with their ISO and SHEQ Systems. Three of Sheltam Grindrod's divisions are currently ISO 9001:2000 certified and the environmental management policy is compliant with ISO 14001. Certification is currently being obtained in this regard.

## Safer Oceans – Proactive Marine Pollution Prevention

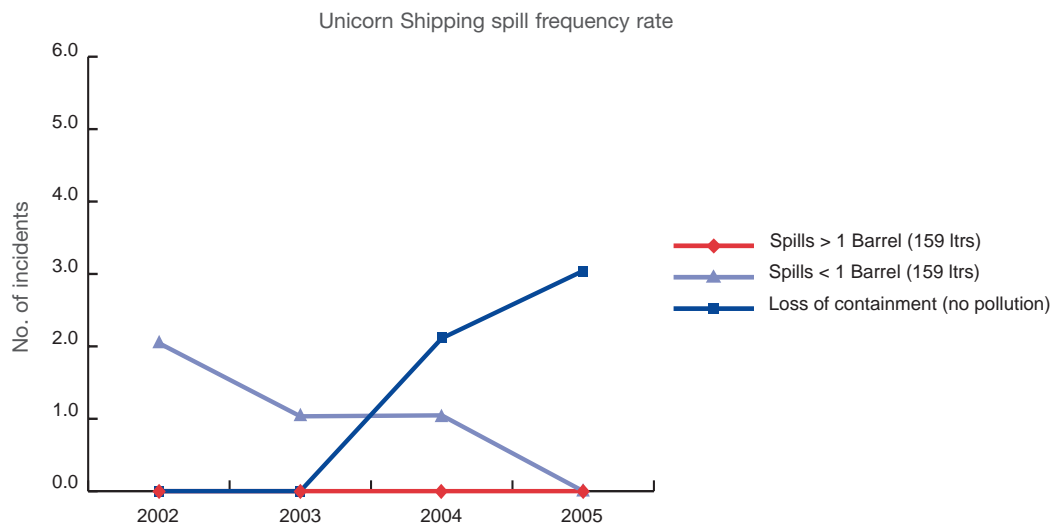
Marine pollution prevention starts before the ships enter the water. Acknowledging the potential risks posed by ship designs that simply satisfy current legislative requirements, Unicorn Shipping consistently sets new ship design and construction benchmarks for the construction of new vessels that will also satisfy anticipated future legislation.

All ships built by Unicorn Shipping since 1996 are double-hulled, and constructed of materials designed to minimise corrosion and promote robustness and longevity. Crucial machinery and navigation equipment is duplicated to minimise the risk of incidents or accidents. Grindrod also remains abreast of technological innovations with regard to maritime

navigation and onboard safety, and ships are fitted with the best of such equipment. Once operational, all vessels utilise an array of measures to minimise impacts to marine ecosystems.

These include:

- Full compliance with the provisions of the MARPOL Convention (International Convention for the Prevention of Pollution from Ships) and a zero target for spills or injuries to personnel on all ships. Any accidents or spills are reported up to board level. Actual performance against these targets, within Unicorn Shipping in recent years, is shown in the graph below.
- The use of Tributyl tin (TBT) and lead-based anti-fouling paint for ships' hulls has been phased out in our fleet of vessels.
- Unicorn Shipping has an established ship's Incident and Near-Miss Reporting System. All ships report monthly to Unicorn Shipping's head office in Durban.
- The group has invested heavily in its Durban-based Ship Crisis Management Centre. Satellite technology now enables all ships to be tracked globally using vessel monitoring systems (VMS) and includes a sophisticated high seas piracy early warning mechanism. The centre also tracks weather systems globally to provide ships with early warning of bad weather so they can take appropriate and timeous action.
- All ships, shipboard and land-based ship management office operations are subject to regular SHEQ audits by our major oil customers, underwriters, certification and other bodies. Fleet managers within the group conduct stringent internal SHEQ audits on a quarterly basis. Realistic emergency drills are carried out to test shipboard emergency response plans and shore management preparedness to deal with a variety of shipboard emergencies such as oil spills, collisions, fire, flooding or grounding.
- Seafarer training conducted by the Unicorn Seafarers Training School based in Durban includes SHE awareness and response aspects to ensure that all seafaring staff can respond appropriately to emergency situations that could result in marine environmental impacts. Training continues onboard in terms of each vessel's SHEQ systems.
- Protection and Indemnity Club cover and civil liability cover for oil pollution is in excess of US\$1 billion for the fleet. Ships' cover specifically includes environmental liabilities resulting from accidents or collisions.



## Energy Conservation

Energy conservation by all ships is driven by policies, procedures, training and monitoring. Fuel used by the ships that are owned and/or operated by the group is a large operational cost item for the group and is therefore closely monitored. Each vessel reports the exact amount of fuel consumed per nautical mile travelled. For competitive reasons this consumption efficiency is not disclosed publicly.

## Environmental Performance (continued)

The group is constantly looking for ways to conserve energy through ship and engine design innovation and by maintaining a strict maintenance programme. Onboard electricity generation on most Unicorn ships is automatically controlled by a computer-based power management system.

The efficient use of non-renewable energy is addressed by equipping the ships with waste-heat recovery plants, the optimisation of the diesel propulsion and auxiliary engines and, on certain ships, steam-generation by burning recovered waste oil and sludge.

### Water Conservation

Although water consumption is not considered a material environmental impact, Unicorn vessels are fitted with evaporators and produce fresh water from sea water, minimising the need to take on fresh water when in port.

### Emissions, Effluents and Waste

All ships comply with Annex VI of MARPOL, which deals with air pollution from ships. Currently, 66% of Unicorn's fleet is fitted with the latest marine diesel engines that produce reduced levels of sulphur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>). This proportion is set to increase as all new vessels purchased will meet this requirement. Chemical tankers are provided with vapour-return systems that prevent cargo vapours from being released into the atmosphere.

The consumption and emission of ozone-depleting refrigerants on vessels is monitored and reported monthly. Onboard refrigerant is predominantly CFC-free R404A.

Solid waste and waste oils are separated onboard and, where possible, incinerated in strict compliance with MARPOL. Waste that cannot be incinerated is landed ashore for appropriate disposal by the local authorities. This includes all plastics, as well as ash from plastic incineration. Any waste that may contain heavy metals is not incinerated onboard. Volumes (in m<sup>3</sup>) of solid waste incinerated, disposed of at sea (in accordance with MARPOL) and sent ashore, is monitored monthly.

As vessels trade worldwide, it is not practicable to audit solid waste disposal sites. However, all Unicorn ships maintain garbage logs (for solid waste) and safe disposal receipts for any solid waste landed.

Most ships are equipped with non water-based vacuum-operated sewage treatment plants, minimising discharge of effluent at sea.

Each vessel has a Ballast Management Plan to ensure that ballast water discharged at sea is in full compliance with International Maritime Organisation (IMO) requirements.

Each vessel reports monthly on oil releases. During the year in review there were no significant (greater than 100 litres) accidental releases of oil.

Dust abatement forms part of the onboard SHEQ management systems, or the ISO 14001 environmental management systems in the case of land-based storage and loading facilities.

Grindrod upheld its policy of not transporting hazardous waste.

### Environmental Compliance

There were no material incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations during the year in review. Environmental impacts that may have resulted from the accidental sinking of the chartered-in containership Umfolozi in September 2005, when it was struck by another vessel when leaving Walvis Bay harbour, Namibia, were averted by the rapid and effective containment of all the oil and fuel onboard.

## Directors' Responsibility for Financial Reporting

The directors of the group are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The group's independent external auditors, Deloitte & Touche, have audited the annual financial statements and their unqualified report appears on page 56.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material mis-statement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 57 to 111 were approved by the board of directors on 22 February 2006 and are signed on their behalf by:



**W M Grindrod**  
*Chairman*



**I A J Clark**  
*Chief executive officer*

## Company Secretary's Certificate

I, C A S Robertson, company secretary of Grindrod Limited, certify that, to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



**C A S Robertson**  
*Company Secretary*

Durban  
22 February 2006



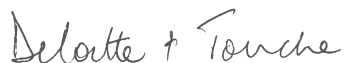
# Report of the Independent Auditors

## TO THE MEMBERS OF GRINDROD LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 57 to 111 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



Deloitte & Touche  
*Registered Accountants and Auditors*  
*Chartered Accountants (SA)*

Durban  
22 February 2006

# Directors' Report

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2005.

## Nature of Business

The nature of the group's business is set out under group profile on page 3.

## Financial Results

The profit attributable to ordinary shareholders amounted to R851,2 million (2004: R546,2 million) which represents earnings per share of 185,7 cents (2004: 121,3 cents). All comparative information has been restated for the impact of the subdivision of shares, the adoption of IFRS, IAS 39 and IAS 17.

## Share Capital

Details of the authorised and issued shares are shown on page 87 and the share analysis is shown on pages 114 to 116. The directors propose that the authority granted to them to control the unissued shares and to issue new shares for cash be renewed.

At a general meeting held on 27 July 2005, shareholders approved the creation of 7 500 000 cumulative, non-redeemable, non-participating, non-convertible preference shares with a par value of 0,031 cent each. 5 000 000 of these shares were issued on 22 August 2005 at R100 per share.

The directors also obtained approval from shareholders at a general meeting held on 19 October 2005 to subdivide the ordinary share on a 5 for 1 basis. The subdivision was effective as at 31 October 2005 when the number of ordinary shares increased from 92 181 852 to 460 909 260.

During the year, pursuant to the authority granted to directors at the annual general meeting held on 25 May 2005, the group repurchased 183 050 ordinary shares in the company at an average price of R12,19 per share totalling R2,23 million. These shares were cancelled and restored to the status of authorised share capital.

The directors propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves, be renewed at the forthcoming annual general meeting.

The issued share capital increased by 7 018 450 shares as a result of the allotment and issue of new shares in terms of the Grindrod Limited share option scheme offset by the repurchase and cancellation of shares.

Subsequent to the end of the financial year, on 17 February 2006 the remaining 2 500 000 preference shares were issued at R110,54 per share, inclusive of the unearned dividend income.

## Share Option Scheme

Grindrod has a share option scheme as an incentive to the senior executive employees of the group. At the annual general meeting in May 2005 it was resolved that the unissued shares in the share capital of the company reserved for the purpose of the share option scheme continue to be placed under the control of the directors. The aggregate number of shares which are reserved for the scheme, together with the shares under option, is 90 000 000. These shares represent 3,3% of the authorised share capital and approximately 19,5% of the issued share capital as at 31 December 2005.

During the year, 4 000 000 options were granted at 1251 cents per ordinary share.

## Directors' Report (continued)

After taking into account options which have lapsed and options withdrawn in respect of retired employees and employees who have left the group, the balance of the options which have been granted is 69 650 000 shares (equivalent to 15,1% of the issued share capital). Options in respect of 43 350 000 shares have been exercised and issued, leaving 26 300 000 shares (equivalent to 5,7% of the issued share capital) still under option in terms of the scheme at 31 December 2005. The options are exercisable at the market prices ruling on the dates the options were granted and vary from 30 cents to 1251 cents per ordinary share and at varying dates before November 2015.

7 201 500 ordinary shares were allotted during the year in terms of the scheme for a consideration of R3 453 022.

Details of share options granted but not exercised are:

| Date option granted | Expiry date | Number of ordinary shares | Subscription price (cents) |
|---------------------|-------------|---------------------------|----------------------------|
| 13.12.1999          | 13.12.2009  | 860 000                   | 30                         |
| 03.05.2000          | 03.05.2010  | 1 160 000                 | 30                         |
| 23.11.2000          | 23.11.2010  | 1 500 000                 | 48                         |
| 19.01.2001          | 19.01.2011  | 390 000                   | 53                         |
| 01.03.2001          | 01.03.2011  | 6 830 000                 | 58                         |
| 01.08.2001          | 01.08.2011  | 510 000                   | 61                         |
| 25.03.2002          | 25.03.2012  | 1 520 000                 | 110                        |
| 18.07.2002          | 18.07.2012  | 1 280 000                 | 110                        |
| 04.02.2003          | 04.02.2013  | 1 500 000                 | 128                        |
| 26.11.2003          | 26.11.2013  | 6 250 000                 | 239                        |
| 27.05.2004          | 27.05.2014  | 500 000                   | 380                        |
| 23.11.2005          | 23.11.2015  | 4 000 000                 | 1 251                      |
|                     |             | 26 300 000                |                            |

The number of ordinary shares and subscription price have been restated to give effect to the subdivision for comparison purposes.

### Subsidiary Companies

Information on subsidiary and associate companies is contained on pages 111 and 80 respectively. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the operational reviews on pages 21 to 35.

### Special Resolutions

A renewal of authority for the company or its subsidiaries to repurchase its own shares was obtained at the 2005 annual general meeting.

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

### Employee Retirement Benefit Plans

Details of the group's employee retirement benefit plans are separately disclosed in note 13.

## Directors' Interests in the Company

At 31 December 2005, directors held ordinary shares in the company as set out below:

The ordinary shareholdings of directors in respect of 2004 have been restated to give effect to the 5 for 1 subdivision for comparison purposes.

| Director          | 2005       |             |                |           | 2004       |             |                |           |
|-------------------|------------|-------------|----------------|-----------|------------|-------------|----------------|-----------|
|                   | Beneficial |             | Non-Beneficial |           | Beneficial |             | Non-Beneficial |           |
|                   | Direct     | Indirect    | Direct         | Indirect  | Direct     | Indirect    | Direct         | Indirect  |
| W M Grindrod (1)  |            | *76 249 559 |                | 2 135 000 |            | 76 249 065  |                | 2 135 000 |
| D R D White       | 50 000     |             |                | 28 345    | 50 000     |             |                | 28 345    |
| I A J Clark       | 3 717 000  | 12 188 045  |                |           | 3 950 500  | 16 554 545  |                |           |
| S M Gounden       |            | 100         |                |           |            |             |                |           |
| I M Groves (2)    |            | *5 450 000  |                |           |            | 5 534 000   |                |           |
| J G Jones         |            | 100 000     |                |           |            |             |                |           |
| T J T McClure (3) |            | *3 330 000  |                |           |            | 3 040 000   |                |           |
| A K Olivier       |            | 2 953 250   |                | 1 000     |            | 4 603 250   |                |           |
| D A Rennie (4)    |            | *1 070 000  |                |           |            | 1 120 000   |                |           |
| A F Stewart       |            | 260 000     |                |           |            | 130 000     |                |           |
| L R Stuart-Hill   |            | 2 087 195   |                |           |            | 4 632 695   |                |           |
| R J H Whitley     |            |             |                | 2 866 425 |            |             |                | 2 866 425 |
| Aggregate         | 3 767 000  | 103 688 149 |                | 5 030 770 | 4 000 500  | 111 863 555 |                | 5 029 770 |

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

|               | Put Strike (R) | Call Strike (R) |                               |
|---------------|----------------|-----------------|-------------------------------|
| (1) 3 333 335 | 9,51           | 22,07           | Expiry date 31 August 2009    |
| 3 333 335     | 9,83           | 20,98           | Expiry date 30 October 2009   |
| 3 333 330     | 10,16          | 19,89           | Expiry date 30 December 2009  |
| (2) 750 000   | 10,61          | 13,19           | Expiry date 30 September 2007 |
| 500 000       | 12,50          | 15,53           | Expiry date 23 November 2007  |
| 1 000 000     | 14,15          | 16,77           | Expiry date 23 November 2007  |
| (3) 1 000 000 | 10,82          | 13,42           | Expiry date 12 September 2007 |
| 750 000       | 11,12          | 13,79           | Expiry date 1 October 2007    |
| 750 000       | 11,12          | 16,12           | Expiry date 30 September 2008 |
| (4) 1 000 000 | 10,83          | 13,28           | Expiry date 22 September 2007 |

At 31 December 2005, directors held preference shares in the company as set out below:

| Director     | 2005       |          |                |          |
|--------------|------------|----------|----------------|----------|
|              | Beneficial |          | Non-Beneficial |          |
|              | Direct     | Indirect | Direct         | Indirect |
| W M Grindrod |            | 100 000  |                |          |
| I A J Clark  |            | 491 500  |                |          |
| I M Groves   |            | 15 000   |                |          |
| J G Jones    |            | 10 000   |                |          |
| A K Olivier  |            | 8 500    |                |          |
| D A Rennie   |            | 10 000   |                |          |
| Aggregate    |            | 635 000  |                |          |

These ordinary and preference shareholdings were unchanged at 22 February 2006.

## Directors' Report (continued)

### Dividends

The directors have declared a final dividend of 32 cents per ordinary share (2004: 25 cents). Dividends paid or payable in respect of the year were as follows:

|         | Date of declaration | Last day to trade cum dividend | Trading ex dividend commences | Record date | Payment date | Amount per share (cents) | Amount R000 |
|---------|---------------------|--------------------------------|-------------------------------|-------------|--------------|--------------------------|-------------|
| Interim | 26.07.2005          | 20.08.2005                     | 23.08.2005                    | 27.08.2005  | 30.08.2005   | 20                       | 92 182      |
| Final   | 22.02.2006          | 10.03.2006                     | 13.03.2006                    | 17.03.2006  | 20.03.2006   | 32                       | 148 613     |

The directors have also declared a dividend of R3,038 per preference share (2004: nil) which will be paid on the same day as the final ordinary dividend referred to above.

### Holding Company

Grindrod Limited had no holding company at 31 December 2005.

### Subsequent Events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report apart from the further issue of preference shares referred to earlier in this report.

# Accounting Policies

The financial statements were prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 concerning the transition from SA GAAP to IFRS are set out on pages 73 to 77. The principal accounting policies adopted are set out below:

## Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) acquired up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of the acquired entity so as to obtain benefits from its activities.

The assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, such as a discount on acquisition, is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

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

All material inter-company balances and transactions are eliminated.

## Associate Companies

The consolidated financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Losses of associates in excess of the group's interest are not recognised unless there is a binding obligation to contribute to the losses.

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

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

## Joint Ventures

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

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

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

# Accounting Policies (continued)

## Translation of Financial Statements Prepared in Foreign Currencies

A foreign entity is a foreign operation, the activities of which are not an integral part of those of the reporting enterprise. Balance sheets of consolidated foreign entities are translated into South African currency at rates of exchange ruling at the year end. Profits and losses arising on the translation of the opening net investments and retained earnings of foreign currency denominated subsidiaries are included in non-distributable reserves. Previously deferred foreign currency translation gains are recognised in income in the period in which the net investment in the foreign entity is disposed of or when the permanent loan funding is repaid.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The financial statements of foreign operations that are integral to the operations of the reporting enterprise are translated in terms of the accounting policy on foreign currencies.

## Foreign Currencies

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

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

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

## Deferred Taxation

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

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

Deferred tax liabilities are recognised for taxable temporary differences, unless specifically exempt.

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

## Ships, Property, Plant and Equipment

Ships are reflected at their effective net cost after all financing arrangements have been concluded. The useful life of a ship ranges from 25 to 30 years. Ships are depreciated on a straight-line basis to an estimated residual value over its useful life to the group. Borrowing costs incurred in the financing of the acquisition of ships prior to their delivery are capitalised to the cost of the ship.

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

|                                  |              |
|----------------------------------|--------------|
| Aircraft                         | 5 years      |
| Locomotives                      | 15 years     |
| Plant and machinery              | 5 – 20 years |
| Information technology equipment | 3 – 5 years  |
| Vehicles                         | 3 – 10 years |

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

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

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

## Leased Assets

### Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### In the capacity of a lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### In the capacity of a lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## Impairment of Assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount, is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## Accounting Policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit, is increased to the revised estimate of its recoverable amount, in order that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit, in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Intangible Assets

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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

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

If, on a business combination, the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, this excess is recognised in profit or loss immediately. For business combinations for which the agreement date was before 31 March 2004, this was called negative goodwill and presented as a negative asset. This amount has since been transferred to retained income on 1 January 2004.

#### Other intangible assets

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

### Inventory

Inventory which includes merchandise, bunkers on board ships and other consumable stores is valued at the lower of cost and net realisable value. Cost is determined on a weighted average and first in first out basis. Spares on board ships are charged against income when issued to the ships and are not brought to account at the balance sheet date.

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

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

### Voyage Results

The results of voyages completed during the period and a percentage of the results of uncompleted voyages at the year end are included in the income statement. Results of uncompleted voyages are included based on estimated voyage result and voyage time elapsed.

Anticipated exceptional losses on uncompleted voyages are provided for in full.

## Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

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

## Financial Instruments

Financial instruments recognised on the balance sheet include investments, trade and other receivables, cash and cash equivalents, trade and other payables, interest bearing debt and hedges relating to future commitments. Financial instruments are initially measured at cost, which includes transaction costs, when the group is party to a contractual arrangement. Subsequent measurement of financial instruments is set out below.

### Derivative instruments

The group's use of derivative instruments which have a cash flow impact are limited to forward exchange contracts, cross currency and interest rate swaps, futures, options and forward freight swap agreements. Derivatives are subsequently measured at fair value. Any gain or loss on forward exchange contracts relating to foreign currency denominated assets, liabilities and hedges is recognised in income unless the contracts are designated as cash flow hedges.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

### Investments

Investments in subsidiaries, joint ventures and associates are recorded at cost, less impairments. Loans and finance lease receivables are recorded at amortised cost. Other investments are shown at fair value and gains and losses are recognised in income.

### Trade and other receivables

Short duration receivables with no stated interest rate are measured at original invoice amount less provision for doubtful debts.

### Cash and cash equivalents

Cash and cash equivalents are measured at cost which is equivalent to fair value.

### Equity

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities other than derivatives are recognised at their original debt value less principal payments.

### Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

### Offset

Financial assets and financial liabilities are only offset if there is a legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Accounting Policies (continued)

## Provisions

Provisions are recognised when the group has a present obligation for which it is probable that an outflow of resources will be required and where a reliable estimate can be made of the amount.

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

## Segmental Reporting

The principal segments of the group have been identified on a primary basis by business segment which is representative of the internal structure used for management reporting.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, and consist principally of ships, property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade creditors. These assets and liabilities are all directly attributable to the segments.

## Employee Benefits

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

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

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

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

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

## Share Based Payments

The group has applied the requirement of IFRS 2 Share Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all equity instruments issued after 7 November 2002 that had not vested as of 1 January 2005.

The group issues equity-settled share based payments to certain employees. These share based payments are measured at fair value at the date of the grant and is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of an actuarial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## Non-Current Assets Held for Sale

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

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

## Government Grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

## Taxation

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

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

## Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the group's accounting policies, management has made the following judgements that potentially have the most significant effect on the amounts recognised in the financial statements.

### **Onerous contract provisions**

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

Due to the volatility of revenue and certain costs in respect of a subsidiary of the group, a period of one year is taken into account, as any estimate beyond this is considered unreliable.

### **Deferred taxation**

Deferred tax assets representing the carry forward of unused tax losses are only recognised to the extent that it is probable that taxable profits will be available in the future. In instances where there is no contracted income, the raising of the deferred tax asset is limited to the next three years' budgeted taxable profit due to the uncertainty of estimating profits more than three years hence.

### **Impairment of investment and goodwill**

Determining whether investments and goodwill is impaired requires an estimation of the value-in-use of the cash generating units of the investments and to which goodwill has been allocated. The value-in-use calculation requires the entities to estimate the future cash flows expected and a suitable discount rate in order to calculate the present value.

In respect of a subsidiary of the group that has incurred losses in recent periods, the investments and goodwill has not been impaired as substantial investment in and commissioning of plant will take place during 2006 and a contract with a major customer has recently been re-negotiated. This is expected to return the company to profitability.

# Balance Sheets as at 31 December 2005

|  | Notes | Group            |                  | Company          |                |
|--|-------|------------------|------------------|------------------|----------------|
|  |       | 2005<br>R000     | 2004*<br>R000    | 2005<br>R000     | 2004*<br>R000  |
| <b>ASSETS</b>  |       |                  |                  |                  |                |
| <b>Non-current assets</b>                            |       |                  |                  |                  |                |
| Ships, property, plant and equipment                 | 1     | 2 069 178        | 1 535 104        |                  |                |
| Intangible assets                                    | 2     | 250 525          | 49 767           |                  |                |
| Investments in subsidiaries                          | 3     |                  |                  | 1 460 951        | 593 090        |
| Investment in joint venture                          | 4     |                  |                  | 40 150           | –              |
| Investments in associates                            | 5     | 125 339          | 144 896          | 45 000           | 75 096         |
| Other investments                                    | 6     | 53 223           | 54 556           |                  |                |
| Financial assets                                     | 7     | 535              | 54               |                  |                |
| Deferred taxation                                    | 8     | 69 330           | 37 065           | 8 369            | 14 087         |
| <b>Total non-current assets</b>                      |       | <b>2 568 130</b> | <b>1 821 442</b> | <b>1 554 470</b> | <b>682 273</b> |
| <b>Current assets</b>                                |       |                  |                  |                  |                |
| Inventory  | 9     | 345 573          | 30 118           |                  |                |
| Trade and other receivables                          | 10    | 1 223 634        | 445 140          | 356 144          | 110 677        |
| Taxation   |       | 1 485            | 630              |                  |                |
| Cash and cash equivalents                            |       | 655 457          | 345 655          | 958              | 1 999          |
| Non-current assets held for sale                     |       | 184 338          | –                | 30 096           | –              |
| <b>Total current assets</b>                          |       | <b>2 410 487</b> | <b>821 543</b>   | <b>387 198</b>   | <b>112 676</b> |
| <b>Total assets</b>                                  |       | <b>4 978 617</b> | <b>2 642 985</b> | <b>1 941 668</b> | <b>794 949</b> |
| <b>EQUITY AND LIABILITIES</b>                        |       |                  |                  |                  |                |
| <b>Capital and reserves</b>                          |       |                  |                  |                  |                |
| Share capital and premium                            | 11    | 495 289          | 6 298            | 556 405          | 67 414         |
| Equity compensation reserve                          |       | 2 791            | 1 327            | 2 791            | 1 327          |
| Non-distributable reserves                           |       | (157 451)        | (141 465)        |                  |                |
| Accumulated profit                                   |       | 1 596 570        | 967 162          | 832 166          | 231 306        |
| <b>Attributable to equity holders of the company</b> |       | <b>1 937 199</b> | <b>833 322</b>   | <b>1 391 362</b> | <b>300 047</b> |
| Minority interest                                    |       | 6 753            | 8 044            |                  |                |
| <b>Total equity</b>                                  |       | <b>1 943 952</b> | <b>841 366</b>   | <b>1 391 362</b> | <b>300 047</b> |
| <b>Non-current liabilities</b>                       |       |                  |                  |                  |                |
| Long-term borrowings                                 | 12    | 756 657          | 662 732          |                  |                |
| Provision for post retirement medical aid            | 13    | 64 944           | 52 355           |                  |                |
| Financial liabilities                                | 7     | 83 001           | 49 727           | 3 677            | –              |
| Deferred taxation                                    | 8     | 20 340           | 4 445            |                  |                |
| <b>Total non-current liabilities</b>                 |       | <b>924 942</b>   | <b>769 259</b>   | <b>3 677</b>     | <b>–</b>       |
| <b>Current liabilities</b>                           |       |                  |                  |                  |                |
| Trade and other payables                             | 14    | 1 188 298        | 612 914          | 546 629          | 494 902        |
| Provisions   | 15    | 51 744           | 50 240           |                  |                |
| Short-term borrowings and overdraft                  | 12    | 550 701          | 198 194          |                  |                |
| Current portion of long-term borrowings              | 12    | 226 542          | 112 838          |                  |                |
| Taxation   |       | 92 438           | 58 174           |                  |                |
| <b>Total current liabilities</b>                     |       | <b>2 109 723</b> | <b>1 032 360</b> | <b>546 629</b>   | <b>494 902</b> |
| <b>Total equity and liabilities</b>                  |       | <b>4 978 617</b> | <b>2 642 985</b> | <b>1 941 668</b> | <b>794 949</b> |

\* 2004 figures have been restated for IFRS.

# Income Statements for the year ended 31 December 2005

|   | Notes | Group        |               | Company      |               |
|---|-------|--------------|---------------|--------------|---------------|
|   |       | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| Revenue   | 16    | 7 449 145    | 2 974 325     | 837 741      | 260 151       |
| Other income  | 17    | 198 668      | 81 043        |              |               |
| Operating expenses                                  | 17    | (6 600 471)  | (2 377 258)   | (9 576)      | (2 524)       |
| Trading profit                                      |       | 1 047 342    | 678 110       | 828 165      | 257 627       |
| Depreciation  | 17    | (121 705)    | (75 835)      |              |               |
| Operating profit before interest and taxation       |       | 925 637      | 602 275       | 828 165      | 257 627       |
| Non-trading items                                   | 18    | 3 451        | 2 036         | –            | (137)         |
| Interest received                                   | 19    | 53 859       | 38 129        | 93           | 568           |
| Interest paid                                       | 19    | (140 639)    | (100 327)     | –            | (2 048)       |
| Profit before share of associate companies profit   |       | 842 308      | 542 113       | 828 258      | 256 010       |
| Share of associate companies profit before taxation |       | 88 544       | 52 760        |              |               |
| Profit before taxation                              |       | 930 852      | 594 873       | 828 258      | 256 010       |
| Taxation  | 20    | (65 152)     | (47 966)      | (5 718)      | 14 087        |
| Profit for the year                                 |       | 865 700      | 546 907       | 822 540      | 270 097       |
| Attributable to:                                    |       |              |               |              |               |
| Equity holders of the parent                        | 21    | 866 430      | 546 190       | 822 540      | 270 097       |
| Minority interest                                   |       | (730)        | 717           |              |               |
|   |       | 865 700      | 546 907       | 822 540      | 270 097       |
| Earnings per share (cents)                          | 21    |              |               |              |               |
| Basic   |       | 185,7        | 121,3         |              |               |
| Diluted   |       | 178,6        | 115,4         |              |               |

\* 2004 figures have been restated for IFRS.

# Statement of Changes in Equity

for the year ended 31 December 2005

## GROUP

|   | Ordinary<br>Share<br>Capital<br>R000 | Preference<br>Share<br>Capital<br>R000 | Share<br>Premium<br>R000 | Equity<br>Compen-<br>sation<br>Reserve<br>R000 | Foreign<br>Currency<br>Translation<br>Reserve<br>R000 | Hedging<br>Reserve<br>R000 | Accu-<br>mulated<br>Profit<br>R000 | Attributable<br>to Equity<br>Holders<br>of the<br>Company<br>R000 | Minority<br>Interest<br>R000 | Total<br>Equity<br>R000 |
|---|--------------------------------------|--|--------------------------|--|---|----------------------------|------------------------------------|---|------------------------------|-------------------------|
| Balance at 31 December 2003<br>as previously stated | 356                                  | -                                      | 83 171                   | -  | (22 271)  | -                          | 547 696                            | 608 952   | 7 428                        | 616 380                 |
| IFRS adjustments                                    |                                      |  |                          | 202  | 8 701   |                            | (4 477)                            | 4 426   | 326                          | 4 752                   |
| Operating lease adjustment                          |                                      |  |                          |  | 3 064   |                            | (17 516)                           | (14 452)  | (394)                        | (14 846)                |
| Restated balance                                    | 356                                  | -                                      | 83 171                   | 202  | (10 506)  | -                          | 525 703                            | 598 926   | 7 360                        | 606 286                 |
| Share options exercised                             |                                      |  | 6 146                    |  |   |                            |                                    | 6 146   |                              | 6 146                   |
| Shares repurchased and cancelled                    | (89)                                 |  | (83 286)                 |  |   |                            | (22 771)                           | (106 146)   |                              | (106 146)               |
| Conversion of ordinary shares                       | (258)                                |  | 258                      |  |   |                            |                                    | -   |                              | -                       |
| Share based payments                                |                                      |  |                          | 1 125  |   |                            |                                    | 1 125   |                              | 1 125                   |
| Foreign currency translation<br>adjustments         |                                      |  |                          |  | (81 234)  |                            |                                    | (81 234)  |                              | (81 234)                |
| Financial instrument hedge                          |                                      |  |                          |  |   | (49 725)                   |                                    | (49 725)  |                              | (49 725)                |
| Minority interest acquired                          |                                      |  |                          |  |   |                            |                                    | -   | (33)                         | (33)                    |
| Profit attributable to shareholders                 |                                      |  |                          |  |   |                            | 546 190                            | 546 190   | 717                          | 546 907                 |
| Dividends paid                                      |                                      |  |                          |  |   |                            | (81 960)                           | (81 960)  |                              | (81 960)                |
| Balance at 31 December 2004                         | 9                                    | -                                      | 6 289                    | 1 327  | (91 740)  | (49 725)                   | 967 162                            | 833 322   | 8 044                        | 841 366                 |
| IAS 39 adjustment                                   |                                      |  |                          |  |   |                            | (15 325)                           | (15 325)  |                              | (15 325)                |
| Restated balance                                    | 9                                    | -                                      | 6 289                    | 1 327  | (91 740)  | (49 725)                   | 951 837                            | 817 997   | 8 044                        | 826 041                 |
| Share options exercised                             |                                      |  | 3 454                    |  |   |                            |                                    | 3 454   |                              | 3 454                   |
| Shares repurchased and cancelled                    |                                      |  | (2 243)                  |  |   |                            |                                    | (2 243)   |                              | (2 243)                 |
| Preference shares issued                            |                                      | 2                                      | 499 998                  |  |   |                            |                                    | 500 000   |                              | 500 000                 |
| Share issue expenses written off                    |                                      |  | (12 220)                 |  |   |                            |                                    | (12 220)  |                              | (12 220)                |
| Share based payments                                |                                      |  |                          | 1 464  |   |                            |                                    | 1 464   |                              | 1 464                   |
| Foreign currency translation<br>adjustments         |                                      |  |                          |  | (8 265)   |                            |                                    | (8 265)   | 59                           | (8 206)                 |
| Financial instrument hedge                          |                                      |  |                          |  |   | (8 333)                    |                                    | (8 333)   |                              | (8 333)                 |
| Transfer to deferred taxation                       |                                      |  |                          |  |   | 612                        |                                    | 612   |                              | 612                     |
| Minority interest acquired                          |                                      |  |                          |  |   |                            |                                    | -   | (620)                        | (620)                   |
| Profit attributable to shareholders                 |                                      |  |                          |  |   |                            | 866 430                            | 866 430   | (730)                        | 865 700                 |
| Dividends paid                                      |                                      |  |                          |  |   |                            | (221 697)                          | (221 697)   |                              | (221 697)               |
| Balance at 31 December 2005                         | 9                                    | 2                                      | 495 278                  | 2 791  | (100 005)   | (57 446)                   | 1 596 570                          | 1 937 199   | 6 753                        | 1 943 952               |

## ANALYSIS OF HOLDING COMPANY AND SUBSIDIARY INTERESTS

|                 |   |   |          |       |           |          |           |           |  |  |
|-----------------|---|---|----------|-------|-----------|----------|-----------|-----------|--|--|
| Holding company | 9 | 2 | 556 394  | 2 791 |           |          | 832 166   | 1 391 362 |  |  |
| Subsidiaries    |   |   | (61 116) | -     | (100 005) | (57 446) | 764 404   | 545 837   |  |  |
|                 | 9 | 2 | 495 278  | 2 791 | (100 005) | (57 446) | 1 596 570 | 1 937 199 |  |  |

## COMPANY

|   | Ordinary<br>Share<br>Capital<br>R000 | Preference<br>Share<br>Capital<br>R000 | Share<br>Premium<br>R000 | Equity<br>Compen-<br>sation<br>Reserve<br>R000 | Foreign<br>Currency<br>Translation<br>Reserve<br>R000 | Hedging<br>Reserve<br>R000 | Accu-<br>mulated<br>Profit<br>R000 | Attributable<br>to Equity<br>Holders<br>of the<br>Company<br>R000 |  |  |
|---|--------------------------------------|--|--------------------------|--|---|----------------------------|------------------------------------|---|--|--|
| Balance at 31 December 2003<br>as previously stated | 356                                  | -                                      | 167 058                  | -  | -   | -                          | 43 169                             | 210 583   |  |  |
| IFRS adjustment                                     |                                      |  |                          | 202  |   |                            |                                    | 202   |  |  |
| Restated balance                                    | 356                                  | -                                      | 167 058                  | 202  | -   | -                          | 43 169                             | 210 785   |  |  |
| Share options exercised                             |                                      |  | 6 146                    |  |   |                            |                                    | 6 146   |  |  |
| Shares repurchased and cancelled                    | (89)                                 |  | (106 057)                |  |   |                            |                                    | (106 146)   |  |  |
| Conversion of ordinary shares                       | (258)                                |  | 258                      |  |   |                            |                                    | -   |  |  |
| Share based payments                                |                                      |  |                          | 1 125  |   |                            |                                    | 1 125   |  |  |
| Profit attributable to shareholders                 |                                      |  |                          |  |   |                            | 270 097                            | 270 097   |  |  |
| Dividends paid                                      |                                      |  |                          |  |   |                            | (81 960)                           | (81 960)  |  |  |
| Balance at 31 December 2004                         | 9                                    | -                                      | 67 405                   | 1 327  | -   | -                          | 231 306                            | 300 047   |  |  |
| Share options exercised                             |                                      |  | 3 454                    |  |   |                            |                                    | 3 454   |  |  |
| Shares repurchased and cancelled                    |                                      |  | (2 243)                  |  |   |                            |                                    | (2 243)   |  |  |
| Preference shares issued                            |                                      | 2                                      | 499 998                  |  |   |                            |                                    | 500 000   |  |  |
| Share issue expenses written off                    |                                      |  | (12 220)                 |  |   |                            |                                    | (12 220)  |  |  |
| Share based payments                                |                                      |  |                          | 1 464  |   |                            |                                    | 1 464   |  |  |
| Profit attributable to shareholders                 |                                      |  |                          |  |   |                            | 822 540                            | 822 540   |  |  |
| Dividends paid                                      |                                      |  |                          |  |   |                            | (221 680)                          | (221 680)   |  |  |
| Balance at 31 December 2005                         | 9                                    | 2                                      | 556 394                  | 2 791  | -   | -                          | 832 166                            | 1 391 362   |  |  |

# Cash Flow Statements for the year ended 31 December 2005

|   | Notes | Group              |                  | Company          |                  |
|---|-------|--------------------|------------------|------------------|------------------|
|   |       | 2005<br>R000       | 2004*<br>R000    | 2005<br>R000     | 2004*<br>R000    |
| <b>OPERATING ACTIVITIES</b>                               |       |                    |                  |                  |                  |
| Cash receipts from charter hire                           |       | 1 331 711          | 1 350 609        |                  |                  |
| Cash receipts from freight                                |       | 1 523 547          | 1 154 447        |                  |                  |
| Cash receipts from invoiced sales                         |       | 3 824 455          | 428 811          |                  |                  |
| Other   |       | 14 728             | 10 360           |                  |                  |
| Cash receipts from customers                              |       | 6 694 441          | 2 944 227        |                  |                  |
| Cash payments to suppliers and employees                  |       | (5 326 964)        | (2 308 265)      | (5 379)          | (1 762)          |
| Cash generated from/(utilised in) operations              | 30.1  | 1 367 477          | 635 962          | (5 379)          | (1 762)          |
| Interest received   |       | 53 859             | 38 129           | 93               | 568              |
| Interest paid   |       | (149 915)          | (102 472)        | -                | (2 048)          |
| Dividends received  |       | 5 274              | 21 344           | 159 584          | 199 786          |
| Dividends paid  | 30.2  | (206 508)          | (81 960)         | (206 491)        | (81 960)         |
| Taxation paid   |       | (32 251)           | (3 766)          |                  |                  |
| <b>Net cash flows from/(used in) operating activities</b> |       | <b>1 037 936</b>   | <b>507 237</b>   | <b>(52 193)</b>  | <b>114 584</b>   |
| <b>INVESTING ACTIVITIES</b>                               |       |                    |                  |                  |                  |
| Ships, property, plant and equipment acquired             | 30.3  | (648 135)          | (558 963)        |                  |                  |
| Replacement of ships, property, plant and equipment       |       | (13 972)           | (3 993)          |                  |                  |
| Additions to ships, property, plant and equipment         |       | (634 163)          | (554 970)        |                  |                  |
| Acquisition of investments                                |       | -                  | (13 192)         | (40 151)         | -                |
| Acquisition of subsidiaries and joint ventures            | 30.4  | (906 417)          | (4 162)          |                  |                  |
| Proceeds from disposal of property, plant and equipment   |       | 13 666             | 4 021            |                  |                  |
| Proceeds from disposal of investments                     |       | 575                | 96 877           | -                | 9 212            |
| Acquisition of intangible assets                          |       | (139 294)          | -                |                  |                  |
| Capital receipts from finance lease                       |       | -                  | 18 233           |                  |                  |
| Loans repaid by associate companies                       |       | 2 378              | 1 772            |                  |                  |
| Loans advanced to joint ventures                          |       | (10 534)           | (4 545)          |                  |                  |
| Net advances to subsidiaries                              |       |                    |                  | (397 688)        | (96 425)         |
| <b>Net cash flows used in investing activities</b>        |       | <b>(1 687 761)</b> | <b>(459 959)</b> | <b>(437 839)</b> | <b>(87 213)</b>  |
| <b>FINANCING ACTIVITIES</b>                               |       |                    |                  |                  |                  |
| Proceeds from issue of ordinary share capital             |       | 3 454              | 6 146            | 3 454            | 6 146            |
| Proceeds from issue of preference share capital           |       | 487 780            | -                | 487 780          | -                |
| Repurchase of ordinary share capital                      |       | (2 243)            | (106 146)        | (2 243)          | (106 146)        |
| Long-term borrowings raised                               |       | 459 011            | 487 994          |                  |                  |
| Payment of capital portion of long-term borrowings        |       | (352 079)          | (229 079)        |                  |                  |
| Short-term loan raised/(repaid)                           |       | 129 192            | (129 711)        |                  |                  |
| <b>Net cash flows from/(used in) financing activities</b> |       | <b>725 115</b>     | <b>29 204</b>    | <b>488 991</b>   | <b>(100 000)</b> |
| Net increase/(decrease) in cash and cash equivalents      |       | 75 290             | 76 482           | (1 041)          | (72 629)         |
| Cash and cash equivalents at beginning of period          |       | 257 297            | 189 150          | 1 999            | 74 628           |
| Difference arising on translation                         |       | 14 984             | (8 335)          |                  |                  |
| <b>Cash and cash equivalents at end of period</b>         | 30.5  | <b>347 571</b>     | <b>257 297</b>   | <b>958</b>       | <b>1 999</b>     |

\* 2004 figures have been restated for IFRS.

# Segmental Analysis for the year ended 31 December 2005

| Business Segments                                   | Shipping Services |           | Trading, Freight and Financial Services |           | Group       |           |
|---|-------------------|-----------|---|-----------|-------------|-----------|
|   | 2005              | 2004*     | 2005                                    | 2004*     | 2005        | 2004*     |
|   | R000              | R000      | R000                                    | R000      | R000        | R000      |
| Revenue – External                                  | 2 867 560         | 2 479 479 | 4 581 585                               | 494 846   | 7 449 145   | 2 974 325 |
| Revenue – Internal                                  | 540 218           | 242 842   | 1 891 651                               | 34 699    | 2 431 869   | 277 541   |
| Trading profit                                      | 923 850           | 625 151   | 123 492                                 | 52 959    | 1 047 342   | 678 110   |
| Depreciation  | (69 991)          | (44 165)  | (51 714)                                | (31 670)  | (121 705)   | (75 835)  |
| Operating profit                                    | 853 859           | 580 986   | 71 778                                  | 21 289    | 925 637     | 602 275   |
| Non-trading items                                   | (439)             | (1 776)   | 3 890                                   | 3 812     | 3 451       | 2 036     |
| Share of associate companies profit before taxation | –                 | –         | 88 544                                  | 52 760    | 88 544      | 52 760    |
| Segment result excluding interest and taxation      | 853 420           | 579 210   | 164 212                                 | 77 861    | 1 017 632   | 657 071   |
| Interest received                                   | 14 074            | 5 578     | 39 785                                  | 32 551    | 53 859      | 38 129    |
| Interest paid                                       | (74 550)          | (55 835)  | (66 089)                                | (44 492)  | (140 639)   | (100 327) |
| Taxation  | (22 830)          | (34 306)  | (42 322)                                | (13 660)  | (65 152)    | (47 966)  |
| Profit for the year                                 | 770 114           | 494 647   | 95 586                                  | 52 260    | 865 700     | 546 907   |
| Minority interest                                   | –                 | –         | 730                                     | (717)     | 730         | (717)     |
| Profit attributable to shareholders                 | 770 114           | 494 647   | 96 316                                  | 51 543    | 866 430     | 546 190   |
| Preference dividends                                | (7 595)           | –         | (7 611)                                 | –         | (15 206)    | –         |
| Profit attributable to ordinary shareholders        | 762 519           | 494 647   | 88 705                                  | 51 543    | 851 224     | 546 190   |
| Capital expenditure                                 | 494 659           | 502 797   | 153 476                                 | 56 166    | 648 135     | 558 963   |
| Segment assets                                      | 2 145 872         | 1 910 515 | 2 832 745                               | 732 470   | 4 978 617   | 2 642 985 |
| Segment liabilities excluding interest bearing debt | (569 587)         | (380 243) | (931 178)                               | (349 102) | (1 500 765) | (729 345) |

| Geographic Segments | USA/Bermuda |       | South America |       | Middle East |       |
|---------------------|-------------|-------|---------------|-------|-------------|-------|
|                     | 2005        | 2004* | 2005          | 2004* | 2005        | 2004* |
|                     | R000        | R000  | R000          | R000  | R000        | R000  |
| Revenue – External  | 1 142 029   | –     | 163 955       | –     | 80 044      | –     |
| Capital expenditure | –           | –     | –             | –     | –           | –     |
| Segment assets      | 424 650     | –     | 22            | –     | 1 947       | –     |

|                     | United Kingdom/ Europe/Isle of Man |           | Singapore/Asia/ Far East |         | Southern Africa |           | Group     |           |
|---------------------|------------------------------------|-----------|--------------------------|---------|-----------------|-----------|-----------|-----------|
|                     | 2005                               | 2004*     | 2005                     | 2004*   | 2005            | 2004*     | 2005      | 2004*     |
|                     | R000                               | R000      | R000                     | R000    | R000            | R000      | R000      | R000      |
| Revenue – External  | 724 619                            | 195 996   | 1 849 249                | 426 246 | 3 489 249       | 2 352 083 | 7 449 145 | 2 974 325 |
| Capital expenditure | 420 864                            | 417 919   | 705                      | 403     | 226 566         | 140 641   | 648 135   | 558 963   |
| Segment assets      | 1 505 506                          | 1 546 171 | 720 430                  | 140 303 | 2 326 062       | 956 511   | 4 978 617 | 2 642 985 |

\* 2004 figures have been restated for IFRS.

# Transition to IFRS

For the year ended 31 December 2004, the group prepared its financial statements under South African Statements of Generally Accepted Accounting Practice (SA GAAP). In accordance with the JSE Limited (JSE) Listings Requirements, the group is required to prepare its annual financial statements in accordance with IFRS (and revised SA GAAP effective for financial periods commencing on or after 1 January 2005) for the year ended 31 December 2005. IFRS refers to the application of International Accounting Standards (IAS) and IFRS.

This requirement applies to all listed companies for financial reporting periods beginning on or after 1 January 2005 and, consequently, 31 December 2005 is the group's first published annual financial statements under IFRS. As the group publishes comparative information for one year, the date of transition to IFRS is 1 January 2004, which represents the start of the earliest period of comparative information presented.

In order to explain how the group's reported performance and financial position are impacted by IFRS, the group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1).

The date of transition to IFRS for the group is 1 January 2004 and therefore as required by IFRS 1, the group's opening balance sheet at 1 January 2004 has been restated to reflect all existing IFRS statements applicable at 31 December 2005. However, IFRS 1 allows a number of exemptions to this retrospective application principle upon adoption of IFRS.

Where estimates have previously been made under SA GAAP, consistent estimates after adjustments to reflect any differences in accounting policies have been made for the same date on transition to IFRS.

The group has adopted the following transitional arrangements:

## **IFRS 2 Share Based Payments**

The group has elected not apply the provisions of IFRS 2 Share Based Payments to its equity-settled share options granted on or before 7 November 2002, or to options granted after the date but which had vested prior to 1 January 2005.

## **IFRS 3 Business Combinations**

The group has elected not to retrospectively apply the requirements of IFRS 3 Business Combinations for business combinations that occurred prior to 31 March 2004 and consequently no adjustment has been made for historical business combinations.

## **IAS 39 (revised) Financial Instruments: Recognition and Measurement**

IAS 39 (revised) Financial Instruments: Recognition and Measurement permits the adjustment to accumulated profit relating to the adoption of IAS 39, to be made at either the date of transition or at the effective date of the revised standard, which is 1 January 2005. The group has opted to effect this adjustment at 1 January 2005.

## Transition to IFRS (continued)

The material adjustments, after accounting for the operating lease adjustment per note 22, and basis thereto are shown below.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

|  | Ordinary<br>Share<br>Capital<br>R000 | Share<br>Premium<br>R000 | Equity<br>Compen-<br>sation<br>Reserve<br>R000 | Foreign<br>Currency<br>Translation<br>Reserve<br>R000 | Accu-<br>mulated<br>Profit<br>R000 | Attributable<br>to Equity<br>Holders of<br>the<br>Company<br>R000 | Minority<br>Interest<br>R000 | Total<br>Equity<br>R000 |         |
|--|--------------------------------------|--------------------------|--|---|------------------------------------|---|------------------------------|-------------------------|---------|
| <b>Balance at 31 December 2003</b>                         |                                      |                          |  |   |                                    |   |                              |                         |         |
| <b>after operating lease adjustment</b>                    | 356                                  | 83 171                   | -  | (19 207)  | 530 180                            | 594 500   | 7 034                        | 601 534                 |         |
| Adjusted for IFRS  |                                      |                          |  |   |                                    |   |                              |                         |         |
| IFRS 2 Share Based Payments                                | Note 1                               |                          | 202  |   | (202)                              | -   |                              | -                       |         |
| IFRS 3 Business Combinations                               | Note 2                               |                          |  |   | 2 959                              | 2 959   |                              | 2 959                   |         |
| IAS 16 Property, Plant and<br>Equipment                    | Note 3                               |                          |  |   | 1 978                              | 1 978   | 326                          | 2 304                   |         |
| IAS 17 Leases  | Note 4                               |                          |  |   | (586)                              | (586)   |                              | (586)                   |         |
| IAS 21 The Effects of Changes in<br>Foreign Exchange Rates | Note 5                               |                          |  | 8 701   | (8 626)                            | 75  |                              | 75                      |         |
|  |                                      | 356                      | 83 171   | 202   | (10 506)                           | 525 703   | 598 926                      | 7 360                   | 606 286 |

### BALANCE SHEET AS AT 31 DECEMBER 2004

|   | 2004<br>As previously<br>stated<br>R000 | Note 1<br>IFRS 2<br>R000 | Note 2<br>IFRS 3<br>R000 | Note 3<br>IAS 16<br>R000 | Note 4<br>IAS 17<br>R000 | Note 5<br>IAS 21<br>R000 | 2004<br>Restated<br>R000 |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                           |   |                          |                          |                          |                          |                          |                          |
| <b>Non-current assets</b>               |   |                          |                          |                          |                          |                          |                          |
| Ships, property,<br>plant and equipment | 1 529 363                               |                          |                          | 3 836                    | 1 883                    | 22                       | 1 535 104                |
| Intangible assets                       | 42 355                                  |                          | 7 412                    |                          |                          |                          | 49 767                   |
| Investments in associates               | 144 253                                 |                          |                          | 643                      |                          |                          | 144 896                  |
| Other investments                       | 54 556                                  |                          |                          |                          |                          |                          | 54 556                   |
| Financial assets                        | 54                                      |                          |                          |                          |                          |                          | 54                       |
| Deferred taxation                       | 37 065                                  |                          |                          |                          |                          |                          | 37 065                   |
| <b>Total non-current assets</b>         | <b>1 807 646</b>                        | <b>-</b>                 | <b>7 412</b>             | <b>4 479</b>             | <b>1 883</b>             | <b>22</b>                | <b>1 821 442</b>         |
| <b>Current assets</b>                   |   |                          |                          |                          |                          |                          |                          |
| Inventory                               | 29 391                                  |                          |                          | 727                      |                          |                          | 30 118                   |
| Trade and other receivables             | 442 921                                 |                          |                          | 895                      |                          | 1 324                    | 445 140                  |
| Taxation                                | 630                                     |                          |                          |                          |                          |                          | 630                      |
| Cash and cash equivalents               | 345 655                                 |                          |                          |                          |                          |                          | 345 655                  |
| <b>Total current assets</b>             | <b>818 597</b>                          | <b>-</b>                 | <b>-</b>                 | <b>1 622</b>             | <b>-</b>                 | <b>1 324</b>             | <b>821 543</b>           |
| <b>Total assets</b>                     | <b>2 626 243</b>                        | <b>-</b>                 | <b>7 412</b>             | <b>6 101</b>             | <b>1 883</b>             | <b>1 346</b>             | <b>2 642 985</b>         |

BALANCE SHEET AS AT 31 DECEMBER 2004 (continued)

|   | 2004             | Note 1   | Note 2       | Note 3       | Note 4       | Note 5       | 2004             |
|---|------------------|----------|--------------|--------------|--------------|--------------|------------------|
|   | As previously    |          |              |              |              |              |                  |
|   | stated           | IFRS 2   | IFRS 3       | IAS 16       | IAS 17       | IAS 21       | Restated         |
|   | R000             | R000     | R000         | R000         | R000         | R000         | R000             |
| <b>EQUITY AND LIABILITIES</b>             |                  |          |              |              |              |              |                  |
| <b>Capital and reserves</b>               |                  |          |              |              |              |              |                  |
| Share capital                             | 6 298            |          |              |              |              |              | 6 298            |
| Equity compensation reserve               | –                | 1 327    |              |              |              |              | 1 327            |
| Non-distributable reserves                | (150 799)        |          |              | 134          |              | 9 200        | (141 465)        |
| Accumulated profit                        | 965 232          | (1 327)  | 7 412        | 4 339        | (643)        | (7 851)      | 967 162          |
| Attributable to equity                    |                  |          |              |              |              |              |                  |
| holders of the company                    | 820 731          | –        | 7 412        | 4 473        | (643)        | 1 349        | 833 322          |
| Minority interest                         | 7 461            |          |              | 583          |              |              | 8 044            |
| <b>Total equity</b>                       | <b>828 192</b>   | <b>–</b> | <b>7 412</b> | <b>5 056</b> | <b>(643)</b> | <b>1 349</b> | <b>841 366</b>   |
| <b>Non-current liabilities</b>            |                  |          |              |              |              |              |                  |
| Long-term borrowings                      | 660 373          |          |              |              | 2 359        |              | 662 732          |
| Provision for post retirement medical aid | 52 355           |          |              |              |              |              | 52 355           |
| Financial liabilities                     | 49 727           |          |              |              |              |              | 49 727           |
| Deferred taxation                         | 3 675            |          |              | 1 045        | (275)        |              | 4 445            |
| <b>Total non-current liabilities</b>      | <b>766 130</b>   | <b>–</b> | <b>–</b>     | <b>1 045</b> | <b>2 084</b> | <b>–</b>     | <b>769 259</b>   |
| <b>Current liabilities</b>                |                  |          |              |              |              |              |                  |
| Trade and other payables                  | 612 917          |          |              |              |              | (3)          | 612 914          |
| Provisions                                | 50 240           |          |              |              |              |              | 50 240           |
| Short-term borrowings and overdraft       | 198 194          |          |              |              |              |              | 198 194          |
| Current portion of long-term borrowings   | 112 396          |          |              |              | 442          |              | 112 838          |
| Taxation                                  | 58 174           |          |              |              |              |              | 58 174           |
| <b>Total current liabilities</b>          | <b>1 031 921</b> | <b>–</b> | <b>–</b>     | <b>–</b>     | <b>442</b>   | <b>(3)</b>   | <b>1 032 360</b> |
| <b>Total equity and liabilities</b>       | <b>2 626 243</b> | <b>–</b> | <b>7 412</b> | <b>6 101</b> | <b>1 883</b> | <b>1 346</b> | <b>2 642 985</b> |

## Transition to IFRS (continued)

### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

|   | 2004          | Note 1  | Note 2  | Note 3 | Note 4 | Note 5 | 2004        |
|---|---------------|---------|---------|--------|--------|--------|-------------|
|   | As previously |         |         |        |        |        |             |
|   | stated        | IFRS 2  | IFRS 3  | IAS 16 | IAS 17 | IAS 21 | Restated    |
|   | R000          | R000    | R000    | R000   | R000   | R000   | R000        |
| Revenue   | 2 974 325     |         |         |        |        |        | 2 974 325   |
| Other income  | 81 043        |         |         |        |        |        | 81 043      |
| Operating expenses                                  | (2 376 136)   | (1 125) | (1 920) | 1 340  | 583    |        | (2 377 258) |
| Trading profit                                      | 679 232       | (1 125) | (1 920) | 1 340  | 583    |        | 678 110     |
| Depreciation  | (77 643)      |         |         | 1 451  | (418)  | 775    | (75 835)    |
| Operating profit before interest and taxation       | 601 589       | (1 125) | (1 920) | 2 791  | 165    | 775    | 602 275     |
| Non-trading items                                   | (4 337)       |         | 6 373   |        |        |        | 2 036       |
| Interest received                                   | 38 129        |         |         |        |        |        | 38 129      |
| Interest paid                                       | (100 106)     |         |         |        | (221)  |        | (100 327)   |
| Profit before share of associate companies profit   | 535 275       | (1 125) | 4 453   | 2 791  | (56)   | 775    | 542 113     |
| Share of associate companies profit before taxation | 51 929        |         |         | 831    |        |        | 52 760      |
| Profit before taxation                              | 587 204       | (1 125) | 4 453   | 3 622  | (56)   | 775    | 594 873     |
| Taxation  | (47 355)      |         |         | (611)  |        |        | (47 966)    |
| Profit for the year                                 | 539 849       | (1 125) | 4 453   | 3 011  | (56)   | 775    | 546 907     |
| Attributable to:                                    |               |         |         |        |        |        |             |
| Equity holders of the parent                        | 539 391       | (1 125) | 4 453   | 2 752  | (56)   | 775    | 546 190     |
| Minority interest                                   | 458           |         |         | 259    |        |        | 717         |
|   | 539 849       | (1 125) | 4 453   | 3 011  | (56)   | 775    | 546 907     |

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**Note 1: IFRS 2 Share Based Payments**

The group grants options to employees under an employee share incentive scheme. Costs incurred in administering the scheme were expensed immediately. No further costs were incurred, other than a dilution in earnings per share when the shares were issued. In accordance with the requirements of IFRS 2, the group has recognised an expense in the income statement, with a corresponding credit to equity, representing the fair value of outstanding employee share options with regard to its equity-settled scheme. The fair value at the date of granting the options is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting.

**Note 2: IFRS 3 Business Combinations**

Previously the group recognised acquired goodwill at cost and amortised it on a straight-line basis over its expected useful life. Goodwill was subject to review for indications of impairment and any impairment losses were recognised in the income statement. IFRS 3 requires that goodwill is not amortised but is subject to impairment reviews, both annually and when indications are that the carrying value may not be recoverable. Negative goodwill is no longer recognised on the balance sheet but in the income statement as it arises.

The 2004 goodwill amortisation previously recognised in the income statement has been reversed, resulting in a corresponding increase in equity. All goodwill has been tested for impairment at 1 January 2004, 31 December 2004 and 31 December 2005 in accordance with IFRS with further impairment being recognised on transition. Negative goodwill that was previously recognised on the balance sheet at the transition date was released to reserves.

**Note 3: IAS 16 (revised) Property, Plant and Equipment**

Previously property, plant and equipment were measured at cost less accumulated depreciation and impairment losses. The revised IAS 16 amendments that impact the group relate to the componentisation of the group's ships, locomotives and other plant and equipment and the revised requirement for an annual review of the residual value and useful lives of assets. These changes affect the annual depreciation charge to the income statement.

**Note 4: IAS 17 Leases**

IAS 17 requires that leases be classified at inception. With regard to the land and buildings elements of a lease, the land and buildings are considered separately for the purposes of lease classification. Land with an indefinite economic life has been classified as an operating lease unless title is expected to pass to the group by the end of the lease term. The buildings element is classified as a finance or operating lease in accordance with the standard.

**Note 5: IAS 21 The Effects of Changes in Foreign Exchange Rates**

IAS 21 requires the group to determine the functional currency for all entities and the distinction between foreign entities or intergrated operations. An entity, which has a non-Rand functional currency, is translated at the closing exchange rate and the differences arising are reported directly to equity, whilst all other entities classified as having a Rand functional currency report foreign currency translation differences in the income statement.

# Notes to the Financial Statements

31 December 2005

|  | Cost/<br>Valuation | Accumu-<br>lated<br>Depreciation | Group                             |                                    |
|--|--------------------|----------------------------------|-----------------------------------|------------------------------------|
|  |                    |                                  | 2005<br>R000<br>Carrying<br>Value | 2004*<br>R000<br>Carrying<br>Value |
| <b>1. SHIPS, PROPERTY, PLANT AND EQUIPMENT</b> |                    |                                  |                                   |                                    |
| <b>FREEHOLD AND LEASEHOLD PROPERTIES</b>       |                    |                                  |                                   |                                    |
| Opening balance                                | 114 140            | (9 322)                          | 104 818                           | 104 798                            |
| Translation loss                               | (17)               | –                                | (17)                              | (280)                              |
| Additions and improvements                     | 79 134             | (605)                            | 78 529                            | 5 377                              |
| Disposals                                      | (1 911)            | 39                               | (1 872)                           | –                                  |
| Depreciation/amortisation                      |                    | (7 144)                          | (7 144)                           | (5 077)                            |
| Closing balance                                | 191 346            | (17 032)                         | 174 314                           | 104 818                            |
| <b>SHIPS</b>                                   |                    |                                  |                                   |                                    |
| Opening balance                                | 1 104 977          | (50 160)                         | 1 054 817                         | 386 027                            |
| IAS 39 adjustment                              | (15 664)           | 339                              | (15 325)                          | –                                  |
| Translation gain/(loss)                        | 76 526             | (2 298)                          | 74 228                            | (71 424)                           |
| Transfer from ships under construction         | 57 560             | –                                | 57 560                            | 469 475                            |
| Additions                                      | 183 132            | –                                | 183 132                           | 318 405                            |
| Transfer from provisions                       | –                  | –                                | –                                 | (16 800)                           |
| Transfer to non-current assets held for sale   | (50 057)           | (1 256)                          | (51 313)                          | –                                  |
| Depreciation                                   |                    | (58 844)                         | (58 844)                          | (30 866)                           |
| Closing balance                                | 1 356 474          | (112 219)                        | 1 244 255                         | 1 054 817                          |
| <b>SHIPS UNDER CONSTRUCTION</b>                |                    |                                  |                                   |                                    |
| Opening balance                                | 60 127             | –                                | 60 127                            | 157 475                            |
| Translation gain/(loss)                        | 5 321              | –                                | 5 321                             | (21 032)                           |
| Additions                                      | 204 364            | –                                | 204 364                           | 417 314                            |
| Onerous contract provision                     | –                  | –                                | –                                 | (26 300)                           |
| Finance costs capitalised                      | 8 843              | –                                | 8 843                             | 2 145                              |
| Transfer to ships                              | (57 560)           | –                                | (57 560)                          | (469 475)                          |
| Closing balance                                | 221 095            | –                                | 221 095                           | 60 127                             |
| <b>LEASED SHIPS</b>                            |                    |                                  |                                   |                                    |
| Opening balance                                | 190 337            | (72 981)                         | 117 356                           | 148 652                            |
| Translation gain/(loss)                        | 22 237             | (8 440)                          | 13 797                            | (20 834)                           |
| Transfer to non-current asset held for sale    | (107 408)          | 44 971                           | (62 437)                          | –                                  |
| Depreciation                                   |                    | (7 779)                          | (7 779)                           | (10 462)                           |
| Closing balance                                | 105 166            | (44 229)                         | 60 937                            | 117 356                            |
| <b>EQUIPMENT, PLANT AND VEHICLES</b>           |                    |                                  |                                   |                                    |
| Opening balance                                | 212 086            | (42 982)                         | 169 104                           | 144 655                            |
| Translation loss                               | (592)              | (1 536)                          | (2 128)                           | (473)                              |
| Additions                                      | 208 901            | (31 347)                         | 177 554                           | 54 073                             |
| Reclassification from leased assets            | –                  | –                                | –                                 | 1 485                              |
| Finance costs capitalised                      | 433                | –                                | 433                               | –                                  |
| Impairment                                     | –                  | (707)                            | (707)                             | –                                  |
| Disposals                                      | (8 945)            | 4 809                            | (4 136)                           | (3 426)                            |
| Transfer to non-current asset held for sale    | (307)              | –                                | (307)                             | –                                  |
| Depreciation                                   |                    | (42 030)                         | (42 030)                          | (27 210)                           |
| Closing balance                                | 411 576            | (113 793)                        | 297 783                           | 169 104                            |

\* 2004 figures have been restated for IFRS.

|  | Cost/<br>Valuation | Accumu-<br>lated<br>Depreciation | Group                             |                                    |
|--|--------------------|----------------------------------|-----------------------------------|------------------------------------|
|  |                    |                                  | 2005<br>R000<br>Carrying<br>Value | 2004*<br>R000<br>Carrying<br>Value |
| <b>1. SHIPS, PROPERTY, PLANT AND EQUIPMENT (continued)</b> |                    |                                  |                                   |                                    |
| <b>LEASED EQUIPMENT, PLANT AND VEHICLES</b>                |                    |                                  |                                   |                                    |
| Opening balance  | 44 524             | (15 642)                         | 28 882                            | 22 326                             |
| Additions  | 57 101             | (5 817)                          | 51 284                            | 10 350                             |
| Reclassification to owned assets                           | -                  | -                                | -                                 | (1 485)                            |
| Disposals  | (10 368)           | 6 904                            | (3 464)                           | (89)                               |
| Depreciation   |                    | (5 908)                          | (5 908)                           | (2 220)                            |
| Closing balance  | 91 257             | (20 463)                         | 70 794                            | 28 882                             |
| Aggregate  | 2 376 914          | (307 736)                        | 2 069 178                         | 1 535 104                          |

Details of the freehold and leasehold properties are recorded in a register available for inspection at the registered office of the company or its subsidiaries.

Certain assets are encumbered in respect of capitalised lease and loan liabilities, details of which are shown under loan funds on page 110.

Hull and machinery insurance in respect of loss or damage to owned and chartered ships is insured at replacement value and the sum insured is US\$285,0 million (2004: US\$245,8 million).

It is the policy of Grindrod and its subsidiaries to insure their property, plant and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R878,1 million (2004: R415,5 million).

|   | Cost/<br>Valuation | Accumu-<br>lated<br>Amortisation | Group                             |                                    |
|---|--------------------|----------------------------------|-----------------------------------|------------------------------------|
|   |                    |                                  | 2005<br>R000<br>Carrying<br>value | 2004*<br>R000<br>Carrying<br>Value |
| <b>2. INTANGIBLE ASSETS</b>                             |                    |                                  |                                   |                                    |
| <b>GOODWILL</b>   |                    |                                  |                                   |                                    |
| Opening balance   | 98 651             | (65 168)                         | 33 483                            | 21 829                             |
| Accumulated amortisation netted against cost per IFRS 3 | (50 636)           | 50 636                           | -                                 | -                                  |
| Translation loss  | (155)              | -                                | (155)                             | (124)                              |
| Additions   | 58 649             | -                                | 58 649                            | 13 747                             |
| Impairment  | (39)               | -                                | (39)                              | (1 969)                            |
| Transfer to non-current assets held for sale            | (27 899)           | 14 532                           | (13 367)                          | -                                  |
| Closing balance   | 78 571             | -                                | 78 571                            | 33 483                             |
| <b>INTANGIBLE ASSETS</b>                                |                    |                                  |                                   |                                    |
| Opening balance   | 20 381             | (4 097)                          | 16 284                            | 18 290                             |
| Translation loss  | (732)              | -                                | (732)                             | -                                  |
| Additions   | 170 322            | (396)                            | 169 926                           | -                                  |
| Amortisation  |                    | (13 524)                         | (13 524)                          | (2 006)                            |
| Closing balance   | 189 971            | (18 017)                         | 171 954                           | 16 284                             |
| Aggregate   | 268 542            | (18 017)                         | 250 525                           | 49 767                             |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|   | Company          |                |
|---|------------------|----------------|
|   | 2005             | 2004*          |
|   | R000             | R000           |
| <b>3. INVESTMENTS IN SUBSIDIARIES</b>   |                  |                |
| Shares at cost  | 1 458 160        | 591 763        |
| Share based payments  | 2 791            | 1 327          |
|   | <b>1 460 951</b> | <b>593 090</b> |
| Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 111. |                  |                |
| <b>4. INVESTMENT IN JOINT VENTURE</b>   |                  |                |
| Shares at cost  | 40 150           | –              |
|   | <b>40 150</b>    | <b>–</b>       |
| Details of the investments in joint ventures are shown on page 104.   |                  |                |

|  | Effective holding % | Group 2005 R000 | Group 2004* R000 | Company 2005 R000 | Company 2004* R000 |
|--|---------------------|-----------------|------------------|-------------------|--------------------|
| <b>5. INVESTMENTS IN ASSOCIATES</b>                          |                     |                 |                  |                   |                    |
| <b>UNLISTED</b>  |                     |                 |                  |                   |                    |
| <b>RMBT Holdings Limited</b>                                 |                     |                 |                  |                   |                    |
| Cost of investment   | 50                  | 75 096          | 75 096           | 75 096            | 75 096             |
| Goodwill   |                     | (27 899)        | (27 899)         |                   |                    |
| Fair value of identifiable net assets at date of acquisition |                     | 47 197          | 47 197           | 75 096            | 75 096             |
| Transfer to non-current assets held for sale                 |                     | (2 197)         | –                | (30 096)          | –                  |
|  |                     | 45 000          | 47 197           | 45 000            | 75 096             |
| <b>Röhlig-Grindrod (Pty) Limited</b>                         |                     |                 |                  |                   |                    |
| Cost of investment   |                     | –               | 6 605            |                   |                    |
| Loan account   |                     | –               | 4 250            |                   |                    |
| <b>Ocean Africa Container Lines (Pty) Limited</b>            |                     |                 |                  |                   |                    |
| Cost of investment   | 49                  | 7 089           | 7 089            |                   |                    |
| Other investments  |                     | 1 030           | 535              |                   |                    |
| Translation gain   |                     | 31              | –                |                   |                    |
| Transfer to non-current assets held for sale                 |                     | (294)           | –                |                   |                    |
|  |                     | 52 856          | 65 676           | 45 000            | 75 096             |
| Attributable share of accumulated profit                     |                     | 72 483          | 79 220           |                   |                    |
| Attributable share of accumulated profit                     |                     | 140 179         | 79 220           |                   |                    |
| Attributable share of accumulated profit acquired            |                     | 298             | –                |                   |                    |
| Transfer to non-current assets held for sale                 |                     | (54 423)        | –                |                   |                    |
| Röhlig-Grindrod (Pty) Limited now a joint venture            |                     | (13 571)        | –                |                   |                    |
|  |                     | 125 339         | 144 896          | 45 000            | 75 096             |
| Directors' valuation   |                     | 258 080         | 297 146          | 169 500           | 169 500            |

\* 2004 figures have been restated for IFRS.

|  | Effective<br>holding<br>% | Group        |               | Company      |               |
|--|---------------------------|--------------|---------------|--------------|---------------|
|  |                           | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>5. INVESTMENTS IN ASSOCIATES (continued)</b>  |                           |              |               |              |               |
| RMBT Holdings Limited is incorporated in the Republic of South Africa and provides merchant banking, asset management and property services. |                           |              |               |              |               |
| The following financial information is pertinent to the company:   |                           |              |               |              |               |
| Total assets   |                           | 928 226      | 844 523       |              |               |
| Total liabilities  |                           | (697 365)    | (675 524)     |              |               |
| Share of current year's profits  |                           | 31 703       | 15 061        |              |               |
| Ocean Africa Container Lines (Pty) Limited is incorporated in the Republic of South Africa and provides shipping and logistical services.    |                           |              |               |              |               |
| The following financial information is pertinent to the company:   |                           |              |               |              |               |
| Total assets   |                           | 193 598      | 133 907       |              |               |
| Total liabilities  |                           | (56 593)     | (62 587)      |              |               |
| Share of current year's profits  |                           | 31 484       | 24 193        |              |               |
| <b>6. OTHER INVESTMENTS</b>  |                           |              |               |              |               |
| Cash/financial investments   |                           |              |               |              |               |
| Ship option security deposit   |                           | 52 846       | 41 634        |              |               |
| Other investments  |                           | 377          | -             |              |               |
| Prepayment on investment   |                           | -            | 12 922        |              |               |
|  |                           | 53 223       | 54 556        |              |               |

The ship option security deposit relates to a US Dollar denominated deposit placed to secure an option to purchase a ship in 2011.

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

## 7. FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of cash deposits, long-term loans, trade and other receivables and payables. Derivative instruments are used by the group for hedging purposes. Hedging instruments used by the group comprise forward exchange contracts, cross currency and interest rate swaps.

### FOREIGN CURRENCY RISK

In terms of group policy, foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets.

The group's policy is to cover forward all trade commitments that are not hedged by a foreign currency revenue stream and to cover the Rand funded element of capital commitments.

Monetary items are converted to Rands at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year end to settlement date, as provided by independent financial institutions.

### FOREIGN CURRENCY BALANCES

The uncovered foreign currency denominated balances at 31 December were as follows:

|   | Group           |              |                  |               |
|---|-----------------|--------------|------------------|---------------|
|   | 2005<br>US\$000 | 2005<br>R000 | 2004*<br>US\$000 | 2004*<br>R000 |
| Ship option security deposit  | 8 735           | 52 846       | 7 369            | 41 634        |
| Loans   | (89 947)        | (567 566)    | (25 844)         | (146 018)     |
| Trade and other receivables   | 733             | 4 625        | 601              | 3 396         |
| Trade and other payables  | (2 073)         | (13 081)     | (165)            | (932)         |
| Bank balances   | 48 025          | 303 038      | 37 037           | 209 259       |
|   | (34 527)        | (220 138)    | 18 998           | 107 339       |
| In addition, a proportionally consolidated US Dollar joint venture has uncovered Rand liabilities as follows: |                 |              |                  |               |
| Capitalised finance leases secured by ships   | 13 706          | 86 485       | 17 926           | 101 282       |

### DERIVATIVE INSTRUMENTS

#### Forward Exchange Contracts

The group had entered into the following forward exchange contracts which are accounted for as fair value hedges with gains/losses thereon taken to the income statement. The amounts represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The average rates shown include the cost of forward cover.

| FOREIGN CURRENCY            | Ave<br>rate | 2005<br>Contract value |          |                               | Ave<br>rate | 2004*<br>Contract value |           |                               |
|-----------------------------|-------------|------------------------|----------|-------------------------------|-------------|-------------------------|-----------|-------------------------------|
|                             |             | US\$000                | R000     | Asset/<br>(Liability)<br>R000 |             | US\$000                 | R000      | Asset/<br>(Liability)<br>R000 |
| Purchase Dollars            | 6.67        | (2 589)                | (17 274) | (623)                         | 9.40        | (36 674)                | (344 836) | (133 047)                     |
| Sell Dollars                | 6.38        | 293                    | 1 868    | 4                             | 6.61        | 36 674                  | 242 546   | 30 757                        |
|                             |             | (2 296)                | (15 406) | (619)                         |             | -                       | (102 290) | (102 290)                     |
| Purchase Euro, sell Dollars | -           | -                      | -        | -                             | 7.56        | 392                     | 525       | 56                            |
| Purchase GBP, sell Dollars  | -           | -                      | -        | -                             | 10.92       | 107                     | 207       | (2)                           |
|                             |             | €000                   | R000     | R000                          |             | €000                    | R000      | R000                          |
| Purchase Euros              | 7.97        | (936)                  | (7 464)  | (384)                         | -           | -                       | -         | -                             |
|                             |             | £000                   | R000     | R000                          |             | £000                    | R000      | R000                          |
| Purchase GBP                | 11.65       | 94                     | 1 095    | (60)                          | -           | -                       | -         | -                             |
|                             |             | JPY000                 | R000     | R000                          |             | JPY000                  | R000      | R000                          |
| Purchase JPY                | 18.18       | 600                    | 33       | -                             | -           | -                       | -         | -                             |

\* 2004 figures have been restated for IFRS.

## 7. FINANCIAL INSTRUMENTS (continued)

The group has entered into the following forward exchange contracts to hedge future commitments to be entered into which includes the purchase of two ships to be delivered in 2006 and 2007 respectively, the purchase of certain locomotives to be delivered in 2006 and the purchase of certain commodities to be made in 2006 and 2007. The exposure to Rand/US Dollar exchange rate fluctuations has been designated and qualifies as a hedge in line with the group's accounting policy thereon.

| FOREIGN CURRENCY | Ave rate | 2005<br>Contract value |           |          | Asset/<br>(Liability)<br>R000 | Ave rate | 2004*<br>Contract value |          |                               |
|------------------|----------|------------------------|-----------|----------|-------------------------------|----------|-------------------------|----------|-------------------------------|
|                  |          | US\$000                | R000      | R000     |                               |          | US\$000                 | R000     | Asset/<br>(Liability)<br>R000 |
| Purchase Dollars | 6.87     | (120 508)              | (828 346) | (60 807) | 8.36                          | 20 000   | 167 270                 | (47 094) |                               |
| Sell Dollars     | 6.38     | 8 143                  | 51 935    | 535      | -                             | -        | -                       | -        |                               |
|                  |          | (112 365)              | (776 411) | (60 272) |                               | 20 000   | 167 270                 | (47 094) |                               |

### Cross Currency Swaps

The group has entered into the following cross currency swaps on certain US Dollar loans which create a Rand loan obligation. The cross currency swaps have been designated and qualify as hedges in line with the group's accounting policy thereon. This results in more cost effective Rand financing compared to entering the Rand markets directly.

| MATURITY DATE    | 2005<br>Nominal value |         | Asset/<br>(Liability)<br>R000 | 2004*<br>Asset/<br>(Liability)<br>R000 |
|------------------|-----------------------|---------|-------------------------------|--|
|                  | US\$000               | R000    |                               |  |
| 4 March 2014     | 10 000                | 65 050  | (645)                         | (812)                                  |
| 17 June 2014     | 10 000                | 61 346  | (599)                         | (717)                                  |
| 20 December 2014 | 10 000                | 57 725  | (681)                         | (706)                                  |
|                  | 30 000                | 184 121 | (1 925)                       | (2 235)                                |

The group has entered into a further cross currency swap on a US Dollar loan which creates a Euro loan obligation. The loss on this instrument is accounted for through the income statement, the details of which are:

| MATURITY DATE   | 2005<br>Nominal value |       | Asset/<br>(Liability)<br>R000 | 2004*<br>Asset/<br>(Liability)<br>R000 |
|-----------------|-----------------------|-------|-------------------------------|--|
|                 | US\$000               | R000  |                               |  |
| 31 January 2006 | 355                   | 2 240 | (10)                          | -                                      |

### Other Derivatives

| FOREIGN CURRENCY | Type of instrument  | Ave strike price | 2005<br>Contract value |        | Asset/<br>(Liability)<br>R000 | 2004*<br>Asset/<br>(Liability)<br>R000 |
|------------------|---------------------|------------------|------------------------|--------|-------------------------------|--|
|                  |                     |                  | US\$000                | R000   |                               |  |
| Sell Dollars     | Embedded derivative | 6.86             | 1 876                  | 12 877 | 910                           | -                                      |
| Sell Dollars     | Options             | 6.75             | 1 177                  | 7 948  | 521                           | -                                      |
|                  |                     |                  | 3 053                  | 20 825 | 1 431                         | -                                      |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

## 7. FINANCIAL INSTRUMENTS (continued)

### Futures

The group has entered into certain futures in order to commercially hedge the price risk in respect of commodity contracts which mature between 22 January 2006 and 22 December 2006. These contracts are treated as fair value hedges and (gains)/losses thereon are recognised in the income statement. The contracted firm commitments or highly probable underlying customer transactions are then fair valued, resulting in an offsetting (gain)/loss in the income statement and a corresponding asset/(liability) on the balance sheet. The (gains)/losses on open futures positions are cash settled daily through the margin account and are already included in net cash balances. As a result, the balance sheet does not reflect an offsetting financial asset/(liability). Details of the group's dealings in futures are as follows:

| COMMODITY  | Tonnage   | 2005                |                                   | 2004*                         |                               |
|--|-----------|---------------------|-----------------------------------|-------------------------------|-------------------------------|
|  |           | Contract value R000 | Financial Asset/ (Liability) R000 | (Gain)/ Loss re-cognised R000 | (Gain)/ Loss re-cognised R000 |
| White maize  | 3 300     | 3 342               | (354)                             | –                             | –                             |
| White maize  | (1 300)   | (1 390)             | 34                                | –                             | –                             |
| Yellow maize   | (4 400)   | (3 933)             | 116                               | –                             | –                             |
| Yellow maize   | 3 900     | 3 480               | (189)                             | –                             | –                             |
| Corn   | 39 967    | 17 157              | (336)                             | –                             | –                             |
| Soya bean meal   | 72 150    | 99 117              | (18 639)                          | –                             | –                             |
| Soya bean  | (14 500)  | (20 709)            | 593                               | –                             | –                             |
| Wheat  | (116 050) | (104 045)           | (1 498)                           | –                             | –                             |
| Wheat  | (3 100)   | (7 307)             | 1 750                             | –                             | –                             |
| Mark to market settled through margin account                                    |           |                     | (18 523)                          | –                             | –                             |
| Contracted firm commitment/highly probable underlying transactions at fair value |           |                     | (18 523)                          | 18 523                        | –                             |
|  |           |                     | (18 523)                          | –                             | –                             |

### INTEREST RATE RISK

The group monitors its exposure to fluctuating interest rates and generally enters into contracts that are linked to market rates relative to the currency of the asset or liability. The group makes use of derivative instruments, such as interest rate swaps to manage this exposure, from time to time.

The interest rate profile of the group is summarised as follows:

|   | 2005<br>R000     | 2004*<br>R000  |
|---|------------------|----------------|
| Loans linked to LIBOR                           | 419 419          | 320 932        |
| Loans linked to SA money market                 | 394 822          | 418 501        |
| Short-term borrowings linked to SA money market | 550 701          | 198 194        |
| Loans with a fixed interest rate                | 168 959          | 36 137         |
|   | <b>1 533 901</b> | <b>973 764</b> |

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 110.

\* 2004 figures have been restated for IFRS.

## 7. FINANCIAL INSTRUMENTS (continued)

### Interest Rate Swaps

The company(\*) and group has entered into the following interest rate swaps on Rand denominated loans, whereby variable interest rates have been fixed as indicated:

| MATURITY DATE      | Interest rate     | 2005               | 2004*                   |
|--------------------|-------------------|--------------------|-------------------------|
|                    |                   | Nominal value R000 | Asset/ (Liability) R000 |
| 19 December 2006   | Variable to 9,5%  | 17 297             | (165)                   |
| 31 December 2008 * | Variable to 8,92% | 500 000            | (3 677)                 |

The abovementioned amounts have been disclosed in the balance sheet as follows:

|   | Hedging reserve 2005 R000 | Financial assets 2005 R000 | Financial liabilities 2005 R000 | Hedging reserve 2004* R000 | Financial assets 2004* R000 | Financial liabilities 2004* R000 |
|---|---------------------------|----------------------------|---------------------------------|----------------------------|-----------------------------|----------------------------------|
| Forward exchange contracts on ships and other trading commitments                   | (55 356)                  | 539                        | (61 874)                        | (47 094)                   | 54                          | (149 386)                        |
| Embedded derivative   |                           | 910                        |                                 |                            |                             |                                  |
| Cross currency swaps  | (1 925)                   |                            | (1 935)                         | (2 235)                    |                             | (2 235)                          |
| Interest rate swaps   | (165)                     |                            | (3 844)                         | (396)                      |                             | (396)                            |
| Futures and options   |                           | 521                        | (18 523)                        |                            |                             |                                  |
|   | (57 446)                  | 1 970                      | (86 176)                        | (49 725)                   | 54                          | (152 017)                        |
| Less portion due within one year included in trade and other payables/(receivables) |                           | (1 435)                    | 3 175                           |                            | -                           | 102 290                          |
|   | (57 446)                  | 535                        | (83 001)                        | (49 725)                   | 54                          | (49 727)                         |

### CREDIT RISK

Potential areas of credit risk consist of cash and cash equivalents, trade debtors and other receivables. The group limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The spread of risk in relation to trade and other debtors is summarised as follows:

| 2005          | Shipping Services |         | Trading, Freight and Financial Services |           | Group             |           |
|---------------|-------------------|---------|---|-----------|-------------------|-----------|
|               | Number of debtors | R000    | Number of debtors                       | R000      | Number of debtors | R000      |
| Trade debtors | 46                | 43 466  | 4 438                                   | 900 189   | 4 484             | 943 655   |
| Other         | n/a               | 66 540  | n/a                                     | 176 270   | n/a               | 242 810   |
|               |                   | 110 006 |   | 1 076 459 |                   | 1 186 465 |
| 2004*         |                   |         |   |           |                   |           |
| Trade debtors | 186               | 31 301  | 2 240                                   | 157 650   | 2 426             | 188 951   |
| Other         | n/a               | 61 064  | n/a                                     | 26 127    | n/a               | 87 191    |
|               |                   | 92 365  |   | 183 777   |                   | 276 142   |

### LIQUIDITY RISK MANAGEMENT

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit. There are no borrowing limits in the articles of association of the company or its subsidiaries.

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>8. DEFERRED TAXATION</b>  |              |               |              |               |
| Deferred taxation analysed by major category:  |              |               |              |               |
| Capital allowances   | (37 543)     | (14 234)      |              |               |
| Other temporary differences  | 47 542       | 18 895        |              |               |
| STC credits  | 8 369        | 18 647        | 8 369        | 14 087        |
| Estimated taxation losses  | 30 622       | 9 312         |              |               |
|  | 48 990       | 32 620        | 8 369        | 14 087        |
| Reconciliation of deferred taxation:   |              |               |              |               |
| Opening balance  | 32 620       | 11 362        | 14 087       | –             |
| Income statement effect  | 10 732       | 20 725        | (5 718)      | 14 087        |
| Transfer from non-distributable reserve  | 612          | –             |              |               |
| Translation adjustment   | 343          | –             |              |               |
| Purchase of subsidiaries and joint ventures  | 4 683        | 533           |              |               |
| Closing balance  | 48 990       | 32 620        | 8 369        | 14 087        |
| Comprising:  |              |               |              |               |
| Deferred taxation assets   | 69 330       | 37 065        | 8 369        | 14 087        |
| Deferred taxation liabilities  | (20 340)     | (4 445)       |              |               |
|  | 48 990       | 32 620        | 8 369        | 14 087        |
| <b>9. INVENTORY</b>  |              |               |              |               |
| Bunkers and other consumables  | 22 649       | 15 076        |              |               |
| Agricultural commodities   | 269 689      | –             |              |               |
| Other commodities  | 25 870       | –             |              |               |
| Merchandise and containers   | 27 365       | 15 042        |              |               |
|  | 345 573      | 30 118        |              |               |
| The fair value less costs to sell of the agricultural and other commodities inventory amounts to R295 559 000 (2004: Nil). |              |               |              |               |
| <b>10. TRADE AND OTHER RECEIVABLES</b>   |              |               |              |               |
| Trade debtors  | 943 655      | 188 951       |              |               |
| Prepayments  | 83 415       | 141 960       |              |               |
| Amounts due from subsidiaries  |              |               | 356 144      | 50 312        |
| Loans to joint ventures  |              |               |              |               |
| Shareholders loans   | 35 550       | 8 632         |              |               |
| Other loans  | 150          | 18 406        |              |               |
| Current portion of financial asset (note 7)  | 1 435        | –             |              |               |
| Other receivables  | 159 429      | 87 191        | –            | 60 365        |
|  | 1 223 634    | 445 140       | 356 144      | 110 677       |

Trade debtors amounting to R132 279 000 (2004: R84 830 000) have been ceded to two financial institutions in order to secure overdraft facilities.

The shareholders' loans to joint ventures do not bear interest and there are no fixed repayment terms. The other loans to joint ventures bear interest at prime (2003: prime and prime + 2%).

\* 2004 figures have been restated for IFRS.

|  | Group          |               | Company        |               |
|--|----------------|---------------|----------------|---------------|
|  | 2005<br>R000   | 2004*<br>R000 | 2005<br>R000   | 2004*<br>R000 |
| <b>11. SHARE CAPITAL AND PREMIUM</b>   |                |               |                |               |
| <b>AUTHORISED</b>  |                |               |                |               |
| 2 750 000 000 ordinary shares of 0,002 cent each<br>(2004: 550 000 000 ordinary shares of 0,01 cent each)                          | 55             | 55            | 55             | 55            |
| 7 500 000 cumulative, non-redeemable, non-participating<br>and non-convertible preference shares of 0,031 cent each<br>(2004: Nil) | 2              | -             | 2              | -             |
|  | 57             | 55            | 57             | 55            |
| <b>ISSUED</b>  |                |               |                |               |
| 461 626 210 ordinary shares of 0,002 cent each<br>(2004: 90 921 552 shares of 0,01 cent each)                                      | 9              | 9             | 9              | 9             |
| 5 000 000 cumulative, non-redeemable, non-participating<br>and non-convertible preference shares of 0,031 cent each<br>(2004: Nil) | 2              | -             | 2              | -             |
| <b>SHARE PREMIUM</b>   | 495 278        | 6 289         | 556 394        | 67 405        |
| Balance at beginning of year   | 6 289          | 83 171        | 67 405         | 167 058       |
| Premium on shares issued   | 503 452        | 6 146         | 503 452        | 6 146         |
| Net premium on shares bought back and cancelled  | (2 243)        | (83 286)      | (2 243)        | (106 057)     |
| Share issue expenses written off   | (12 220)       | -             | (12 220)       | -             |
| Conversion of ordinary shares from 1,0 cent to<br>0,01 cent each   | -              | 258           | -              | 258           |
| <b>Total issued share capital and premium</b>  | <b>495 289</b> | <b>6 298</b>  | <b>556 405</b> | <b>67 414</b> |

On 22 August 2005, 5 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of 0,031 cent each (2004: Nil) were issued for R500 000 000 (2004: Nil).

Prior to the subdivision of shares on 31 October 2005, 1 260 300 ordinary shares with a nominal value of R126,03 were issued for R3 129 040.

On 31 October 2005, the authorised 550 000 000 ordinary shares of 0,01 cent each were subdivided on a 5 for 1 split into 2 750 000 000 ordinary shares of 0,002 cent each resulting in the issued ordinary shares at that date of 92 181 852 ordinary shares of 0,01 cent each being subdivided into 460 909 260 ordinary shares of 0,002 cent each.

Following the subdivision of shares on 31 October 2005, 900 000 ordinary shares with a nominal value of R18,00 were issued for R323 982.

183 050 (2004: 8 958 956) ordinary shares with a nominal value of R3,66 (2004: R89 589,56) and a premium of R2 242 467 (2004: R106 058 142) were bought back during the year and cancelled.

In 2004, 3 743 900 ordinary shares with a nominal value of R374,39 were issued for R6 146 930.

The unissued shares, to the extent of a maximum of 10% of the issued shares, are under the control of the directors until the forthcoming annual general meeting.

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|   | Group            |                | Company      |               |
|---|------------------|----------------|--------------|---------------|
|   | 2005<br>R000     | 2004*<br>R000  | 2005<br>R000 | 2004*<br>R000 |
| <b>12. INTEREST-BEARING DEBT</b>  |                  |                |              |               |
| Long and medium-term financing  | 756 657          | 662 732        |              |               |
| Aggregate amount repayable within one year  | 226 542          | 112 838        |              |               |
| Aggregate loans   | 983 199          | 775 570        |              |               |
| Short-term borrowings and overdraft   | 550 701          | 198 194        |              |               |
|   | <b>1 533 900</b> | <b>973 764</b> |              |               |
| Group assets of R1 515 406 000 (2004: R1 346 716 000) are pledged as security for loans of R983 199 000 (2004: R715 570 000).   |                  |                |              |               |
| Details of the long and medium-term financing are shown on the schedule of loan funds on page 110.  |                  |                |              |               |
| <b>13. EMPLOYEE BENEFIT OBLIGATIONS</b>   |                  |                |              |               |
| <b>PROVISION FOR POST RETIREMENT MEDICAL AID</b>  |                  |                |              |               |
| The group subsidises the medical aid contributions of certain retired employees and has an obligation to subsidise contributions of certain current employees when they reach retirement. |                  |                |              |               |
| The amounts recognised in the financial statements in this respect are as follows:  |                  |                |              |               |
| Recognised liability at beginning of the year   | 52 355           | 49 790         |              |               |
| Recognised as an expense in the current year  | 12 636           | 6 263          |              |               |
| Interest on obligation  | 5 066            | 5 796          |              |               |
| Current service cost  | 1 900            | 556            |              |               |
| Actuarial loss/(gain) recognised  | 5 670            | (89)           |              |               |
| Contributions paid  | (3 246)          | (3 994)        |              |               |
| Acquisition on purchase of business   | 3 199            | 296            |              |               |
| Present value of unfunded obligations recognised as a liability at end of the year  | <b>64 944</b>    | <b>52 355</b>  |              |               |
| There are no unrecognised actuarial gains or losses.  |                  |                |              |               |
| The principal actuarial assumptions applied in the determination of fair values include:  |                  |                |              |               |
| Health care cost inflation  | 6,5%             | 10%            |              |               |
| Discount rate   | 8,5%             | 12%            |              |               |
| Continuation at retirement  | 75%              | 75%            |              |               |
| An actuarial valuation was undertaken during 2005.  |                  |                |              |               |

\* 2004 figures have been restated for IFRS.

|  | Group            |                | Company        |                |
|--|------------------|----------------|----------------|----------------|
|  | 2005<br>R000     | 2004*<br>R000  | 2005<br>R000   | 2004*<br>R000  |
| <b>13. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>  |                  |                |                |                |
| <b>RETIREMENT BENEFIT PLANS</b>  |                  |                |                |                |
| The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pensions Fund Act 1956. |                  |                |                |                |
| An actuarial valuation was completed of the privately administered pension fund at 1 April 2003 and in the opinion of the actuary the fund was in a sound financial position.  |                  |                |                |                |
| The funded status of the Pension Fund related to service prior to 1 April 2003 is as follows:  |                  |                |                |                |
| Actuarial value of assets  | 63 848           | 63 848         |                |                |
| Present value of liabilities accrued to 1 April 2003   | (44 578)         | (44 578)       |                |                |
| Unrecognised surplus   | 19 270           | 19 270         |                |                |
| The next actuarial valuation is due to be completed at 1 April 2006. The employer's contribution to all retirement benefit plans are charged against income when incurred.   |                  |                |                |                |
| The group has not recognised the fund's surplus pending the finalisation of the surplus apportionment exercise in terms of the Pensions Funds Second Amendment Act 2001.   |                  |                |                |                |
| <b>14. TRADE AND OTHER PAYABLES</b>  |                  |                |                |                |
| Trade creditors  | 575 711          | 150 835        |                |                |
| Accrued expenses   | 328 391          | 259 413        | 1 025          | 11 105         |
| Operating lease accrual  | 70 691           | 35 894         |                |                |
| Other payables   | 195 124          | 64 482         |                |                |
| Shareholders for dividends – preference shares   | 15 206           | –              | 15 189         | –              |
| Amounts due to subsidiaries  |                  |                | 530 415        | 483 797        |
| Current portion of financial liabilities (note 7)  | 3 175            | 102 290        |                |                |
|  | <b>1 188 298</b> | <b>612 914</b> | <b>546 629</b> | <b>494 902</b> |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2005<br>R000     | 2004*<br>R000    | 2005<br>R000   | 2004*<br>R000  |
| <b>15. PROVISIONS</b>  |                  |                  |                |                |
| Balance at 1 January   | 50 240           | 34 700           |                |                |
| Charged to income statement  |                  |                  |                |                |
| Voyage onerous contracts   | 51 744           | 50 240           |                |                |
| Expenses charged against provisions  |                  |                  |                |                |
| Voyage onerous contracts   | (50 240)         | –                |                |                |
| Acquired during the year   | –                | 8 400            |                |                |
| Reclassification to ships, property, plant and equipment   | –                | (43 100)         |                |                |
|  | <b>51 744</b>    | <b>50 240</b>    |                |                |
| <b>16. REVENUE</b>   |                  |                  |                |                |
| Revenue comprises net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from seafreight, chartering, warehousing, depot operations and other ancillary services and investment income and is analysed as follows: |                  |                  |                |                |
| Charter hire   | 1 331 711        | 1 350 609        |                |                |
| Freight revenue  | 1 523 547        | 1 154 447        |                |                |
| Net invoiced sales   | 2 144 674        | 458 909          |                |                |
| Sale of commodities  | 2 434 485        | –                |                |                |
| Dividends received   |                  |                  | 837 741        | 260 151        |
| Other  | 14 728           | 10 360           |                |                |
|  | <b>7 449 145</b> | <b>2 974 325</b> | <b>837 741</b> | <b>260 151</b> |
| <b>17. OPERATING PROFIT BEFORE INTEREST AND TAXATION</b>   |                  |                  |                |                |
| Other income   |                  |                  |                |                |
| Ship option write up   | 7 834            | 12 420           |                |                |
| Foreign exchange gains   | 132 533          | –                |                |                |
| Sale of tradeable assets   | 58 301           | 68 623           |                |                |
|  | <b>198 668</b>   | <b>81 043</b>    | <b>–</b>       | <b>–</b>       |

\* 2004 figures have been restated for IFRS.

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>17. OPERATING PROFIT BEFORE INTEREST<br/>AND TAXATION (continued)</b> |              |               |              |               |
| Operating expenses   |              |               |              |               |
| Voyage expenses  | 1 842 371    | 1 638 109     |              |               |
| Charter hire   | 1 328 811    | 1 267 408     |              |               |
| Fuel   | 202 943      | 122 696       |              |               |
| Port expenses  | 140 995      | 110 120       |              |               |
| Provision for onerous voyage contracts                                   | 51 774       | 50 240        |              |               |
| Reversal of provisions no longer required                                | (19 987)     | (4 151)       |              |               |
| Other voyage expenses  | 137 835      | 91 796        |              |               |
| Cost of sales  | 3 894 038    | 161 173       |              |               |
| Agricultural commodities   | 2 340 464    | –             |              |               |
| Bunker fuels   | 1 360 093    | 65 292        |              |               |
| Container handling and logistics   | 131 380      | 95 881        |              |               |
| Merchandise  | 32 703       | –             |              |               |
| Other commodities  | 29 398       | –             |              |               |
| Distribution and selling costs   | 40 445       | 9 729         |              |               |
| Staff costs  | 504 574      | 317 775       |              |               |
| Foreign exchange losses  | 6 509        | 62 418        |              |               |
| Other operating expenses   | 312 534      | 188 054       | 9 576        | 2 524         |
|  | 6 600 471    | 2 377 258     | 9 576        | 2 524         |
| Depreciation   |              |               |              |               |
| Amortisation   |              |               |              |               |
| Leasehold properties – historical  | 1 841        | 546           |              |               |
| Depreciation – owned assets  |              |               |              |               |
| Ships  | 58 844       | 30 866        |              |               |
| Other  | 47 333       | 31 741        |              |               |
| Depreciation – capitalised leased assets                                 |              |               |              |               |
| Ships  | 7 779        | 10 462        |              |               |
| Other  | 5 908        | 2 220         |              |               |
|  | 121 705      | 75 835        | –            | –             |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>17. OPERATING PROFIT BEFORE INTEREST AND TAXATION (continued)</b>   |              |               |              |               |
| The above costs are arrived at after including:  |              |               |              |               |
| Auditors' remuneration   |              |               |              |               |
| Audit fees – current year provision  | 7 073        | 4 034         | 511          | 27            |
| Prior year underprovision  | 634          | 207           | 115          | 3             |
| Fees for other services  | 1 612        | 1 049         | 24           | –             |
| Expenses   | 23           | 20            |              |               |
|  | 9 342        | 5 310         | 650          | 30            |
| Operating lease rentals  |              |               |              |               |
| Land and buildings   | 86 298       | 39 978        |              |               |
| Ships  | 1 756 486    | 1 254 199     |              |               |
| Other  | 11 094       | 11 042        |              |               |
|  | 1 853 878    | 1 305 219     | –            | –             |
| Professional fees  |              |               |              |               |
| Administrative   | 339          | 1 570         | –            | 2             |
| Managerial   | 4 304        | 331           |              |               |
| Technical  | 3 754        | 255           | 132          |               |
|  | 8 397        | 2 156         | 132          | 2             |
| Amortisation of intangible assets  | 13 524       | 2 006         |              |               |
| <b>18. NON-TRADING ITEMS</b>   |              |               |              |               |
| Impairment of property, plant and equipment  | (707)        |               |              |               |
| Impairment of goodwill   | (39)         | (1 969)       |              |               |
| Impairment of investment   |              |               | –            | (137)         |
| Profit on sale of investments  | 115          | 3 499         |              |               |
| Profit on sale of property, plant and equipment  | 4 082        | 506           |              |               |
|  | 3 451        | 2 036         | –            | (137)         |
| The non-trading items have no effect on taxation. The minority's share of the profit on sale of property, plant and equipment is R504 000 (2004: R18 000). |              |               |              |               |
| <b>19. FINANCE COSTS</b>   |              |               |              |               |
| Interest received  | 53 859       | 38 129        | 93           | 568           |
| Net interest paid  | (140 639)    | (100 327)     | –            | (2 048)       |
| Interest paid  | (149 915)    | (102 472)     | –            | (2 048)       |
| Interest capitalised   | 9 276        | 2 145         |              |               |
|  | (86 780)     | (62 198)      | 93           | (1 480)       |

\* 2004 figures have been restated for IFRS.

|                                   | Group        |               | Company      |               |
|-----------------------------------|--------------|---------------|--------------|---------------|
|                                   | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>20. TAXATION</b>               |              |               |              |               |
| <b>SOUTH AFRICAN NORMAL TAX</b>   |              |               |              |               |
| Current                           |              |               |              |               |
| On income for the year            | (50 302)     | (49 088)      |              |               |
| Prior year adjustment             | 52           | (9 528)       |              |               |
| Secondary tax on companies (STC)  | (221)        | -             |              |               |
| Deferred                          |              |               |              |               |
| On income for the year            | 14 429       | 2 155         |              |               |
| Change in tax rate                | (1 088)      | -             |              |               |
| Prior year adjustment             | 7 358        | (77)          |              |               |
| On STC credits                    | (10 278)     | 18 647        | (5 718)      | 14 087        |
| <b>FOREIGN</b>                    |              |               |              |               |
| Current                           |              |               |              |               |
| On income for the year            | (3 408)      | (881)         |              |               |
| Prior year adjustment             | 306          | -             |              |               |
| Deferred                          |              |               |              |               |
| On income for the year            | 311          | -             |              |               |
| <b>ASSOCIATE COMPANIES</b>        |              |               |              |               |
| Current                           |              |               |              |               |
| On income for the year            | (22 256)     | (9 194)       |              |               |
| Deferred                          |              |               |              |               |
| On income for the year            | (55)         | -             |              |               |
|                                   | (65 152)     | (47 966)      | (5 718)      | 14 087        |
| <b>EFFECTIVE RATE OF TAXATION</b> | %            | %             | %            | %             |
| Normal rate of taxation           | 29,0         | 30,0          | 29,0         | 30,0          |
| Adjusted for:                     |              |               |              |               |
| Current year tax losses utilised  | (1,2)        | (1,2)         |              |               |
| Exempt income                     | (0,9)        | (0,7)         | (29,3)       | (30,5)        |
| Non-taxable foreign items         | (21,4)       | (19,7)        |              |               |
| Non-allowable items               | 1,1          | 1,4           | 0,3          | 0,5           |
| Deferred tax on STC credits       | 1,1          | (3,4)         | 0,7          | (5,5)         |
| Change in tax rate                | 0,1          | -             |              |               |
| Prior year adjustment             | (0,8)        | 1,7           |              |               |
| Effective rate of taxation        | 7,0          | 8,1           | 0,7          | (5,5)         |

Subsidiary companies have estimated tax losses of R260 166 000 (2004: R142 581 000) of which R92 996 000 (2004: R31 041 000) has been utilised in the calculation of deferred taxation.

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>21. EARNINGS PER SHARE</b>  |              |               |              |               |
| Basis earnings reconciliation:   |              |               |              |               |
| Profit attributable to equity holders of the parent  | 866 430      | 546 190       |              |               |
| Adjusted for:  |              |               |              |               |
| Preference dividends   | (15 206)     | –             |              |               |
| Profit attributable to ordinary shareholders   | 851 224      | 546 190       |              |               |
| Basic earnings per share is based on earnings of<br>and<br>on the weighted average number of shares in issue for<br>the year (000s)                        | 851 224      | 546 190       |              |               |
| Diluted earnings per share is based on earnings of<br>and<br>on the diluted weighted average number of shares in<br>issue for the year (000s)              | 458 490      | 450 220       |              |               |
| Earnings per share (cents)   | 851 224      | 546 190       |              |               |
| Basic  | 476 577      | 473 150       |              |               |
| Diluted  | 185,7        | 121,3         |              |               |
| Diluted  | 178,6        | 115,4         |              |               |
| Headline earnings reconciliation:  |              |               |              |               |
| Profit attributable to ordinary shareholders   | 851 224      | 546 190       |              |               |
| Adjusted for:  |              |               |              |               |
| Impairment of property, plant and equipment  | 707          | –             |              |               |
| Impairment of goodwill   | 39           | 1 969         |              |               |
| Share of associate company's impairment of goodwill  | 1 652        | 2 568         |              |               |
| Profit on sale of investments  | (115)        | (3 499)       |              |               |
| Profit on sale of plant and equipment  | (4 082)      | (506)         |              |               |
| Headline earnings  | 849 425      | 546 722       |              |               |
| Headline earnings per share is based on headline<br>earnings of<br>and<br>on the weighted average number of shares in issue<br>for the year (000s)         | 849 425      | 546 722       |              |               |
| Diluted headline earnings per share is based on<br>headline earnings of<br>and<br>on the weighted average number of shares in issue<br>for the year (000s) | 458 490      | 450 220       |              |               |
| Headline earnings per share (cents)  | 849 425      | 546 722       |              |               |
| Basic  | 476 577      | 473 150       |              |               |
| Diluted  | 185,3        | 121,4         |              |               |
| Diluted  | 178,2        | 115,5         |              |               |

\* 2004 figures have been restated for IFRS.

## 21. EARNINGS PER SHARE (continued)

Changes to the group's prior year income statement as a result of the implementation of IFRS and the operating lease adjustments are described in detail in the transition to IFRS and operating lease adjustments notes. These adjustments have had an impact on the reported 2004 earnings and headline earnings per share.

The following table summaries that impact on basic and diluted earnings and headline earnings per share previously reported:

|   | 2004               |         |                             |         |
|---|--------------------|---------|-----------------------------|---------|
|   | Earnings per share |         | Headline earnings per share |         |
|   | Basic              | Diluted | Basic                       | Diluted |
| As previously reported                                  | 122,1              | 116,2   | 123,7                       | 117,7   |
| Adjusted for IFRS                                       |                    |         |                             |         |
| IFRS 2 Share Based Payments                             | (0,3)              | (0,3)   | (0,3)                       | (0,3)   |
| IFRS 3 Business Combinations                            | 1,0                | 0,9     | (0,5)                       | (0,5)   |
| IAS 16 Property, Plant and Equipment                    | 0,6                | 0,6     | 0,6                         | 0,6     |
| IAS 21 The Effects of Changes in Foreign Exchange Rates | 0,2                | 0,2     | 0,2                         | 0,2     |
| Operating lease adjustment                              | (2,3)              | (2,2)   | (2,3)                       | (2,2)   |
| Restated  | 121,3              | 115,4   | 121,4                       | 115,5   |

## 22. OPERATING LEASE ADJUSTMENT

The group changed the accounting for operating leases during the financial year with retrospective effect.

Operating lease receipts and/or expenses were previously accounted for and recorded when received or paid. The group has changed this policy and accounts for the receipt and/or expense on a straight-line basis over the period of the lease. The financial statements of the prior period have been restated to reflect this change.

The effect of the restatement on total equity at 31 December 2003 is as follows:

|   | Foreign<br>Currency<br>Translation<br>Reserve<br>R000 | Accu-<br>mulated<br>Profit<br>R000 | Minority<br>Interest<br>R000 |
|---|---|------------------------------------|------------------------------|
| Balance at 31 December 2003 before IFRS adjustments | (22 271)  | 547 696                            | 7 428                        |
| Operating lease adjustment                          | 3 064   | (17 516)                           | (394)                        |
| Restated balance                                    | (19 207)  | 530 180                            | 7 034                        |

The effect of the restatement on profit after taxation for 2004 is as follows:

|                                       | Income<br>Statement<br>Effect |
|---------------------------------------|-------------------------------|
| Decrease in profit before taxation    | 15 253                        |
| Taxation effect                       | (4 500)                       |
| Minority interest                     | (245)                         |
| Net decrease in profit after taxation | 10 508                        |

The effect of the restatement on the balance sheet before IFRS adjustments for 2004 is as follows:

|                             | Previously<br>Stated<br>R000 | Lease<br>Adjustment<br>R000 | Restated<br>R000 |
|-----------------------------|------------------------------|-----------------------------|------------------|
| Deferred taxation asset     | 30 456                       | 6 609                       | 37 065           |
| Trade and other receivables | 441 031                      | 1 890                       | 442 921          |
| Minority interest           | 8 100                        | (639)                       | 7 461            |
| Total equity                | 850 900                      | (22 708)                    | 828 192          |
| Deferred taxation liability | 8 362                        | (4 687)                     | 3 675            |
| Trade and other payables    | 627 263                      | 35 894                      | 663 157          |

# Notes to the Financial Statements (continued)

31 December 2005

## 23. DIRECTORS' EMOLUMENTS AND INTERESTS

The remuneration paid to directors of the company, whilst in office, during the year ended 31 December 2005 is as follows:

|                                    | Directors<br>Fees<br>R000 | Com-<br>mittee<br>Fees<br>R000 | Basic<br>Remu-<br>neration<br>R000 | Per-<br>formance<br>Bonus<br>R000 | Retirement<br>Medical &<br>Other<br>Benefits<br>R000 | Share<br>Option<br>Gains<br>R000 | Total<br>2005<br>R000        | Total<br>2004*<br>R000 |
|------------------------------------|---------------------------|--------------------------------|------------------------------------|-----------------------------------|--|----------------------------------|------------------------------|------------------------|
| <b>Non-executive directors</b>     |                           |                                |                                    |                                   |  |                                  |                              |                        |
| W M Grindrod (Chairman)            | 190                       | 38                             |                                    |                                   |  |                                  | 228                          | 203                    |
| D R D White (Deputy chairman)      | 90                        | 27                             |                                    |                                   |  |                                  | 117                          | 103                    |
| H Adams                            | 80                        |                                |                                    |                                   |  |                                  | 80                           | 70                     |
| I M Groves                         | 80                        | 38                             |                                    |                                   |  |                                  | 118                          | 127                    |
| S M Gounden                        | 80                        |                                |                                    |                                   |  |                                  | 80                           | -                      |
| J C Hall CBE (Retired 25 May 2005) | 33                        | 7                              |                                    |                                   |  |                                  | 40                           | 85                     |
| N E Mtshotshisa                    | 80                        |                                |                                    |                                   |  |                                  | 80                           | -                      |
| R A Norton                         | 80                        | 44                             |                                    |                                   |  |                                  | 124                          | 110                    |
| R J H Whitley                      | 80                        |                                |                                    |                                   |  |                                  | 80                           | 70                     |
|                                    |                           |                                |                                    |                                   |  |                                  | <b>From the company</b>      |                        |
|                                    |                           |                                |                                    |                                   |  |                                  | 947                          | 768                    |
| <b>Non-executive directors</b>     |                           |                                |                                    |                                   |  |                                  |                              |                        |
| W M Grindrod                       |                           |                                |                                    |                                   | 145  |                                  | 145                          | 172                    |
| I M Groves                         |                           |                                |                                    |                                   | 53   |                                  | 53                           | 35                     |
| <b>Executive directors</b>         |                           |                                |                                    |                                   |  |                                  |                              |                        |
| I A J Clark                        |                           |                                | 2 535                              | 3 375                             | 350  | 4 088                            | 10 348                       | 7 163                  |
| J G Jones                          |                           |                                | 1 418                              | 1 672                             | 422  | 2 888                            | 6 400                        | 5 164                  |
| T J T McClure                      |                           |                                | 1 514                              | 7 819 **                          | 457  | 2 343                            | 12 133                       | 15 657                 |
| A K Olivier                        |                           |                                | 1 774                              | 2 451                             | 743  | 2 520                            | 7 488                        | 8 446                  |
| D A Rennie                         |                           |                                | 1 470                              | 1 672                             | 1 215  | 3 740                            | 8 097                        | 4 916                  |
| A F Stewart                        |                           |                                | 1 283                              | 1 100                             | 442  | 3 948                            | 6 773                        | 2 015                  |
| L R Stuart-Hill                    |                           |                                | 1 613                              | 1 800                             | 595  | 2 126                            | 6 134                        | 6 163                  |
|                                    |                           |                                |                                    |                                   |  |                                  | <b>From the subsidiaries</b> |                        |
|                                    |                           |                                |                                    |                                   |  |                                  | 57 571                       | 49 731                 |
|                                    |                           |                                |                                    |                                   |  |                                  | <b>Total emoluments</b>      |                        |
|                                    |                           |                                |                                    |                                   |  |                                  | 58 518                       | 50 499                 |

\*\* This includes R4 819 000 (2004: R1 719 333) paid in terms of a contractual arrangement entered into on acquisition of Island View Shipping.

\* 2004 figures have been restated for IFRS.

23. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

| Director    | Options at<br>01.01.2005 | Options<br>granted<br>during the<br>year | Options<br>exercised<br>during the<br>year | Price<br>at which<br>options<br>exercised<br>(cents) | Options at<br>31.12.2005 | Option<br>price<br>(cents) | Vesting<br>dates | Expiry<br>dates |
|-------------|--------------------------|--|--|--|--------------------------|----------------------------|------------------|-----------------|
| I A J Clark | 400 000                  |  | 200 000                                    | 30   | 200 000                  | 30                         | 13.12.2006       | 13.12.2009      |
|             | 300 000                  |  | 100 000                                    | 30   | 100 000                  | 30                         | 03.05.2006       | 03.05.2010      |
|             |                          |  |  |  | 100 000                  | 30                         | 03.05.2007       | 03.05.2010      |
|             | 500 000                  |  | 100 000                                    | 110  | 100 000                  | 110                        | 25.03.2006       | 25.03.2012      |
|             |                          |  |  |  | 100 000                  | 110                        | 25.03.2007       | 25.03.2012      |
|             |                          |  |  |  | 100 000                  | 110                        | 25.03.2008       | 25.03.2012      |
|             |                          |  |  |  | 100 000                  | 110                        | 25.03.2009       | 25.03.2012      |
|             | 1 000 000                |  |  |  | 200 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|             |                          |  |  |  | 200 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|             |                          |  |  |  | 200 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|             |                          |  |  |  | 200 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|             |                          |  |  |  | 200 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|             | 500 000                  |  |  |  | 100 000                  | 380                        | 27.05.2007       | 27.05.2014      |
|             |                          |  |  |  | 100 000                  | 380                        | 27.05.2008       | 27.05.2014      |
|             |                          |  |  |  | 100 000                  | 380                        | 27.05.2009       | 27.05.2014      |
|             |                          |  |  |  | 100 000                  | 380                        | 27.05.2010       | 27.05.2014      |
|             |                          |  |  |  | 100 000                  | 380                        | 27.05.2011       | 27.05.2014      |
|             |                          | 750 000                                  |  | 150 000  | 1251                     | 23.11.2008                 | 23.11.2015       |                 |
|             |                          |  |  | 150 000  | 1251                     | 23.11.2009                 | 23.11.2015       |                 |
|             |                          |  |  | 150 000  | 1251                     | 23.11.2010                 | 23.11.2015       |                 |
|             |                          |  |  | 150 000  | 1251                     | 23.11.2011                 | 23.11.2015       |                 |
|             |                          |  |  | 150 000  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| J G Jones   | 200 000                  |  | 100 000                                    | 30   | 100 000                  | 30                         | 13.12.2006       | 13.12.2009      |
|             | 120 000                  |  | 40 000                                     | 30   | 40 000                   | 30                         | 03.05.2006       | 03.05.2010      |
|             |                          |  |  |  | 40 000                   | 30                         | 03.05.2007       | 03.05.2010      |
|             | 600 000                  |  | 150 000                                    | 58   | 150 000                  | 58                         | 01.03.2006       | 01.03.2011      |
|             |                          |  |  |  | 150 000                  | 58                         | 01.03.2007       | 01.03.2011      |
|             |                          |  |  |  | 150 000                  | 58                         | 01.03.2008       | 01.03.2011      |
|             | 750 000                  |  |  |  | 150 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|             |                          |  |  |  | 150 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|             |                          |  |  |  | 150 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|             |                          |  |  |  | 150 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|             |                          |  |  |  | 150 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|             |                          |  | 500 000                                    |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
|             |                          |  |  |  | 100 000                  | 1251                       | 23.11.2009       | 23.11.2015      |
|             |                          |  |  | 100 000  | 1251                     | 23.11.2010                 | 23.11.2015       |                 |
|             |                          |  |  | 100 000  | 1251                     | 23.11.2011                 | 23.11.2015       |                 |
|             |                          |  |  | 100 000  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |

# Notes to the Financial Statements (continued)

31 December 2005

## 23. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

| Director      | Options at<br>01.01.2005 | Options<br>granted<br>during the<br>year | Options<br>exercised<br>during the<br>year | Price<br>at which<br>options<br>exercised<br>(cents) | Options at<br>31.12.2005 | Option<br>price<br>(cents) | Vesting<br>dates | Expiry<br>dates |
|---------------|--------------------------|--|--|--|--------------------------|----------------------------|------------------|-----------------|
| T J T McClure | 570 000                  |  | 190 000                                    | 30   | 190 000                  | 30                         | 03.05.2006       | 03.05.2010      |
|               |                          |  |  |  | 190 000                  | 30                         | 03.05.2007       | 03.05.2010      |
|               | 400 000                  |  | 100 000                                    | 58   | 100 000                  | 58                         | 01.03.2006       | 01.03.2011      |
|               |                          |  |  |  | 100 000                  | 58                         | 01.03.2007       | 01.03.2011      |
|               |                          |  |  |  | 100 000                  | 58                         | 01.03.2008       | 01.03.2011      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|               | 1 000 000                |  |  |  | 200 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2009       | 23.11.2015      |
|               | 500 000                  |  |  |  | 100 000                  | 1251                       | 23.11.2010       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2011       | 23.11.2015      |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| A K Olivier   | 400 000                  |  | 200 000                                    | 30   | 200 000                  | 30                         | 13.12.2006       | 13.12.2009      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|               | 1 000 000                |  |  |  | 200 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|               |                          |  |  |  | 200 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|               | 500 000                  |  |  |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2009       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2010       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2011       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2012       | 23.11.2015      |
| D A Rennie    | 600 000                  |  | 200 000                                    | 30   | 200 000                  | 30                         | 03.05.2006       | 03.05.2010      |
|               |                          |  |  |  | 200 000                  | 30                         | 03.05.2007       | 03.05.2010      |
|               | 1 000 000                |  | 250 000                                    | 58   | 250 000                  | 58                         | 01.03.2006       | 01.03.2011      |
|               |                          |  |  |  | 250 000                  | 58                         | 01.03.2007       | 01.03.2011      |
|               |                          |  |  |  | 250 000                  | 58                         | 01.03.2008       | 01.03.2011      |
|               |                          |  |  |  | 150 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|               | 750 000                  |  |  |  | 150 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|               |                          |  |  |  | 150 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|               |                          |  |  |  | 150 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|               |                          |  |  |  | 150 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
|               |                          |  |  |  | 100 000                  | 1251                       | 23.11.2009       | 23.11.2015      |
|               | 500 000                  |  |  |  | 100 000                  | 1251                       | 23.11.2010       | 23.11.2015      |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2011                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |
| 100 000       |                          |  |  |  | 1251                     | 23.11.2012                 | 23.11.2015       |                 |

23. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

| Director        | Options at<br>01.01.2005 | Options<br>granted<br>during the<br>year | Options<br>exercised<br>during the<br>year | Price<br>at which<br>options<br>exercised<br>(cents) | Options at<br>31.12.2005 | Option<br>price<br>(cents) | Vesting<br>dates | Expiry<br>dates |
|-----------------|--------------------------|--|--|--|--------------------------|----------------------------|------------------|-----------------|
| A F Stewart     | 390 000                  |  | 130 000                                    |  | 130 000                  | 53                         | 19.01.2006       | 19.01.2011      |
|                 |                          |  |  |  | 130 000                  | 53                         | 19.01.2007       | 19.01.2011      |
|                 |                          |  |  |  | 130 000                  | 53                         | 19.01.2008       | 19.01.2011      |
|                 | 1 600 000                |  | 320 000                                    | 110  | 320 000                  | 110                        | 18.07.2006       | 18.07.2012      |
|                 |                          |  |  |  | 320 000                  | 110                        | 18.07.2007       | 18.07.2012      |
|                 |                          |  |  |  | 320 000                  | 110                        | 18.07.2008       | 18.07.2012      |
|                 |                          |  |  |  | 320 000                  | 110                        | 18.07.2009       | 18.07.2012      |
|                 | 750 000                  |  |  |  | 150 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|                 |                          |  |  |  | 150 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|                 |                          |  |  |  | 150 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|                 |                          |  |  |  | 150 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|                 |                          |  |  |  | 150 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|                 |                          |  |  |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
|                 |                          |  |  |  | 100 000                  | 1251                       | 23.11.2009       | 23.11.2015      |
|                 | 100 000                  | 1251                                     | 23.11.2010                                 | 23.11.2015   |                          |                            |                  |                 |
| 100 000         | 1251                     | 23.11.2011                               | 23.11.2015                                 |  |                          |                            |                  |                 |
| 100 000         | 1251                     | 23.11.2012                               | 23.11.2015                                 |  |                          |                            |                  |                 |
| L R Stuart-Hill | 4 500                    |  | 4 500                                      | 26   |                          |                            |                  |                 |
|                 | 200 000                  |  |  |  | 100 000                  | 30                         | 13.12.2006       | 13.12.2009      |
|                 |                          |  |  |  | 50 000                   | 30                         | 03.05.2006       | 03.05.2010      |
|                 |                          |  |  |  | 50 000                   | 30                         | 03.05.2007       | 03.05.2010      |
|                 | 200 000                  |  |  |  | 50 000                   | 58                         | 01.03.2006       | 01.03.2011      |
|                 |                          |  |  |  | 50 000                   | 58                         | 01.03.2007       | 01.03.2011      |
|                 |                          |  |  |  | 50 000                   | 58                         | 01.03.2008       | 01.03.2011      |
|                 | 1 000 000                |  |  |  | 200 000                  | 239                        | 26.11.2006       | 26.11.2013      |
|                 |                          |  |  |  | 200 000                  | 239                        | 26.11.2007       | 26.11.2013      |
|                 |                          |  |  |  | 200 000                  | 239                        | 26.11.2008       | 26.11.2013      |
|                 |                          |  |  |  | 200 000                  | 239                        | 26.11.2009       | 26.11.2013      |
|                 |                          |  |  |  | 200 000                  | 239                        | 26.11.2010       | 26.11.2013      |
|                 |                          |  |  |  | 100 000                  | 1251                       | 23.11.2008       | 23.11.2015      |
| 100 000         |                          |  |  |  | 1251                     | 23.11.2009                 | 23.11.2015       |                 |
| 100 000         | 1251                     | 23.11.2010                               | 23.11.2015                                 |  |                          |                            |                  |                 |
| 100 000         | 1251                     | 23.11.2011                               | 23.11.2015                                 |  |                          |                            |                  |                 |
| 100 000         | 1251                     | 23.11.2012                               | 23.11.2015                                 |  |                          |                            |                  |                 |
| 13 634 500      | 3 750 000                | 2 284 500                                |  | 15 660 000   |                          |                            |                  |                 |

# Notes to the Financial Statements (continued)

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## 24. SHARE BASED PAYMENTS

The company has a share option scheme for certain employees of the group. The options vest over a total period of 7 years from the option date as follows:

- A fifth of the options granted vest after 3 years;
- A further fifth of the options vest after 4 years;
- A further fifth of the options vest after 5 years;
- A further fifth of the options vest after 6 years; and
- A further fifth of the options vest after 7 years.

Options are exercisable at a price equal to the closing quoted market price of the company's shares on the day preceding the grant date. All options expire 10 years after the date of the grant.

Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding at the end of the year are set out below. All comparative information has been adjusted to account for the 5 for 1 share split which occurred in 2005 and the conversion of the "N" ordinary shares which occurred in 2004.

|  | 2005                       |   | Group<br>2004*             |   |
|--|----------------------------|---|----------------------------|---|
|  | Number<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>(cents) | Number<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>(cents) |
| Outstanding at the beginning of the year | 29 501 500                 | 105   | 47 721 000                 | 77  |
| Granted during the year                  | 4 000 000                  | 1251  | 500 000                    | 380   |
| Exercised during the year                | (7 201 500)                | 89  | (18 719 500)               | 65  |
| Outstanding at the end of the year       | 26 300 000                 | 295   | 29 501 500                 | 105   |
| Exercisable at the end of the year       | 630 000                    |   | 230 000                    |   |

The weighted average share price of the share options exercised during the year was R0,89. Details of the options outstanding at the end of the year are disclosed in the directors' report on page 58. In 2005, options were granted on 23 November 2005. The estimated fair values of the options granted on that date are R4,73. In 2004, options were granted on 27 May 2004. The estimated fair values of the options granted on that date are R1,90.

The fair values were calculated using a stochastic model based on the standard binomial options pricing model.

This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

\* 2004 figures have been restated for IFRS.

## 24. SHARE BASED PAYMENTS (continued)

The valuation was performed by independent actuaries. The inputs into the model were as follows:

|   | Group            |                |
|---|------------------|----------------|
|   | 2005             | 2004*          |
| Weighted average share price (cents)  | 1253             | 380            |
| Weighted average exercise price (cents)   | 1253             | 380            |
| Expected rolling volatility   |                  |                |
| 5 year expected option lifetime   | 35,27%           |                |
| 6 year expected option lifetime   | 37,65%           |                |
| 7 year expected option lifetime   | 45,18%           |                |
| 8 year expected option lifetime   |                  | 57,48%         |
| Expected option lifetime  |                  |                |
| Vesting periods 3 and 4   | 5 years          | 8 years        |
| Vesting periods 5 and 6   | 6 years          | 8 years        |
| Vesting period 7  | 7 years          | 8 years        |
| Risk free rate based on zero-coupon government bond yield   |                  |                |
| 5 year expected option lifetime   | 7,41%            |                |
| 6 year expected option lifetime   | 7,47%            |                |
| 7 year expected option lifetime   | 7,52%            |                |
| 8 year expected option lifetime   |                  | 10,99%         |
| Expected dividend yield   | 3,38%            | 3,16%          |
| Forfeiture rate per annum compound  | 10,00%           | 10,00%         |
| <p>Expected volatility was determined by calculating an annualised standard deviation of the continuously compounded rates of return of the company's share. The expected life used in the model has been adjusted, based on management's best estimate, for the affects of employee turnover and exercise behaviour.</p> <p>The group recognised total expenses of R1 464 000 (2004: R1 125 000) related to these equity settled share based payment transactions during the year.</p> |                  |                |
| <b>25. CAPITAL COMMITMENTS</b>  | <b>R000</b>      | <b>R000</b>    |
| Authorised and contracted for   | <b>1 194 320</b> | <b>813 238</b> |
| Due within one year   | 430 644          | 249 338        |
| Due thereafter – 2007   | 511 856          | 184 202        |
| Due thereafter – 2008   | 251 820          | 157 031        |
| Due thereafter – 2009 and thereafter  | –                | 222 667        |
| Authorised and not contracted for   | <b>309 260</b>   | <b>428 939</b> |
| <p>The expenditure will be financed out of group cash resources and loan funds to be negotiated.</p>  |                  |                |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

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## 26. CONTINGENT LIABILITIES

The company has guaranteed loans and facilities of subsidiaries amounting to R1 904 618 000 (2004: R931 214 000) of which R787 017 000 (2004: R566 391 000) had been utilised at year end.

The company has guaranteed charter hire payments of a subsidiary amounting to R152 453 000 (2004: R179 298 000). The charter hire payments are due by the subsidiary in equal amounts from years 2006 to 2008.

In addition the company has guaranteed the liabilities of two subsidiaries amounting to R550 000 000 (2004: R230 000 000).

Financial guarantee contracts are accounted for as insurance contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Certain subsidiaries have been served a petition with respect to a business acquired during the year. Legal counsel have advised that the claim is unlikely to succeed.

|   | Group                     |                          |                           |                          |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
|   | 2005<br>Year End<br>Rates | 2005<br>Average<br>Rates | 2004<br>Year End<br>Rates | 2004<br>Average<br>Rates |
| <b>27. FOREIGN CURRENCY DENOMINATED ITEMS</b>   |                           |                          |                           |                          |
| All foreign currency denominated items are translated in terms of the group's policies. |                           |                          |                           |                          |
| At 31 December exchange rates used on conversion were:                                  |                           |                          |                           |                          |
| US Dollar   | 6,31                      | 6,38                     | 5,65                      | 6,47                     |
| Euro  | 7,48                      | 7,95                     | 7,71                      | 7,70                     |
| Pound Sterling  | 10,86                     | 11,62                    | 10,91                     | 11,08                    |
| Swedish Kroner  | 1,26                      | 1,27                     | 1,18                      | 1,15                     |
| Australian Dollar   | 4,63                      | 4,57                     | 4,35                      | 4,76                     |
| Danish Kroner   | 0,99                      | 1,01                     | 0,97                      | 0,93                     |
| Japanese Yen  | 0,05                      | 0,05                     | 0,05                      | 0,06                     |
|   | 1 year<br>R000            | 2 – 5 years<br>R000      | >5 years<br>R000          | Group<br>R000            |

## 28. LEASES AND SHIPCHARTERS

### 28.1 OPERATING LEASES AND SHIP CHARTERS

#### 28.1.1 Receivables

The minimum future lease and charter payments receivable under non-cancellable operating leases and charter party agreements are as follows:

#### 2005

|                    |         |         |   |           |
|--------------------|---------|---------|---|-----------|
| Land and buildings | 7 038   | 9 486   | – | 16 524    |
| Ships              | 598 204 | 816 472 | – | 1 414 676 |
|                    | 605 242 | 825 958 | – | 1 431 200 |

#### 2004\*

|                     |         |         |   |         |
|---------------------|---------|---------|---|---------|
| Land and buildings  | 7 862   | 9 490   | – | 17 352  |
| Ships               | 354 881 | 300 115 | – | 654 996 |
| Plant and equipment | 1 770   | –       | – | 1 770   |
|                     | 364 513 | 309 605 | – | 674 118 |

\* 2004 figures have been restated for IFRS.

|   | 1 year<br>R000 | 2 – 5 years<br>R000 | >5 years<br>R000 | Group<br>R000    |
|---|----------------|---------------------|------------------|------------------|
| <b>28. LEASES AND SHIPCHARTERS (continued)</b>  |                |                     |                  |                  |
| 28.1 OPERATING LEASES AND SHIP CHARTERS   |                |                     |                  |                  |
| 28.1.2 Payables   |                |                     |                  |                  |
| The minimum future lease and charter payments payable under non-cancellable operating leases and charter party agreements are as follows: |                |                     |                  |                  |
| <b>2005</b>   |                |                     |                  |                  |
| Land and buildings  | 83 812         | 178 405             | 148 070          | 410 287          |
| Ships   | 638 167        | 1 836 943           | 598 482          | 3 073 592        |
| Plant and equipment   | 10 303         | 17 227              | –                | 27 530           |
|   | <b>732 282</b> | <b>2 032 575</b>    | <b>746 552</b>   | <b>3 511 409</b> |
| <b>2004*</b>  |                |                     |                  |                  |
| Land and buildings  | 39 354         | 96 433              | 39 030           | 174 817          |
| Ships   | 487 075        | 1 586 925           | 704 873          | 2 778 873        |
| Plant and equipment   | 9 318          | 12 746              | –                | 22 064           |
|   | <b>535 747</b> | <b>1 696 104</b>    | <b>743 903</b>   | <b>2 975 754</b> |

The group has the option to extend the ship charters at predetermined rates in respect of certain ships. In addition the group has the option to acquire certain ships at predetermined prices.

The group also has an option to acquire certain land and buildings.

## 28.2 FINANCE LEASES

### 28.2.1 Liabilities

Included in interest bearing borrowings are capitalised finance lease liabilities in respect of ships, plant and equipment in favour of various local finance institutions, details of which are as follows:

|  | 1 year<br>R000 | 2 – 5 years<br>R000 | >5 years<br>R000 | Group<br>R000  |
|--|----------------|---------------------|------------------|----------------|
| <b>2005</b>                                    |                |                     |                  |                |
| Future minimum lease payments                  | 120 200        | 40 746              | –                | 160 946        |
| Future interest                                | (10 204)       | (5 395)             | –                | (15 599)       |
| Present value of future minimum lease payments | <b>109 996</b> | <b>35 351</b>       | <b>–</b>         | <b>145 347</b> |
| <b>2004*</b>                                   |                |                     |                  |                |
| Future minimum lease payments                  | 30 257         | 101 162             | –                | 131 419        |
| Future interest                                | (8 843)        | (6 775)             | –                | (15 618)       |
| Present value of future minimum lease receipts | <b>21 414</b>  | <b>94 387</b>       | <b>–</b>         | <b>115 801</b> |

Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 110.

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group                                    |               | Company      |               |
|--|--|---------------|--------------|---------------|
|  | 2005<br>R000                             | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>29. JOINT VENTURE INTERESTS</b>   |  |               |              |               |
| The group has joint venture interests in the following companies:  |  |               |              |               |
| Auto Carrier Transport   |  |               |              |               |
| Properties (Pty) Ltd   | Property owning                          | 50%           | –            | –             |
| Auto Carrier Transport (Pty) Ltd   | Auto logistics                           | 50%           | 50%          | –             |
| Boltt Grindrod (Pty) Ltd   | Furniture transportation and warehousing | 50%           | 50%          | –             |
| CMC Grindrod Logistics (Pty) Ltd   | Container husbandry                      | 50%           | 50%          | –             |
| Equus Investments Limited  | Bunker fuel trading                      | 50%           | –            | –             |
| Grindrod J&J Holdings (Pty) Ltd**  | Warehousing and distribution             | –             | 50%          | –             |
| Handyventure Ltd   | Shipowning and operating                 | 50%           | 50%          | –             |
| Island Trading and Shipping Pte Ltd  | Bulk shipping                            | 50%           | 50%          | –             |
| Kusasa Logistics (Pty) Ltd**   | Bulk handling                            | –             | 50%          | –             |
| Petrochemical Shipping Limited   | Shipowning                               | 50%           | 50%          | –             |
| Röhlig-Grindrod (Pty) Ltd***   | Clearing and forwarding                  | 50%           | –            | –             |
| Seascope Commodities (Pty) Ltd   | Commodity trading                        | 50%           | –            | 50%           |
| Sheltam Grindrod Holdings (Pty) Ltd  | Transport logistics                      | 50%           | –            | –             |
| Unicorn-Heidmar Tankers LLC  | Ship operating                           | 50%           | 50%          | –             |
| ** Additional investment acquired during the year and now fully consolidated as subsidiaries   |  |               |              |               |
| *** Additional investment acquired during the year and now consolidated as a joint venture   |  |               |              |               |
| The proportionate interest in the joint ventures has been incorporated into the results, cash flow, assets and liabilities as follows: |  |               |              |               |
| <b>INCOME STATEMENT</b>  |  |               |              |               |
| Revenue  | 543 661                                  | 486 287       |              |               |
| Operating income before interest and taxation  | 59 715                                   | 90 303        |              |               |
| Net interest paid  | (13 206)                                 | (13 057)      |              |               |
| Taxation   | (11 689)                                 | (6 337)       |              |               |
| Net income after taxation  | 34 820                                   | 70 909        |              |               |
| <b>CASH FLOW</b>   |  |               |              |               |
| Cash inflow from operating activities  | 137 712                                  | 65 453        |              |               |
| Cash outflow from investing activities   | (562 982)                                | (40 243)      |              |               |
| Cash inflow from financing activities  | 475 567                                  | 11 604        |              |               |
| Net cash inflow  | 50 297                                   | 36 814        |              |               |

\* 2004 figures have been restated for IFRS.

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>29. JOINT VENTURE INTERESTS (continued)</b>   |              |               |              |               |
| BALANCE SHEET  |              |               |              |               |
| Non-current assets   | 669 550      | 259 043       |              |               |
| Current assets   | 429 807      | 137 172       |              |               |
| Non-current liabilities  | (184 762)    | (150 874)     |              |               |
| Current liabilities  | (467 755)    | (120 062)     |              |               |
| Net assets   | 446 840      | 125 279       |              |               |
| <b>Total liabilities comprise:</b>   |              |               |              |               |
| Interest bearing liabilities   | (335 552)    | (188 532)     |              |               |
| Non-interest bearing liabilities   | (316 965)    | (82 404)      |              |               |
| <b>30. CASH FLOW</b>   |              |               |              |               |
| 30.1 RECONCILIATION OF OPERATING PROFIT BEFORE INTEREST AND TAXATION TO CASH GENERATED FROM OPERATIONS |              |               |              |               |
| Operating profit before interest and taxation  | 925 637      | 602 275       | 828 165      | 257 627       |
| Adjustments for:   |              |               |              |               |
| Depreciation   | 121 705      | 75 835        |              |               |
| Share based payments   | 1 464        | 1 125         |              |               |
| Dividends received   |              |               | (837 741)    | (260 151)     |
| Amortisation of intangible asset   | 13 524       | –             |              |               |
| Non-cash foreign exchange (gains)/losses   | (73 160)     | 12 472        |              |               |
| Fair value adjustments of financial instruments  |              |               | 3 677        | –             |
| Ship option write-up   | (7 834)      | (12 420)      |              |               |
| Non-cash provisions/other  | 28 433       | 43 659        |              |               |
| Operating profit/(loss) before working capital changes   | 1 009 769    | 722 946       | (5 899)      | (2 524)       |
| Working capital changes  |              |               |              |               |
| Increase in inventories  | (32 681)     | (11 001)      |              |               |
| Decrease/(increase) in trade and other receivables   | 178 967      | (180 560)     | –            | 1 184         |
| Increase/(decrease) in trade and other payables  | 211 422      | 104 577       | 520          | (422)         |
| Cash generated from/(utilised in) operations   | 1 367 477    | 635 962       | (5 379)      | (1 762)       |
| 30.2 DIVIDENDS PAID  |              |               |              |               |
| Dividends paid by company  | (206 508)    | (81 960)      | (206 491)    | (81 960)      |

\* 2004 figures have been restated for IFRS.

# Notes to the Financial Statements (continued)

31 December 2005

|  | Group        |               | Company      |               |
|--|--------------|---------------|--------------|---------------|
|  | 2005<br>R000 | 2004*<br>R000 | 2005<br>R000 | 2004*<br>R000 |
| <b>30. CASH FLOW (continued)</b>   |              |               |              |               |
| <b>30.3 SHIPS, PROPERTY, PLANT AND EQUIPMENT ACQUIRED</b>  |              |               |              |               |
| Additions per ships, property, plant and equipment (note 1)  | (694 863)    | (803 218)     |              |               |
| Less ships, property, plant and equipment acquired on acquisition of subsidiaries                      | 149 019      | 83 242        |              |               |
| Less embedded derivative adjustment on ship construction contracts                                     | -            | 235 130       |              |               |
| Add settlement of forward exchange contracts for ships   | (102 291)    | (74 117)      |              |               |
| Cash flow on acquisition of ships, property, plant and equipment                                       | (648 135)    | (558 963)     | -            | -             |
| <b>30.4 ACQUISITION OF SUBSIDIARIES AND JOINT VENTURES</b>   |              |               |              |               |
| During the year the group acquired additional interests in subsidiaries and joint ventures as follows: |              |               |              |               |
| Ships, property, plant and equipment   | (149 019)    | (83 242)      |              |               |
| Working capital  | (788 832)    | 13 791        |              |               |
| Cash and bank  | 855          | (8 755)       |              |               |
| Long-term liabilities  | 83 842       | 78 496        |              |               |
| Minority interest  | (620)        | (33)          |              |               |
| Deferred taxation  | (4 603)      | (533)         |              |               |
| Taxation liabilities   | 8 691        | 1 106         |              |               |
| Goodwill and intangible assets   | (68 798)     | (13 747)      |              |               |
| Total purchase price   | (918 484)    | (12 917)      | -            | -             |
| Less cash and cash equivalents   | (855)        | 8 755         |              |               |
| Less prepayment on investment 2004   | 12 922       | -             |              |               |
| Cash flow on acquisition net of cash acquired  | (906 417)    | (4 162)       | -            | -             |
| <b>30.5 CASH AND CASH EQUIVALENTS</b>  |              |               |              |               |
| Cash and cash equivalents included in the cash flow comprise the following balance sheet amounts:      |              |               |              |               |
| Bank balances and cash   | 739 522      | 345 655       | 958          | 1 999         |
| Bank overdrafts  | (391 951)    | (88 358)      |              |               |
|  | 347 571      | 257 297       | 958          | 1 999         |

\* 2004 figures have been restated for IFRS.

### 31. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURES

During the year the group acquired the following material additional interests:

| Company                                  | % acquired | Date of acquisition |
|--|------------|---------------------|
| African Portland Industrial Holdings Ltd | 80%        | 1 February          |
| Atlas Trading & Shipping                 | 100%       | 10 May              |
| Equus Investments Ltd                    | 50%        | 1 July              |
| Seascope Commodities (Pty) Ltd           | 50%        | 1 November          |

The cash consideration for the businesses acquired totalled R918,5 million and the incremental profit recognised was R16,0 million.

Net assets acquired in the transactions and the goodwill/intangible asset arising, are as follows:

|   | Acquirees<br>carrying<br>amount<br>before<br>combination | Fair value<br>adjustments | Fair value |
|---|--|---------------------------|------------|
|   | R000   | R000                      | R000       |
| Net assets acquired                                   |  |                           |            |
| Ships, property, plant and equipment                  | 129 019  | 20 000                    | 149 019    |
| Goodwill and intangible assets                        | 7 650  |                           | 7 650      |
| Working capital                                       | 786 467  | 2 365                     | 788 832    |
| Cash and bank   | (855)  |                           | (855)      |
| Long-term liabilities                                 | (83 842)   |                           | (83 842)   |
| Minority interest                                     | 620  |                           | 620        |
| Deferred taxation                                     | 4 603  |                           | 4 603      |
| Taxation liabilities                                  | (8 691)  |                           | (8 691)    |
| Total   | 834 971  | 22 365                    | 857 336    |
| Goodwill and intangible assets arising on acquisition |  |                           | 61 148     |
|   |  |                           | 918 484    |

The goodwill arising on the acquisition of these business is attributable to the anticipated profitability of the businesses.

Provisional accounting has been applied to the acquisition of African Portland Industrial Holdings Limited, and the fair values of the acquired assets will be finalised within 12 months from date of acquisition.

# Notes to the Financial Statements (continued)

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## 32. RELATED PARTY TRANSACTIONS

During the year the group, in the ordinary course of business, entered into various transactions with associate and joint venture companies. These transactions occurred under terms that are no more or less favourable than those arranged with third party companies. Details of the material transactions are set out below. Intra group transactions are eliminated on consolidation.

|  | Influence<br>holders<br>in the group<br>R000 | Group              |                           | Amounts<br>due by<br>related party<br>R000 |
|--|--|--------------------|---------------------------|--|
|  |  | Associates<br>R000 | Joint<br>ventures<br>R000 |  |
| <b>2005</b>                                      |  |                    |                           |  |
| <b>Goods and services sold to:</b>               |  |                    |                           |  |
| CMA CGM Shipping Agencies South Africa (Pty) Ltd |  | 628                |                           | 68   |
| CMC Grindrod (Pty) Ltd                           |  |                    | 2 895                     | 15   |
| Ocean Africa Container Lines (Pty) Ltd           |  | 93 629             |                           | 3 164                                      |
| Petrochemical Shipping Ltd                       |  |                    | 546                       | –  |
| Röhlig-Grindrod (Pty) Ltd                        |  |                    | 1 795                     | 363  |
| Spinnaker Shipping & Logistics (Pty) Ltd         |  | 113                |                           | 9  |
| <b>Other transactions:</b>                       |  |                    |                           |  |
| Nicolle Shipping (Pty) Ltd                       | 456  |                    |                           | –  |
|  | <b>456</b>                                   | <b>94 370</b>      | <b>5 236</b>              | <b>3 619</b>                               |
| <b>2004</b>                                      |  |                    |                           |  |
| <b>Goods and services sold to:</b>               |  |                    |                           |  |
| CMA CGM Shipping Agencies South Africa (Pty) Ltd |  | 50                 |                           | 22   |
| CMC Grindrod (Pty) Ltd                           |  |                    | 26                        | –  |
| Ocean Africa Container Lines (Pty) Ltd           |  | 60 172             |                           | 1 693                                      |
| Petrochemical Shipping Ltd                       |  |                    | 1 294                     | –  |
| Röhlig-Grindrod (Pty) Ltd                        |  | 979                |                           | 231  |
| Spinnaker Shipping & Logistics (Pty) Ltd         |  | 155                |                           | –  |
| <b>Other transactions:</b>                       |  |                    |                           |  |
| Nicolle Shipping (Pty) Ltd                       | 383  |                    |                           | –  |
|  | <b>383</b>                                   | <b>61 356</b>      | <b>1 320</b>              | <b>1 946</b>                               |

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### 32. RELATED PARTY TRANSACTIONS (continued)

#### Associates

Details of material investments in associates are set out in note 5. Dividends received from associate companies amounted to R5 274 000 (2004: R21 344 000).

#### Joint ventures

Details of interests in joint ventures are set out in notes 4 and 29.

#### Subsidiaries

Details of investments in subsidiaries are set out in note 3 and in the schedule of interest in subsidiaries on page 111. The company received dividends of R832 467 000 (2004: R254 779 460) from subsidiaries in the current year.

#### Directors

Details of directors' interests in the company and directors' emoluments are set out in the directors report and note 23 respectively.

#### Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on pages 114 to 115.

# Loan Funds as at 31 December 2005

|   | Date of redemption | Current rate of interest % per annum | 2005             |         | 2004*            |         |
|---|--------------------|--------------------------------------|------------------|---------|------------------|---------|
|   |                    |                                      | R000             | US\$000 | R000             | US\$000 |
| <b>SECURED</b>  |                    |                                      |                  |         |                  |         |
| Foreign currency financing  |                    |                                      |                  |         |                  |         |
| Loans secured by mortgage bonds over ships                                |                    |                                      |                  |         |                  |         |
| Repayable in quarterly instalments  | 05/2009            | 5,81                                 | 53 995           | 8 558   | 54 268           | 9 605   |
| Repayable in quarterly instalments  | 08/2010            | 5,66                                 | 41 961           | 6 650   |                  |         |
| Repayable in bi-annual instalments  | 10/2012            | 5,00                                 | 138 820          | 22 000  |                  |         |
| Repayable in quarterly instalments  | 03/2014            | 5,81                                 | 82 030           | 13 000  |                  |         |
| Repayable in quarterly instalments  | 03/2014            | 5,56                                 | 111 700          | 17 702  | 113 718          | 20 127  |
| Repayable in quarterly instalments  | 06/2014            | 5,56                                 | 49 988           | 7 922   | 60 331           | 10 678  |
| Repayable in quarterly instalments  | 12/2014            | 5,56                                 | 49 773           | 7 888   | 57 726           | 10 217  |
| Repayable in single instalment  | 02/2017            | 5,66                                 | 29 972           | 4 750   |                  |         |
| Local financing   |                    |                                      |                  |         |                  |         |
| Loan secured by mortgage bond over ships                                  |                    |                                      |                  |         |                  |         |
| Repayable in quarterly instalments  | 05/2009            | 8,90                                 | 92 758           |         | 104 401          |         |
| Capitalised finance leases secured by ships                               |                    |                                      |                  |         |                  |         |
| Repayable in semi-annual instalments                                      | 12/2007            | 8,30                                 | 86 485           |         | 101 282          |         |
| Loans secured by mortgage bond over property, plant and equipment         |                    |                                      |                  |         |                  |         |
| Repayable in quarterly instalments  | 09/2009            | 11,04                                | 30 139           |         | 36 137           |         |
| Repayable in quarterly instalments  | 12/2009            | 9,30                                 | 27 963           |         | 32 889           |         |
| Repayable in quarterly instalments  | 12/2010            | 9,85                                 | 33 992           |         | 37 588           |         |
| Other capitalised finance leases and loans secured by plant and equipment |                    |                                      |                  |         |                  |         |
| Repaid during 2005  |                    |                                      | 153 623          |         | 82 341           | 6 175   |
| <b>AGGREGATE SECURED LOANS</b>  |                    |                                      | <b>983 199</b>   |         | <b>715 570</b>   |         |
| Amount repayable within one year  |                    |                                      | (226 542)        |         | (92 838)         |         |
| <b>SECURITY</b>   |                    |                                      |                  |         |                  |         |
| Net book values of assets encumbered to secure loans are as follows:      |                    |                                      |                  |         |                  |         |
|   |                    |                                      | <b>1 515 406</b> |         | <b>1 346 716</b> |         |
| Ships   |                    |                                      | 1 100 763        |         | 1 131 588        |         |
| Land and buildings  |                    |                                      | 169 636          |         | 65 776           |         |
| Trade receivables   |                    |                                      | 132 279          |         | -                |         |
| Equipment, plant and vehicles   |                    |                                      | 112 728          |         | 149 352          |         |
| <b>UNSECURED</b>  |                    |                                      |                  |         |                  |         |
| Repaid during 2005  |                    |                                      |                  |         | 60 000           |         |
| <b>AGGREGATE UNSECURED LOANS</b>  |                    |                                      | <b>-</b>         |         | <b>60 000</b>    |         |
| Amount repayable within one year  |                    |                                      | -                |         | (20 000)         |         |
| <b>AGGREGATE SECURED AND UNSECURED LOANS</b>                              |                    |                                      | <b>983 199</b>   |         | <b>775 570</b>   |         |
| Aggregate amount repayable within one year                                |                    |                                      | (226 542)        |         | (112 838)        |         |
| <b>NET LONG-TERM BORROWINGS</b>   |                    |                                      | <b>756 657</b>   |         | <b>662 732</b>   |         |

\* 2004 figures have been restated for IFRS.

# Interests in Subsidiaries as at 31 December 2005

|   | Nature of Business<br>** | Share Capital |        | Effective Holding |       | Investments Shares at Original Cost |         | Share Based Payments to Employees |       | Loan to Subsidiary |        |
|---|--------------------------|---------------|--------|-------------------|-------|-------------------------------------|---------|-----------------------------------|-------|--------------------|--------|
|   |                          | 2005          | 2004*  | 2005              | 2004* | 2005                                | 2004*   | 2005                              | 2004* | 2005               | 2004*  |
|   |                          | R000          | R000   | %                 | %     | R000                                | R000    | R000                              | R000  | R000               | R000   |
| INCORPORATED IN SOUTH AFRICA                |                          |               |        |                   |       |                                     |         |                                   |       |                    |        |
| Grindrod Freight Investments (Pty) Limited  | F                        | 1 158         | 1 158  | 100               | 100   | 35 900                              | 35 900  | 613                               | 285   | 318 489            | -      |
| Grindrod Management Services (Pty) Limited  | G                        | -             | -      | 100               | 100   | -                                   | -       | 1 142                             | 491   | 21 948             | 41 214 |
| Grindrod & Company (Pty) Limited            | D                        | 67            | 67     | 100               | 100   | 9 164                               | 9 164   |                                   |       |                    |        |
| Grindrod International Travel (Pty) Limited | T                        | 43            | 43     | 100               | 100   | 1 432                               | 1 432   |                                   |       | 1 511              | -      |
| Grindrod Property Leasing (Pty) Limited     | G                        | -             | -      | 100               | 100   | -                                   | -       |                                   |       | 1 552              | -      |
| Grincor Shipping Holdings Limited           | G                        | 23            | 23     | 100               | 100   | 144 451                             | 144 450 |                                   |       |                    |        |
| Unicorn Shipping (Pty) Limited              | S                        | -             | -      | 100               | 100   | -                                   | -       |                                   |       | 21                 | 21     |
| Island View Shipping (Pty) Limited          | S                        | 5             | 5      | 100               | 100   | 5 000                               | 5 000   | 575                               | 313   |                    |        |
| ISS-Voigt Shipping (Pty) Limited            | F                        | 10 000        | 10 000 | 100               | 100   | -                                   | -       |                                   |       |                    |        |
| Seasure Insurance Brokers (Pty) Limited     | I                        | -             | -      | 100               | 100   | -                                   | -       |                                   |       | 576                | -      |
| Southern Tankers (Pty) Limited              | S                        | 10            | 10     | 100               | 100   | 7 521                               | 7 521   |                                   |       | 3 085              | 3 085  |
| Grindrod (South Africa) (Pty) Limited       | S                        | 204           | 204    | 100               | 100   | 82 050                              | 82 050  | 162                               | 162   |                    |        |
| Unicorn Shipping Holdings Limited           | S                        | 1 500         | 1 500  | 100               | 100   | 146 895                             | 156 534 |                                   |       | 2 803              | -      |
| Unicorn Shipping Operations (Pty) Limited   | S                        | -             | -      | 100               | 100   | -                                   | -       |                                   |       |                    |        |
| Grindrod Shipping (SA) (Pty) Limited        | S                        | 1             | -      | 81                | -     | 1                                   | -       |                                   |       |                    |        |
| INCORPORATED IN BRITISH VIRGIN ISLANDS      |                          |               |        |                   |       |                                     |         |                                   |       |                    |        |
| Swallow Enterprises Incorporated            | G                        | 415           | 415    | 100               | 100   | 415                                 | 415     |                                   |       | 5 689              | 5 992  |
| INCORPORATED IN ISLE OF MAN                 |                          |               |        |                   |       |                                     |         |                                   |       |                    |        |
| Grindrod International Limited              | S                        | 32 000        | -      | 100               | 100   | 1 025 331                           | 149 297 | 299                               | 76    | 470                | -      |
| INTEREST IN SUBSIDIARIES (note 3)           |                          |               |        |                   |       | 1 458 160                           | 591 763 | 2 791                             | 1 327 | 356 144            | 50 312 |

\*\* Nature of Business

D – Dormant

F – Freight and Financial Services

G – Group and Property Services

I – Insurance

S – Shipping Services

T – Travel

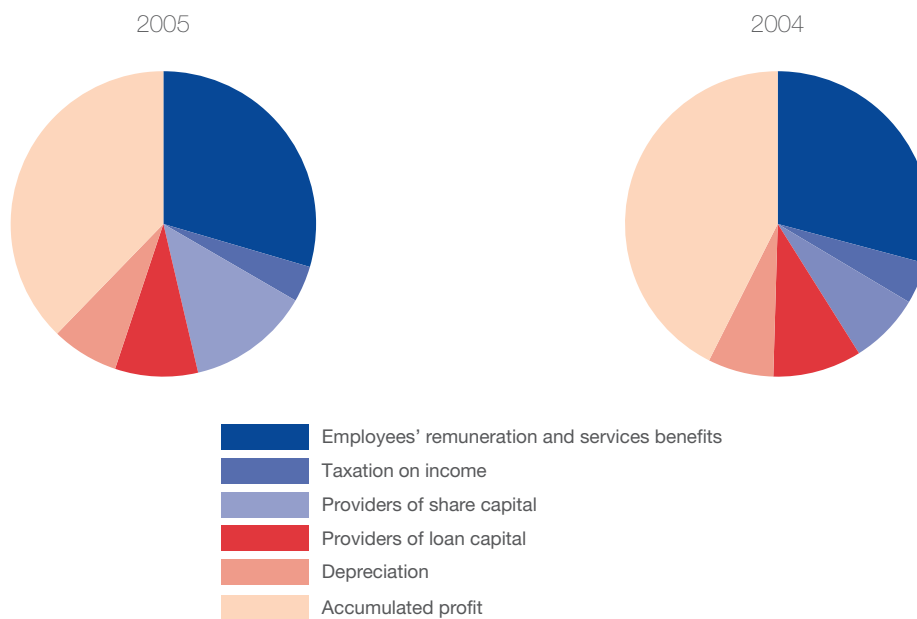
# Value Added Statement for the year ended 31 December 2005

|  | Group            |      |                  |      |
|--|------------------|------|------------------|------|
|  | 2005             |      | 2004*            |      |
|  | R000             | %    | R000             | %    |
| Revenue                                      | 7 449 145        |      | 2 974 325        |      |
| Net cost of services                         | (5 734 143)      |      | (1 865 398)      |      |
| Value added by operations                    | 1 715 002        |      | 1 108 927        |      |
| Non-trading items                            | 3 451            |      | 2 036            |      |
| <b>TOTAL VALUE ADDED</b>                     | <b>1 718 453</b> |      | <b>1 110 963</b> |      |
| <b>APPLIED AS FOLLOWS</b>                    |                  |      |                  |      |
| Employees' remuneration and service benefits | 504 574          | 29,4 | 317 775          | 28,6 |
| Taxation on income                           | 75 829           | 4,4  | 68 691           | 6,2  |
| Providers of share capital                   | 221 697          | 12,9 | 81 960           | 7,4  |
| Providers of loan capital                    | 149 915          | 8,7  | 102 472          | 9,2  |
| Reinvested in the business                   |                  |      |                  |      |
| Depreciation                                 | 121 705          | 7,1  | 75 835           | 6,8  |
| Accumulated profit                           | 644 733          | 37,5 | 464 230          | 41,8 |

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

\* 2004 figures have been restated for IFRS.

## Distribution of Wealth



## MONETARY EXCHANGES WITH GOVERNMENTS

| Description of monetary exchange               | 2005                        | 2004                        |
|--|-----------------------------|-----------------------------|
|  | Paid/<br>(received)<br>R000 | Paid/<br>(received)<br>R000 |
| Direct taxes                                   | 75 829                      | 68 691                      |
| South African normal tax                       | 72 506                      | 67 810                      |
| Foreign tax                                    | 3 102                       | 881                         |
| Secondary tax on companies                     | 221                         | -                           |
| Employees tax                                  | 102 821                     | 51 465                      |
| Indirect taxes                                 | 1 063 209                   | 434 707                     |
| Net VAT received                               | (50 513)                    | (48 754)                    |
| Customs and excise duties                      | 1 099 467                   | 475 224                     |
| RSC levies                                     | 5 200                       | 3 541                       |
| Municipal rates or property taxes              | 5 987                       | 3 539                       |
| Other  | 3 068                       | 1 157                       |
| <b>NET MONETARY EXCHANGES WITH GOVERNMENTS</b> | <b>1 241 859</b>            | <b>554 863</b>              |

## Share Performance

|                                 | 2005     |            | 2004*    |     | 2003     |         | 2002     |          | 2001     |          |
|---------------------------------|----------|------------|----------|-----|----------|---------|----------|----------|----------|----------|
|                                 | Ordinary | Preference | Ordinary | "N" | Ordinary | "N"     | Ordinary | "N"      | Ordinary | "N"      |
| Market price per share (cents)  |          |            |          |     |          |         |          |          |          |          |
| Opening                         | 790      | 10 000     | 238      | 240 | 140      | 124     | 102      | 100      | 61       | 58       |
| Year end                        | 1 300    | 11 650     | 790      | -   | 238      | 240     | 140      | 124      | 102      | 100      |
| Highest                         | 1 315    | 11 650     | 800      | -   | 240      | 240     | 140      | 135      | 102      | 103      |
| Lowest                          | 770      | 10 000     | 240      | -   | 123      | 118     | 102      | 96       | 58       | 52       |
| Number of shares(000)           | 461 626  | 5 000      | 454 610  | -   | 175 160  | 305 525 | 175 085  | 297 400  | 189 250  | 307 395  |
| - in issue                      | 461 626  | 5 000      | 454 610  | -   | 175 160  | 305 525 | 208 245  | 321 275  | 207 575  | 346 110  |
| - treasury                      | -        | -          | -        | -   | -        | -       | (33 160) | (23 875) | (18 325) | (38 715) |
| Number of transactions recorded | 28 654   | 788        | 10 973   | -   | 226      | 1 169   | 287      | 1 314    | 306      | 1000     |
| Number of shares traded (000)   | 238 429  | 2 185      | 206 155  | -   | 49 210   | 38 445  | 18 835   | 66 030   | 30 810   | 138 410  |
| Volume of shares traded as      |          |            |          |     |          |         |          |          |          |          |
| % of total issued shares        | 51,6     | 43,7       | 45,3     | -   | 28,1     | 12,6    | 9,0      | 20,6     | 14,8     | 40,0     |
| Value of shares traded (R000)   | 988 417  | 230 706    | 995 310  | -   | 108 676  | 65 123  | 23 496   | 75 405   | 22 845   | 103 301  |
| Market capitalisation (Rm)      | 6 001,1  | 582,5      | 3 591,4  | -   | 1 150,1  | -       | 689,9    | -        | 558,6    | -        |
| PE ratio                        | 7,0      | -          | 6,4      | -   | 4,7      | -       | 4,0      | -        | 4,2      | -        |
| Dividend yield                  | 4,0      | -          | 4,4      | -   | 5,0      | -       | 5,7      | -        | 5,5      | -        |
| Earnings yield                  | 14,3     | -          | 15,7     | -   | 21,1     | -       | 25,0     | -        | 23,9     | -        |

The share prices have been restated to give effect to the subdivision for comparison purposes.

\* 2004 figures have been restated for IFRS.

# Analysis of Ordinary Shareholders

at 31 December 2005

|                                       | Number of<br>Shareholders | % of<br>Shareholders | Number of<br>Shares | % of<br>Shares |
|---------------------------------------|---------------------------|----------------------|---------------------|----------------|
| <b>SHAREHOLDERS' SPREAD</b>           |                           |                      |                     |                |
| 1 – 5 000 shares                      | 6 208                     | 63,2                 | 14 495 034          | 3,1            |
| 5 001 – 10 000 shares                 | 1 488                     | 15,1                 | 12 074 432          | 2,6            |
| 10 001 – 50 000 shares                | 1 524                     | 15,5                 | 35 854 444          | 7,8            |
| 50 001 – 100 000 shares               | 266                       | 2,7                  | 19 839 895          | 4,3            |
| Over 100 001 shares                   | 345                       | 3,5                  | 379 362 405         | 82,2           |
|                                       | 9 831                     | 100,0                | 461 626 210         | 100,0          |
| <b>Non-public shareholders</b>        |                           |                      |                     |                |
| – directors                           | 15                        | 0,2                  | 110 061 574         | 23,8           |
| – directors' associates               | 14                        | 0,1                  | 14 736 750          | 3,2            |
| Public shareholders                   | 9 802                     | 99,7                 | 336 827 886         | 73,0           |
|                                       | 9 831                     | 100,0                | 461 626 210         | 100,0          |
| <b>INVESTOR PROFILE</b>               |                           |                      |                     |                |
| Banks                                 | 76                        | 0,8                  | 35 083 555          | 7,6            |
| Pension Funds                         | 134                       | 1,4                  | 31 310 199          | 6,8            |
| Growth Funds & Unit Trusts            | 203                       | 2,0                  | 37 310 405          | 8,1            |
| Nominee Companies & Trusts            | 1 277                     | 13,0                 | 34 794 849          | 7,5            |
| Investment Companies                  | 15                        | 0,1                  | 32 512 874          | 7,0            |
| Insurance Companies                   | 29                        | 0,3                  | 27 340 132          | 5,9            |
| Medical Aid Schemes                   | 5                         | 0,1                  | 77 365              | 0,0            |
| Public Companies                      | 10                        | 0,1                  | 467 555             | 0,1            |
| Private Companies                     | 311                       | 3,2                  | 145 734 871         | 31,6           |
| Other Corporations                    | 154                       | 1,6                  | 2 214 053           | 0,5            |
| Close Corporations                    | 202                       | 2,0                  | 3 610 072           | 0,8            |
| Individuals                           | 7 415                     | 75,4                 | 111 170 280         | 24,1           |
|                                       | 9 831                     | 100,0                | 461 626 210         | 100,0          |
| <b>TOP 20 BENEFICIAL SHAREHOLDERS</b> |                           |                      |                     |                |
| W M Grindrod                          |                           |                      | 76 249 559          | 16,5           |
| B Morrison                            |                           |                      | 33 125 420          | 7,2            |
| Old Mutual Group                      |                           |                      | 26 609 676          | 5,8            |
| M Lawson                              |                           |                      | 25 925 600          | 5,6            |
| I A J Clark                           |                           |                      | 15 905 045          | 3,4            |
| Metropolitan                          |                           |                      | 15 496 176          | 3,4            |
| Liberty Group                         |                           |                      | 13 752 605          | 3,0            |
| Standard Bank                         |                           |                      | 9 771 535           | 2,1            |
| Public Investment Corporation         |                           |                      | 8 502 290           | 1,8            |
| Investment Solutions                  |                           |                      | 7 297 398           | 1,6            |
| Nedbank Group                         |                           |                      | 6 301 608           | 1,4            |
| Investec                              |                           |                      | 6 101 855           | 1,3            |
| I M Groves                            |                           |                      | 5 450 000           | 1,2            |
| A Morrison                            |                           |                      | 5 350 000           | 1,2            |
| Transnet Pension Fund                 |                           |                      | 4 559 600           | 1,0            |
| Stanlib Funds                         |                           |                      | 4 366 965           | 0,9            |
| Eskom Pension & Provident Fund        |                           |                      | 4 163 955           | 0,9            |
| Ellerine Brothers                     |                           |                      | 3 500 000           | 0,8            |
| A Lawson                              |                           |                      | 3 220 320           | 0,7            |
| A K Olivier                           |                           |                      | 2 954 250           | 0,6            |
|                                       |                           |                      | 278 603 857         | 60,4           |

|                                       | Number of<br>Shares | % of<br>Shares |
|---------------------------------------|---------------------|----------------|
| <b>TOP 10 FUND MANAGERS</b>           |                     |                |
| Stanlib Asset Management              | 31 441 097          | 6,8            |
| Old Mutual Asset Managers             | 30 859 261          | 6,7            |
| Metropolitan Asset Management         | 20 511 710          | 4,4            |
| Oasis Asset Management                | 9 407 078           | 2,0            |
| Investec Asset Management             | 6 723 650           | 1,5            |
| Foord Asset Management                | 6 590 455           | 1,4            |
| Nedcor Securities                     | 5 461 632           | 1,2            |
| Futuregrowth Asset Management         | 5 071 470           | 1,1            |
| Flagship Asset Management             | 4 241 000           | 0,9            |
| Public Investment Corporation         | 4 002 290           | 0,9            |
|                                       | 124 309 643         | 26,9           |
| <b>TOP 10 OFFSHORE INVESTORS</b>      |                     |                |
| State Street Bank & Trust Co (USA)    | 2 837 723           | 0,6            |
| Citibank (USA)                        | 2 595 440           | 0,6            |
| Vanguard (USA)                        | 1 512 590           | 0,3            |
| Investors Bank & Trust Company (USA)  | 1 382 372           | 0,3            |
| Abu Dhabi Investment Authority (UAE)  | 1 365 765           | 0,3            |
| SIS SegalInterSettle AG (Switzerland) | 1 215 100           | 0,3            |
| JP Morgan Chase (UK)                  | 1 088 717           | 0,2            |
| Bank of New York (USA)                | 1 046 945           | 0,2            |
| Dimensional Fund Advisors (USA)       | 758 150             | 0,2            |
| Bear Stearns (USA)                    | 675 280             | 0,1            |
|                                       | 14 478 082          | 3,1            |

# Analysis of Preference Shareholders

at 31 December 2005

|                                       | Number of Shareholders | % of Shareholders | Number of Shares | % of Shares |
|---------------------------------------|------------------------|-------------------|------------------|-------------|
| <b>SHAREHOLDERS' SPREAD</b>           |                        |                   |                  |             |
| 1 – 5 000 shares                      | 1 044                  | 88,1              | 1 771 805        | 35,4        |
| 5 001 – 10 000 shares                 | 79                     | 6,7               | 668 981          | 13,4        |
| 10 001 – 50 000 shares                | 51                     | 4,3               | 1 047 204        | 20,9        |
| 50 001 – 100 000 shares               | 7                      | 0,6               | 528 726          | 10,6        |
| Over 100 001 shares                   | 4                      | 0,3               | 983 284          | 19,7        |
|                                       | 1 185                  | 100,0             | 5 000 000        | 100,0       |
| <b>Non-public shareholders</b>        |                        |                   |                  |             |
| – directors                           | 3                      | 0,3               | 510 000          | 10,2        |
| – directors' associates               | 4                      | 0,3               | 127 588          | 2,6         |
| Public shareholders                   | 1 178                  | 99,4              | 4 362 412        | 87,2        |
|                                       | 1 185                  | 100,0             | 5 000 000        | 100,0       |
| <b>INVESTOR PROFILE</b>               |                        |                   |                  |             |
| Banks                                 | 4                      | 0,3               | 304 594          | 6,0         |
| Pension Funds                         | 19                     | 1,6               | 263 103          | 5,3         |
| Growth Funds & Unit Trusts            | 34                     | 2,9               | 393 879          | 7,9         |
| Nominee Companies & Trusts            | 284                    | 24,0              | 1 144 550        | 22,9        |
| Investment Companies                  | 3                      | 0,3               | 25 581           | 0,5         |
| Public Companies                      | 5                      | 0,4               | 193 490          | 3,9         |
| Private Companies                     | 64                     | 5,4               | 795 132          | 15,9        |
| Other Corporations                    | 17                     | 1,4               | 90 894           | 1,8         |
| Close Corporations                    | 13                     | 1,1               | 18 016           | 0,4         |
| Individuals                           | 742                    | 62,6              | 1 770 761        | 35,4        |
|                                       | 1 185                  | 100,0             | 5 000 000        | 100,0       |
| <b>TOP 10 PREFERENCE SHAREHOLDERS</b> |                        |                   |                  |             |
| Basfour 2052 (Pty) Limited            |                        |                   | 491 500          | 9,8         |
| Peregrine Equities                    |                        |                   | 202 594          | 4,1         |
| Milnerton Estates Limited             |                        |                   | 178 390          | 3,6         |
| Oasis Balanced Unit Trust Fund        |                        |                   | 110 800          | 2,2         |
| Marriott Merchant Bank Limited        |                        |                   | 100 000          | 2,0         |
| Nailsea Trust                         |                        |                   | 100 000          | 2,0         |
| National Tertiary Retirement Fund     |                        |                   | 76 400           | 1,5         |
| W Roseberg                            |                        |                   | 75 600           | 1,5         |
| W Gruzd                               |                        |                   | 63 926           | 1,3         |
| Namib-GIFP Sovereign                  |                        |                   | 61 800           | 1,2         |
|                                       |                        |                   | 1 461 010        | 29,2        |

# Corporate Information

## GRINDROD LIMITED

Registration number 1966/009846/06

### Company secretary

C A S Robertson FCIS

### Registered office and business address

Quadrant House  
115 Victoria Embankment  
Durban  
4001

### Postal address

PO Box 1  
Durban  
4000

### Telecommunication/electronic addresses

|                    |                         |
|--------------------|-------------------------|
| Telephone          | +27 (31) 304 1451       |
| Facsimile          | +27 (31) 305 2848       |
| E-mail             | grindrod@grindrod.co.za |
| Website            | www.grindrod.co.za      |
| Investor relations | craigr@grindrod.co.za   |

## AUDITORS

Deloitte & Touche

## TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited  
70 Marshall Street  
Johannesburg  
2001

### Postal address

PO Box 61051  
Marshalltown  
2107

### Telecommunication

Telephone +27 (11) 370 5000  
Facsimile +27 (11) 370 5271/2

## BANKERS TO THE GROUP

### Local

ABSA Bank Limited  
Barclays Bank PLC, South African Branch  
First National Bank of Southern Africa Limited  
Investec Bank Limited  
Nedbank Limited  
The Standard Bank of South Africa Limited

### Foreign

Calyon – S.A.  
Nordea Bank  
Standard Chartered Merchant Bank  
Royal Bank of Scotland  
Hong Kong & Shanghai Banking Corporation

## ATTORNEYS

Garlicke & Bousfield Incorporated

## SPONSORS

Exchange Sponsors (Pty) Limited  
Hyde Park Manor  
South Block  
79 Hyde Lane  
Hyde Park  
2196

### Postal address

PO Box 783676  
Sandton  
2146

### Telecommunication

Telephone +27 (11) 537 3800  
Facsimile +27 (11) 327 3003

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# Shareholders' Diary for 2006

|   |             |
|---|-------------|
| Financial year end  | 31 December |
| Annual general meeting  | 24 May      |
| Notice of annual general meeting and form of proxy<br>are included in the annual report |             |
| <b>Reports and profit statements</b>  |             |
| Results and dividend announcement for the year  | February    |
| Annual report and financial statements  | April       |
| Interim report  | August      |
| <b>Dividends</b>  |             |
| Final   | March       |
| Interim   | September   |

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINTH ANNUAL GENERAL MEETING OF MEMBERS OF GRINDROD LIMITED WILL BE HELD IN THE BOARDROOM, 1ST FLOOR, QUADRANT HOUSE, 115 VICTORIA EMBANKMENT, DURBAN ON WEDNESDAY 24 MAY 2006 AT 14H30 FOR THE FOLLOWING PURPOSES:

1. To receive and adopt the audited financial statements for the year ended 31 December 2005.
2. To re-elect retiring directors in accordance with the articles of association. Motions for re-election will be moved individually.

In accordance with article 59 of the articles of association Messrs H Adams, I A J Clark, W M Grindrod, A K Olivier and A F Stewart and retire by rotation and being eligible, offer themselves for re-election. The credentials of these directors are provided on pages 12 to 15 of the annual report.

3. To consider and confirm the directors fees paid for the year ended 31 December 2005 as set out in note 23 to the annual financial statements.
4. To consider and approve the fees to the non-executive directors for the periods 1 January 2006 to 30 June 2006 and 1 July 2006 to 30 June 2007, respectively as set out below:

|                               | 01.01.2006 to<br>30.06.2006<br>R | 01.07.2006 to<br>30.06.2007<br>R |
|-------------------------------|----------------------------------|----------------------------------|
| <b>Board</b>                  |                                  |                                  |
| Chairman                      | 105 000                          | 210 000                          |
| Deputy chairman               | 50 000                           | 100 000                          |
| Director                      | 45 000                           | 90 000                           |
| <b>Audit Committee</b>        |                                  |                                  |
| Chairman                      | 15 000                           | 30 000                           |
| Member                        | 12 250                           | 24 500                           |
| <b>Remuneration Committee</b> |                                  |                                  |
| Chairman                      | 14 250                           | 28 500                           |
| Member                        | 12 000                           | 24 000                           |

5. To confirm the appointment of the auditors, Deloitte & Touche for the ensuing year.
6. To authorise the directors to determine the remuneration of the auditors for the past year's audit.

*As special business, to consider and if deemed fit, pass with or without modification the following special and ordinary resolutions*

## 7. Special resolution 1

"Resolved that the directors of the company be and are hereby authorised, by way of a general approval, to repurchase on behalf of the company, ordinary shares of 0,002 cent each ("ordinary shares") issued by the company, in terms of sections 85 to 90 of the Companies Act, 1973 (Act 61 of 1973), as amended, and in terms of the Listings Requirements of JSE Limited ("JSE") being that:

- any such repurchase of ordinary shares shall be implemented on the open market of the JSE;
- this general authority shall only be valid until the company's next annual general meeting; provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published for every 3% of the ordinary shares in issue, in aggregate, repurchased by the company, containing full details of such acquisitions in accordance with section 5.79 of the Listings Requirements;

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## Notice of Meeting (continued)

- in terms of this general approval, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time that approval is granted, and the acquisition of shares by a subsidiary of the company may not exceed 10% in the aggregate, in any one financial year, of the number of issued shares of the company of that class;
- in determining the price at which ordinary shares issued by the company are repurchased by it in terms of this general approval, the maximum premium at which such ordinary shares may be repurchased is 10% of the weighted average of the market value at which such ordinary shares are traded, respectively, on the JSE as determined over the five trading days immediately preceding the day on which the transaction was agreed;
- the company may only undertake a repurchase of shares if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements; and
- the company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements."

### *Reason and effect of Special Resolution 1*

The reason for and the effect of the special resolution is that the general approval for the company to acquire its own shares which was renewed by special resolution at the annual general meeting of 25 May 2005 will lapse at this annual general meeting and this special resolution will renew that authority which will then remain in effect until the next succeeding annual general meeting, providing that this shall not extend beyond 15 months from the date of the special resolution.

## 8. Ordinary resolutions

### 8.1 Ordinary resolution 1:

"Resolved that the unissued ordinary shares in the capital of the company reserved for the purpose of the company's share option scheme, continue to be placed under the control of the directors, who shall be authorised to issue these shares at such times and on such terms as they may determine."

### 8.2 Ordinary resolution 2:

"Resolved that, after providing for the shares reserved for the purpose of the company's share option scheme, the balance of the unissued ordinary shares in the capital of the company continue to be placed under the control of the directors who are hereby authorised, in accordance with the provisions of section 221 of the Companies Act, 1973, to allot and issue these shares at such times and on such terms as they may determine, subject to the Listings Requirements of the JSE, and provided any shares issued in terms of this authority for cash or otherwise, shall not exceed 10% of the company's issued share capital."

### 8.3 Ordinary resolution 3:

"Resolved that, subject to not less than 75% of the votes of those shareholders present in person or by proxy and entitled to vote being cast in favour of this resolution, the directors are authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as and when suitable opportunities arise subject to the following limitations:

- the securities issued shall be of a class already in issue;
- that a press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issues;
- that issues in the aggregate in terms of this authority will not exceed 10% of the number of shares in the company's issued share capital of each relevant class in any one financial year;

- in determining the price at which an issue of ordinary shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares of that class, over the thirty business days prior to the date that the price of the issue is determined or agreed by the directors of the company;
- that any such issue will only be made to public shareholders as defined in the Listings Requirements of the JSE, and not to related parties; and
- 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 resolution."

#### 8.4 Ordinary resolution 4:

"Resolved that the allotment and issue of ordinary shares to the directors referred to below, insofar as they exercise their options granted on 23 November 2003 in terms of the company's share option scheme, be approved in terms of Section 222(1)(a) of the Companies Act, 1973 as amended:

|                 | Number of<br>options granted |
|-----------------|------------------------------|
| I A J Clark     | 1 000 000                    |
| A K Olivier     | 1 000 000                    |
| L R Stuart-Hill | 1 000 000                    |
| T J T McClure   | 1 000 000                    |
| D A Rennie      | 750 000                      |
| J G Jones       | 750 000                      |
| A F Stewart     | 750 000 "                    |

#### 8.5 Ordinary resolution 5:

"Resolved that the directors of the Company shall be entitled to pay by way of a reduction of the share premium account, in lieu of a dividend, an amount equal to the amount which the directors of the Company would have declared and paid out of profits in respect of the company's interim and final dividends for the financial year ending 31 December 2006, subject to the following conditions:

- in terms of paragraph 5.86 of the JSE Listing Requirements, any general payment will not exceed 20% of the Company's issued share capital.
- this general authority shall 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 ordinary resolution number 5".

#### 9. To transact such other business as may be transacted at an annual general meeting.

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 and the effect of the general repayment, 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; and
- 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.

# Notice of Meeting (continued)

Information related to JSE Listings Requirement 11.26 can be found in the annual report on the page references below

|                                    | Page no. |
|------------------------------------|----------|
| Directors and management           | 12       |
| Responsibility statement           | 55       |
| Directors' interests in securities | 59       |
| Material change                    | 60       |
| Share capital of the company       | 87       |
| Litigation statement               | 102      |
| Major shareholders                 | 114      |

## 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 24 May 2006, preference shareholders are entitled to attend the meeting and to vote together with ordinary shareholders in respect of special resolution 1 and ordinary resolution 5 related to a general authority to repurchase ordinary shares and authority to distribute share premium in lieu of dividend, respectively.

## 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 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) at least 48 hours before the commencement of the meeting. Shareholders who have dematerialised their shares in Grindrod such that their holdings are no longer recorded in their own names should arrange with their CSDP or broker for the necessary authority to attend the annual general meeting. Should they be unable, or do not wish to attend but wish to be represented at the meeting, they should provide their CSDP or broker with their voting instructions in terms of the agreements entered into between the shareholder and CSDP or broker concerned.

BY ORDER OF THE BOARD

**C A S Robertson**  
*Group Secretary*

Durban  
11 April 2006

Designed by  **motiv**  
PRINTED BY INCE (PTY) LTD

# Form of Proxy



## GRINDROD LIMITED

(Incorporated in the Republic of South Africa)  
 (Registration number 1966/009846/06)  
 (Share code: GND & GNDP ISIN: ZAE 000072328 & ZAE 000071106)  
 ("the Company")

(To be used by certificated shareholders and dematerialised shareholders with own name registration)

For use at the annual general meeting of shareholders of the Company to be held in the Boardroom, 1st Floor, Quadrant House, 115 Victoria Embankment, Durban at 14h30 on Wednesday 24 May 2006.

I/We (BLOCK LETTERS) \_\_\_\_\_

of \_\_\_\_\_

being the registered holder/s of \_\_\_\_\_ ordinary shares \_\_\_\_\_

in the capital of the Company hereby appoint:

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her, \_\_\_\_\_

2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her, \_\_\_\_\_

3. the chairman of the annual general meeting,

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held in the Boardroom, 1st Floor, Quadrant House, 115 Victoria Embankment, Durban at 14h30 on Wednesday 24 May 2006 and at any adjournment thereof as follows:

| RESOLUTION   | IN FAVOUR OF | AGAINST | ABSTAIN |
|--|--------------|---------|---------|
| 1. Approval of annual financial statements   |              |         |         |
| 2. Re-election of directors retiring by rotation   |              |         |         |
| 2.1 H Adams  |              |         |         |
| 2.2 I A J Clark  |              |         |         |
| 2.3 W M Grindrod   |              |         |         |
| 2.4 A K Olivier  |              |         |         |
| 2.5 A F Stewart  |              |         |         |
| 3 Confirm the directors fees for the year to 31.12.2005  |              |         |         |
| 4 Approve the fees to non-executive directors to 30.06.2007  |              |         |         |
| 5. Confirmation of appointment of auditors   |              |         |         |
| 6. Remuneration of the auditors  |              |         |         |
| 7. Renewal of authority to repurchase own shares   |              |         |         |
| 8.1 Directors authority to issue shares reserved for the share option scheme                       |              |         |         |
| 8.2 General authority for directors to issue shares  |              |         |         |
| 8.3 Authority to directors to issue shares for cash  |              |         |         |
| 8.4 Authority to allot shares exercised in terms of the share option scheme by executive directors |              |         |         |
| 8.5 General authority to distribute from share premium account in lieu of dividends                |              |         |         |

(Indicate instruction by a "X" in the space provided)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The proxy need not be a member of the company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

Signature/s \_\_\_\_\_

### REGISTERED OFFICE

Quadrant House  
 115 Victoria Embankment  
 Durban, 4001  
 (PO Box 1, Durban, 4000)

### TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited  
 Ground Floor, 70 Marshall Street  
 Johannesburg, 2001  
 (PO Box 61051, Marshalltown, 2107)

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## Notes

1. Only shareholders who are recorded in the register of members of the company who have not dematerialised their shares or who hold dematerialised shares in their own name must complete the form of proxy or alternatively attend the meeting.

Beneficial shareholders whose shares are not registered in their own name but in the name of another, e.g. a nominee, must not complete the form of proxy or attend the meeting unless a proxy is issued to them by the registered shareholder. Beneficial shareholders who are not also registered shareholders should contact the registered shareholder to issue instructions on voting or to obtain a proxy to attend the meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. Any deletion, alteration or correction to this form of proxy must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
5. Forms of proxy must be lodged at, or posted to, the registered office of the Transfer Secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 14h30 on Monday 22 May 2006.
6. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these notes.
8. A form of proxy shall be deemed to include the rights to demand or join in demanding a poll.
9. Shareholders, who have either dematerialised their company shareholdings (such that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDP's), are not company members as defined. Such shareholders who wish to attend the company's annual general meeting should arrange with their CSDP's or brokers for the necessary authority to attend the annual general meeting. Such shareholders who are unable, or do not wish, to attend the annual general meeting, but wish to be represented thereat, should provide their CSDP or brokers with their voting instructions in sufficient time to enable the CSDP's or brokers to lodge forms of proxy or appoint a representative for the meeting.

# Terms and Expressions

## **BAREBOAT CHARTER**

Charter party where the charterer hires a ship without crew and the charterer takes responsibility for the ship maintenance, crewing and insurance as though the vessel was owned by the charterer

## **BREAKBULK**

Dry, loose cargo

## **BULK CARRIER**

Ship designed to carry dry, loose cargoes in bulk

## **BUNKERS**

A ships fuel

## **CAPE SIZE BULK CARRIER**

Bulk carrier between 100 000 and 180 000 dwt

## **CHARTER**

Document evidencing a contract between shipowner and charterer or cargo owner and the shipowner and disponent owner

## **CHARTERER**

The hirer of a vessel from the owner either for a period of time or a voyage

## **CHARTER PARTY**

Conditions under which a charterer hires a vessel

## **CHEMICAL TANKERS**

A tanker, usually not larger than 40 000 dwt, designed to carry numerous bulk liquid chemical products, often in stainless steel tanks, in isolated compartments (also termed "parcels")

## **CONTAINERSHIP**

Ship designed to carry containerised cargo

## **DEADWEIGHT or DWT**

The greatest weight of cargo, stores and all other consumables on the ship that a ship can carry expressed in metric tonnes

## **HANDYSIZE BULK CARRIER**

Bulk carrier between 10 000 and 40 000 dwt

## **HANDYMAX BULK CARRIER**

Bulk carrier between 40 000 and 60 000 dwt

## **LINER SHIPPING OPERATIONS**

Operators who trade ships according to a schedule between specified ports

## **OFFHIRE**

When a ship is temporarily out of operation in accordance with the terms of the relevant charter party with a loss of agreed hire as a result (downtime)

## **OPERATOR**

An operator who trades in ships and cargo

## **PANAMAX BULK CARRIER**

Bulk carrier with a maximum beam of 32.2 metres and of between 60 000 and 100 000 dwt

## **PRODUCTS TANKER**

A tanker designed to carry refined petroleum products in bulk in multiple tanks

## **SHIPPING POOL/JOINT SERVICES AGREEMENT**

An organised group of ship owners and/or charterers where there is a pooling of resources for the purpose of flexible and commercial operation of ships

## **TECHNICAL MANAGEMENT**

Management of the marine operations maintenance, crewing, storing and insurance of the ship

## **TIME CHARTER**

Charter party where the charterer hires a ship which is crewed, maintained and ready for operation for an agreed time period

## **TEU (TWENTY FOOT EQUIVALENT UNIT)**

The standard length of a container and the measurement used to determine the container carrying capacity of a ship

