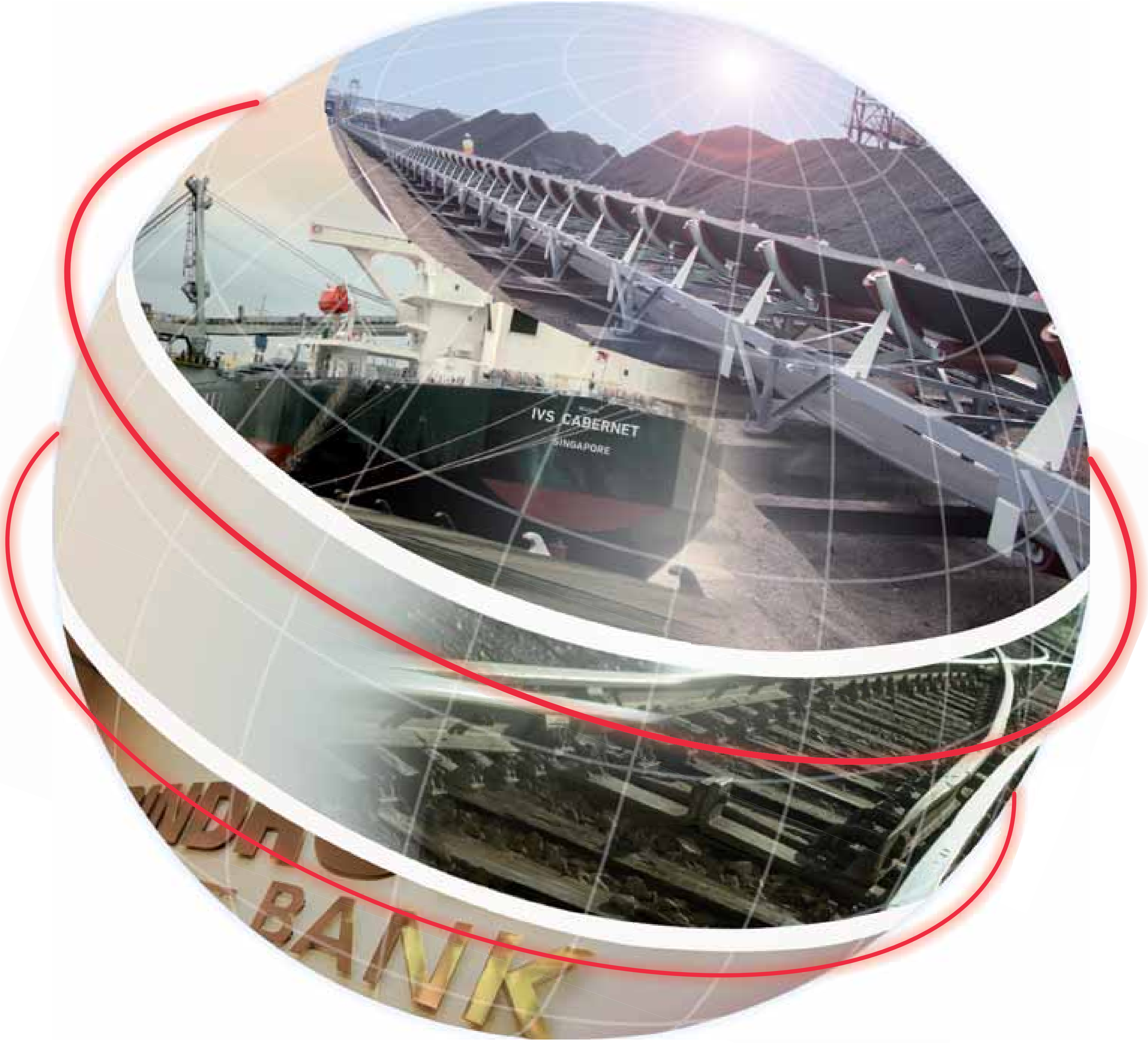


GRINDROD LIMITED

INTEGRATED ANNUAL REPORT 2011

for the year ended 31 December

BUSINESS PROPOSITION

GROUP

VISION

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

BUSINESS OVERVIEW

Grindrod's business involves the movement of cargo by road, rail, sea and air, through integrated logistics services utilising specialised assets and infrastructure, including vehicles, locomotives, ships, ports, terminals, warehouses and depots.

STRATEGIC POSITIONING

Listed in South Africa, with its head office in Durban, Grindrod is a global business with representation in 27 countries. Its South African origins uniquely position the group to service African trade flows. The group focuses on the movement of drybulk and bulk liquid commodities, containerised cargo and vehicles.

As commodity and shipping markets are cyclical, the different cargo types offer diversification of revenue and risk mitigation.

In pursuing its strategy of becoming a fully integrated freight and logistics service provider, Grindrod continues to invest in assets and opportunities with high barriers to entry.

The group's ability to offer a full end-to-end service is a key competitive advantage which results in improved returns from its asset base and service offerings provided by the four operating divisions of the group.

ABOUT THIS REPORT

The 2011 integrated annual report covers the Grindrod group's financial and non-financial performance for the year ended 31 December 2011. Integrated reporting aims to incorporate everything from strategy through to risk management; from financial reporting to social and environmental reporting. It aspires to meet the needs of a wider group of stakeholders.

Information describing the various operating activities has been provided on the basis of creating an understanding of the group's business activities among its key stakeholders, shareholders, investors and investment analysts, employees, trade unions, regulators including the JSE Limited, customers, suppliers, service providers, governments and communities.

In compiling the report, Grindrod considered:

- The Companies Act, No 71 of 2008 ("the Companies Act"), as amended;
- The JSE Listings Requirements;
- The King Report on Governance for South Africa 2009 ("King III");
- Global Reporting Initiative ("GRI") framework and guidelines for sustainability reporting; and
- International Financial Reporting Standards and the adoption of new accounting standards in 2011.

This icon will indicate where information will be available on the company's website.

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

CONTENTS

ASSETS AND SERVICE OFFERINGS

FREIGHT SERVICES

Ports and Terminals

Strategically positioned bulk storage and handling capacity in key ports supported by rail, road and seafreight operations.

Logistics

Links the southern African inland economic hub regions to the ports for import/export, along with domestic distribution, clearing and forwarding, ships agency and other logistical support services.

TRADING

Sourcing and marketing agricultural and mineral commodities and marine fuels around the world through complete supply chain management.

SHIPPING

A relatively modern, low cost fleet of owned and long-term chartered tankers and drybulk carriers, suitable for servicing different sectors and ports.

A ship operating division, staffed by experienced personnel and supported by modern information technology systems, providing freight solutions to customers in various sectors.

FINANCIAL SERVICES

Asset management and investment banking complemented by trade finance and invoice discounting solutions in support of group operations and customers.

Commodity supply chain

Grindrod offers end-to-end commodity supply chain solutions in the global movement of liquid bulk, drybulk, containerised and vehicle commodities. In addition, the group has specialised offerings along the supply chain links listed below.

Commodity point of origin → Commodity destination

Cargoes handled	Procurement	Rail/Road	Ports	Terminals/ Storage	Shipping
Liquid bulk cargo	Marine fuels	Road tankers	Clearing and forwarding Ships agency	Tank terminals	Tanker ships Bunker tanker ships
Drybulk cargo	Industrial raw materials Agricultural commodities Trade finance Invoice discounting	Road transportation Rail locomotives Rail corridor management	Port management Stevedoring Clearing and forwarding Ships agency	Terminals Warehousing	Drybulk ships
Containerised cargo	Trade finance Invoice discounting	Road and rail transportation	Clearing and forwarding Stevedoring Ships agency	Container leasing Container depot Warehousing	Southern Africa feeder ships
Vehicles		Road transportation	Port management Clearing and forwarding Stevedoring Ships agency	Car terminal	

Strategy execution

Grindrod has a strong track record of effectively managing the key parameters that contribute to the group's ability to create value. Funding is deployed to divisions most strategically positioned, based on the group's collective market knowledge and evolving industry trends.

1. Capacity/strategic partners

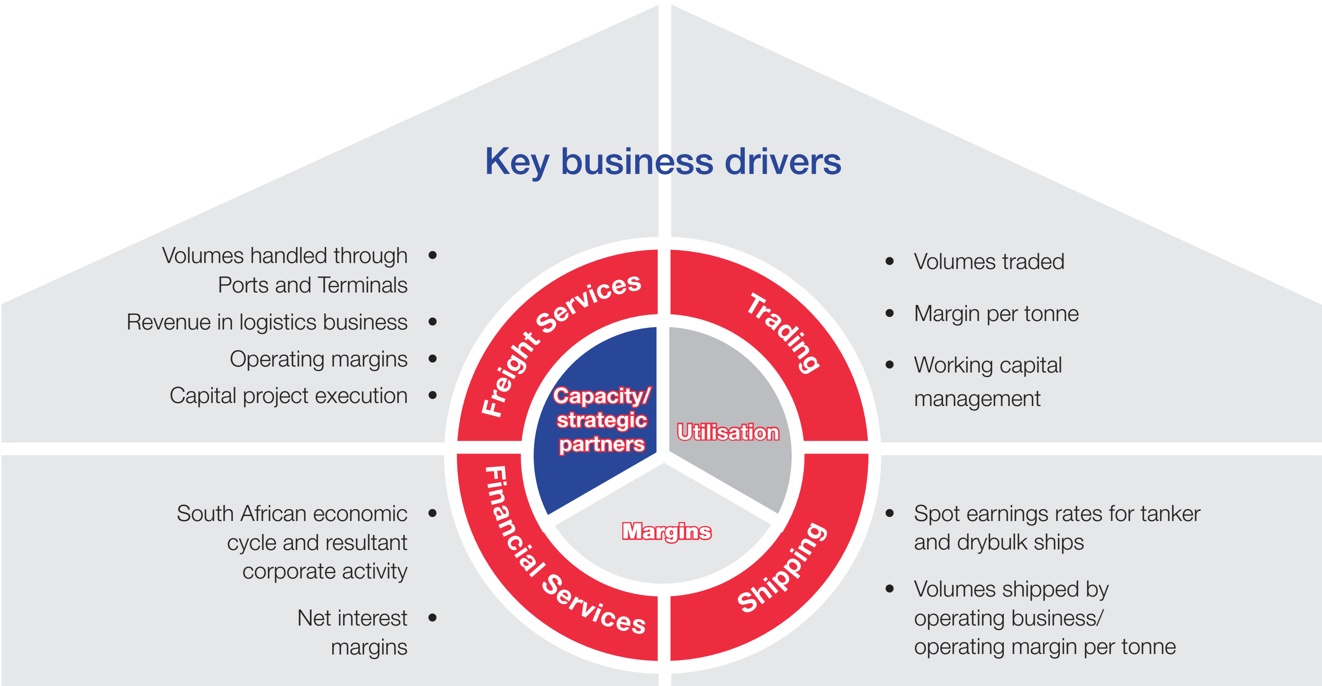
- The group has made timely investments in capacity in strategic areas and with strategic partners, designed to create value and enhance its ability to integrate services and to diversify optimally within its core markets. These investments make the group an important player in southern African and international trade routes and its strong balance sheet ensures flexibility to continue to make selective capacity investments.
- The group's ongoing investment is in strategically positioned port and terminal and rail capacity. These investments are focused in areas where anticipated demand exceeds current available capacity and in particular, where barriers to entry are high, ensuring increased profitability and the ability to offer customers a fully integrated point-to-point service.

2. Utilisation

Key factors contributing to achieving utilisation include long-standing customer relationships, point-to-point integrated services, strategic supply chain projects, long-term contracts and route knowledge. Delivery of services, such as rail by other stakeholders, is critical.

3. Margins

- Long-term take-or-pay agreements on key facilities and other contractual arrangements provide stability to earnings.
- Shipping rates continue to be higher than the spot market through focus on pool management and costs.
- Margins are enhanced through investment in areas where capacity demand is high and at the correct point in the shipping cycle.
- The integration of the businesses as explained above further enhances margins.



Management strengths

- Wealth of qualifications and experience within the service offerings.
- Operational flexibility, resulting in quick decision making to execute strategy.
- Identify and respond to investment opportunities.
- Strong customer, supplier and banking relationships.
- High standard of governance, integrity and professionalism.

Guidance to investors

The operational reviews of each division provide detailed financial and non-financial information.

Detailed information to assist investors is provided in the group's results presentation and supplemental information, both of which are available on the group's website, www.grindrod.co.za.

The full annual financial statements are available on the group's website.

GEOGRAPHIC PROFILE

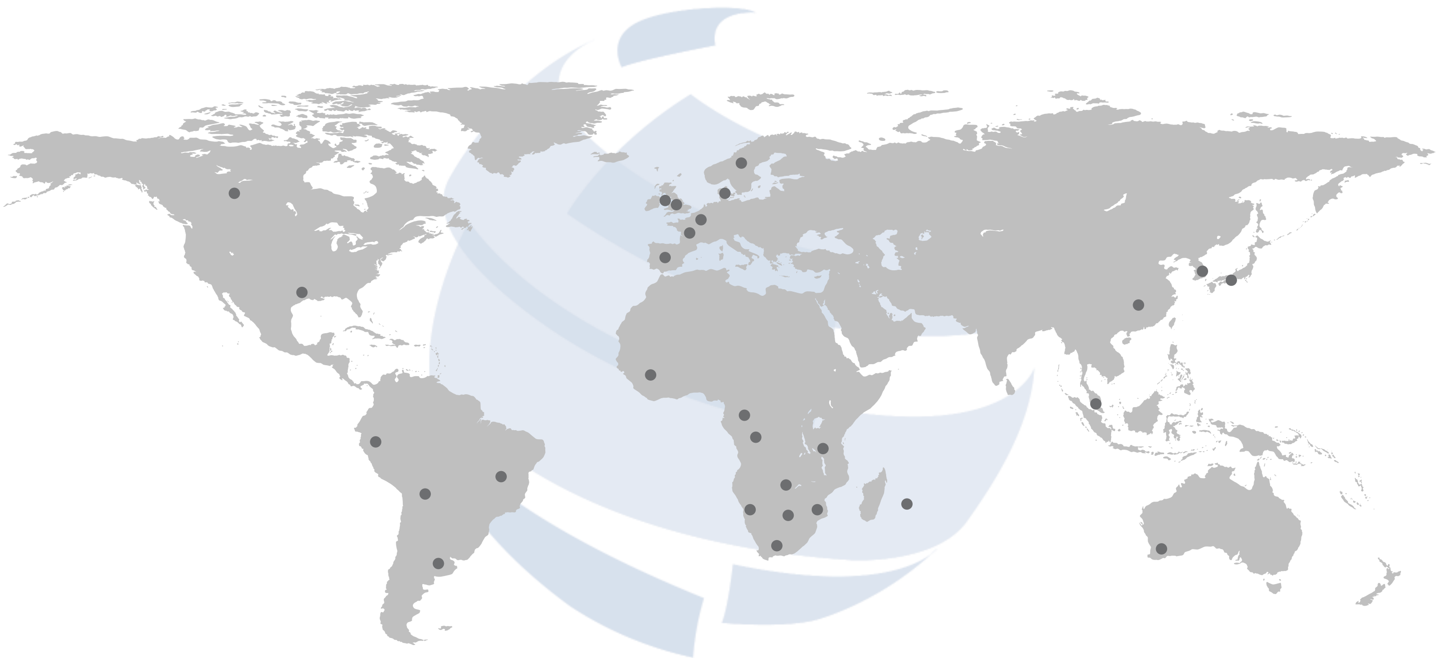
Worldwide offices/representation

FREIGHT SERVICES

Angola
Botswana
Democratic Republic of Congo
Malawi
Mauritius
Mozambique
Namibia
South Africa
Sierra Leone

TRADING

Argentina
Australia
Brazil
China
Ecuador
Peru
Mozambique
Scandinavia
Singapore
South Africa
South Korea
United Kingdom
U.S.A.
Zimbabwe



SHIPPING

Canada
Denmark
Isle of Man
Japan
Singapore
South Africa
Spain
The Netherlands
United Kingdom

FINANCIAL SERVICES

South Africa

from small beginnings to an integrated logistics service provider today

Since commerce began, there have been goods to trade; ships used for transport; ports, terminals and logistics to handle goods and agents to facilitate the process.

In 1910, Captain John Grindrod established Grindrod & Company as a clearing and forwarding agency in the growing port of Durban.

From small beginnings, the Grindrod group has not only survived the cycles of the shipping industry, but has grown into a highly respected business in South Africa and worldwide.

Grindrod prepared for the cyclicality of the shipping markets
Following the Asian crisis in 1999, shipping markets plunged and the group reported a loss of R66 million. The share price was 20 cents and market capitalisation was R100 million.

It was time for new direction and focus. The group acquired Island View Shipping and the shares in Unicorn were successfully purchased from the Restis Group. A strategy of purchasing ships in a depressed market followed and positioned the group to take advantage of the shipping boom in the years 2002 to 2008.

In 2007 Ivan Clark retired and the current chief executive officer Alan Olivier, was appointed as his successor. Ivan Clark was appointed chairman following Murray Grindrod's retirement after 21 years as chairman.

By 2008, Grindrod Limited had grown its market capitalisation on the JSE by 120 times in less than 10 years. From a loss position in 1999, the group achieved an all time high profit of R2,2 billion in 2008.

The Grindrod executive team expected a downturn in shipping markets and started to position the business to protect the earnings and balance sheet. They focused on consolidation, preserving the balance sheet, managing risk, watching liquidity and protecting client relationships.

In 2008 the financial crisis rippled through the world and shipping markets plummeted. Although Grindrod had not expected a financial crisis, the group was positioned for a downturn in the shipping markets. The long-term shipping contracts, cargo cover and diversification into freight and trading businesses, was now standing the business in good stead.

In 2011 Grindrod entered into a R2 billion equity raising transaction with Remgro Limited ("Remgro"), reinforcing Grindrod's strong financial position. The capital raised will support the group's strategic development of capital projects in southern Africa and further diversify the group's portfolio of businesses and transformation into an integrated logistics service provider. The ability to offer full end-to-end supply chain services is a key competitive advantage to the group.

The group has positioned itself as an internationally respected shipping and freight logistics business and together with Remgro's strategic insight and the recent involvement of the Vitol group ("Vitol") as a joint venture partner, is well poised to take advantage of infrastructural and other opportunities.

2011
R2 billion equity raising transaction with Remgro Limited

2009/10
Grindrod named the top listed company over 10 years in the Sunday Times/Business Times Awards

2004/5
Grindrod awarded Marine Money Award in New York City, as the top listed international shipping company

2004/5
Grindrod awarded the top spot in the Sunday Times/Business Times Top 100 companies

GROUP HIGHLIGHTS

Economic

- Revenue up 22% to R35 885 million (2010: R29 391 million)
- Volumes handled increased across most sectors of the business
- Shipping rates declined
- Net profit down 32% to R531 million (2010: R780 million)
- Capital expenditure of R1 166 million (2010: R1 722 million)
- 56% increase in net asset value to R9 311 million
- Decrease in net debt:equity ratio to 10%
- Introduction of Remgro as a major shareholder

Review of 2011 key focus areas

• Ensure adequate funding and liquidity	**Achieved**
• Roll out capital expenditure programme in port and terminal infrastructure	**In progress**
• Improve benefits/synergies from integration of businesses	**In progress**

Non-financial highlights

- 6 089 employees delivering value globally in the group's diverse operations
- The initiation of 242 learnerships throughout the group, 96,2% of which are from designated groups
- Achievement of an average B-BBEE Contributor Level of 3, an improvement on the average of 4 in 2010
- A total of 6 473 (2010: 2 711) training interventions attended by employees during the year
- R9,8 million (2010: R9,5 million) spend on employee training, of which 84% was on employees from designated groups

- "Best Practice" environmental performance in 2011 JSE SRI assessment
- Shipping achieved zero significant oil spills (more than one barrel of oil) for the sixth consecutive year
- Freight Services adopted a new Climate Change Strategy and Implementation Plan
- ISO 14001 Environmental Management Systems development 90% complete
- Progress with meeting group eco-efficiency targets, including reductions in solid waste to landfill, 15% improvement in ship-based greenhouse gas ("GHG") emissions efficiency, and 64% improvement in normalised electricity consumption

Financial and operating highlights

- Revenue of R2 905 million (2010: R2 390 million)
- Attributable income increased by 21% to R318 million (2010: R262 million)
- Accounted for 60% (2010: 34%) of the group's earnings
- Maputo achieved volumes of 11,8 million (2010: 11,2 million) tonnes
- Terminal volumes up 36%
- Strong growth in rail operations
- Improved logistics volumes resulting from strong market demand

- Revenue of R29 189 million (2010: R22 796 million)
- Attributable income increased by 20% to R144 million (2010: R120 million)
- Accounted for 27% (2010: 15%) of the group's earnings in 2011
- Operating margin per tonne of US$3,33 (2010: US$3,14)
- Marine fuels improvement in volume and margin per tonne
- Good results by industrial commodities business
- Satisfactory performance by agricultural business in a competitive market

- Revenue of R3 597 million (2010: R4 010 million)
- Attributable income decreased by 98% to R7 million (2010: R362 million)
- Accounted for 1% (2010: 46%) of the group's earnings
- Average earnings per day outperformed average spot rates for the year
- Earnings remained positive despite the Baltic Index annual average falling by 44%

- Revenue of R194 million (2010: R193 million)
- Attributable income increased by 30% to R58 million (2010: R45 million)
- Accounted for 11% (2010: 6%) of the group's earnings
- Bank deposits increased by 44% to R2 911 million
- Assets under management increased by 33% to R6 122 million
- Continued diversification of Bank's earning streams and product offerings

OPERATING ENVIRONMENT

The positive yet volatile global commodity demand is expected to continue, which will provide opportunities for growth in the Freight Services and Trading businesses, whilst the oversupply of ships, particularly in the drybulk sector, will continue to impact shipping earnings.

Business environment

- Continued growth in demand for general bulk products (iron ore and coal)
- Limited growth in oil demand
- European impact on global economy
- Oversupply of dry cargo shipping capacity
- Growing demand for Africa's resources
- Lack of infrastructure to support demand for African commodities
- Risk of slowdown in China

Creating shareholder value

Value creation

Long-term shareholder value is created by Grindrod's investment into the complete commodity supply chain. The Freight Services, Trading, Shipping and Financial Services divisions complement each other across the supply chain, from producer to customer, maximising returns for shareholders through investment in strategic infrastructure assets, logistics and commodity markets.

through growing the business

Expansion

- Concluded Maputo coal terminal expansion to 6 million tonnes
- Pre-feasibility to expand Maputo coal terminal by 20 million tonnes completed
- Operational fleet of 31 locomotives at year-end with the manufacture of a further 24 contracted in 2012
- Establishment of intermodal container development in port of Maputo in partnership with Dubai Ports World
- Joint venture with Vitol to grow the sub-Saharan coal trading business, concluded subsequent to year-end
- Commissioning of additional chrome ore recovery plant
- Growth of owned and long-term chartered fleet from 35,0 to 38,5 ships
- Realignment and expansion of the Far East Parcel Service
- Authorised and contracted capital commitments, including joint ventures, of R837 million

Challenges

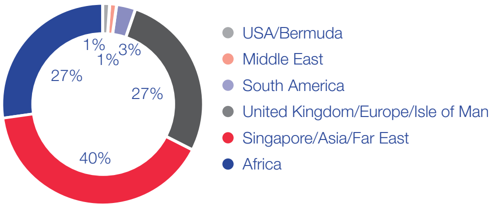
- Availability of rail resources
- Industrial action and labour market volatility
- Commodity demand and commodity price risk
- Low container volumes and freight rates
- Volatility of Rand/US Dollar exchange rate
- Credit and counterparty risk
- Low level of contracted profit
- Excess of drybulk supply capacity
- Continuing piracy threat
- Global credit concerns
- Interest margins expected to remain under pressure

Outlook

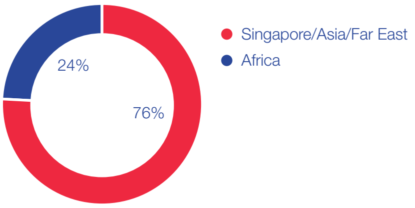
- Growing demand for African commodities
- Execution of strategic projects driving growth and sustainability
- Outlook for global commodity demand remains positive in the long-term
- Increased trade flows due to geographical supply and demand mismatch
- As newbuilding tonnage continues to deliver, it will continue to impact the dry cargo shipping sector
- Tanker market showing signs of improvement
- Downward pressure on ship newbuilding prices will present opportunities
- Current lack of shipping financing will curtail shipbuilding and benefit the industry in the longer term
- Global financial crisis and increased regulations are expected to continue to impact the banking industry

Global segment analysis

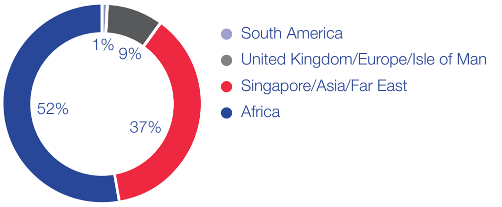
Revenue



Capital expenditure



Net assets



STAKEHOLDER ENGAGEMENT

Grindrod's integrated approach to long-term business sustainability has, as a key foundation, a strong stakeholder engagement element, both in terms of listening and responding to the needs of key stakeholders but also to positively influencing policy and direction in the societies within which its companies operate. Grindrod is committed to building and maintaining open, sustainable relationships with a range of stakeholder groups, particularly in relation to long-term strategic direction and with a focus on sustainable practices. Over and above the focus on investor relations, Grindrod's stakeholder engagement can be summarised as follows:

Customers and employees

- Various divisions collaborate and meet with existing or potential customers to present an integrated service offering.
- Collective meetings with partners and key customers are held regularly, both in South Africa and abroad to gain customer input to the group's services.
- New business or opportunities to provide an integrated service offering for customers are identified at cross-marketing bi-annual regional forums. These forums also allow shared learning and a better understanding of customer expectations.
- The group's website, intranet, brochures, newsletters, videos and presentations assist in communicating group services and new developments within the group.
- Employee induction programmes are held at least once a year.
- Participation in relevant conferences, exhibitions and trade fairs, both locally and internationally, gives Grindrod exposure and keeps the group abreast of industry issues and trends.
- One-on-one meetings both locally and internationally, at operational level to ensure that the group meets specific expectations of key customers.
- Grindrod communicates with mining houses, producers and industry on a daily basis to ensure relevant markets are being assessed and reacted to in respect of fluctuations in commodity pricing, current demand, supply and economic dynamics as well as production issues and logistic hurdles that may be encountered.

Media

- A press conference in the port of Maputo followed by a tour of the port for representatives of the media was organised.
- Grindrod endeavours to keep the public and all interested parties up-to-date with any developments in Grindrod through broadcast, digital and print media. Press announcements, press conferences, editorials and interviews with the Grindrod CEO and other executives are arranged to facilitate this.
- Representatives from the press are invited to investor feedback presentations, the annual general meeting and client functions.

Government departments/ non-governmental organisations

- Grindrod participated in arranging a tour of Maputo port and the coal terminal for the Prime Minister of Mozambique and his ministers.
- Grindrod participated in the Maputo port conference. The objective of the conference was to communicate to stakeholders the port master plan and progress of the port's development from the concession date.
- Grindrod has established a very good working relationship with the rail authorities of South Africa (Transnet Freight Rail) and Mozambique (CFM).
- Interaction with the port authorities is imperative and Grindrod is represented in every major port in southern Africa.
- Being in the transport and maritime sector, Grindrod has established a relationship with the Department of Transport and the South African Maritime Authority.
- Grindrod is a member of the South African Association of Shipowners and the South African Shipowners Association.

Employee organisations/unions

Grindrod participates is various collective bargaining forums, at industry and company levels, which are outlined in the integrated human capital report on page 78.

Climate change and environmental sustainability

Grindrod engages with a range of specialist stakeholders in this area so as to stay abreast with best practices, as well as to contribute to the public policy debate, including:

- local communities and environmental non-governmental organisations during public participation processes that form part of all environmental impact assessments ("EIAs") for new developments;
- JSE's SRI Index with Grindrod hosting the Durban briefing sessions for the JSE SRI in 2011;
- the global Carbon Disclosure Project ("CDP");
- professional sustainability, health, safety and environmental and climate change advisors, consultants and auditors;
- International Maritime Organisation ("IMO"); and
- South African national climate change policy engagement through active participation in the National Business Initiative ("NBI").

Investor relations

Grindrod values investor and shareholder interest. The group regularly communicates with shareholders and institutional investors through the medium of formal press releases, stock exchange news service ("SENS") announcements and results presentations to analysts and shareholders. In addition to this, one-on-one meetings are arranged with institutional investors and all analyst queries are dealt with on an ongoing basis throughout the course of the year. The website offers a facility for shareholders, investors and analysts to register to receive notification when new items are loaded to the website.

There are a number of institutional analysts that track the group and provide formal reports.

Below is an outline of formal investor relations activities during 2011:

Investor relations	**Jan**	**Feb**	**Mar**	**April**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Results announcement for the year ended 31 December 2010		■										
Final dividend declared		■										
Final dividend paid			■									
Results presentation for analysts, Johannesburg		■										
Results presentation for analysts, Cape Town		■										
Results presentation for analysts, Durban		■										
London institutional investor road show			■							■		
Singapore institutional investor road show			■									
Johannesburg institutional investor one-on-one meetings			■									
Publication of annual report				■								
Annual general meeting					■							
Interim results announcement for the half year to 30 June 2011								■				
Interim dividend declared								■				
Interim dividend paid									■			
Live dial-in presentation announcing Remgro/Grindrod capital raising transaction									■			
Circular to shareholders regarding subscription for Grindrod ordinary shares									■			
Institutional investor breakfast, Cape Town										■		
Institutional investor luncheon, Johannesburg										■		
Closed period	■	■					■	■	■			

All relevant investor information is available on www.grindrod.co.za

DIRECTORATE – NON-EXECUTIVE


1


5


2


6


3


7


4


8


9

1. IAJ Clark (68)

CA(SA)

Non-executive chairman

Appointed June 1993

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

Member of the remuneration/nomination committee

2. IM Groves (66)

CA(SA)

Lead independent director

Appointed August 1986

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

Chairman of the audit committee

Member of the remuneration/nomination committee

3. H Adams (59)

Pr Tech Eng (Civil Engineering)

Independent non-executive director

Appointed December 2000

Chairman of Grand Parade Investments Limited, SunWest International (Pty) Limited, Table Bay Hotel, GrandWest Casino, Nadeson Consulting Engineers and Proman Project Managers. Hassen is a consulting engineer and has diversified business interests in engineering, project management, leisure, gaming and property developments.

4. MR Faku (45)

BA (Law)

Non-executive director

Appointed December 2009

Group executive chairman and founder of Calulo Investments (Pty) Limited. Calulo has a 15% equity interest in Grindrod (South Africa) (Pty) Limited. Mkhuseli has extensive experience in the South African oil industry and has served on the boards of the South African Petroleum Industry Association, African Minerals and Energy Forum and World Petroleum Congress (South Africa). He is a non-executive director of Grindrod (South Africa) (Pty) Limited and a director of various Calulo group of companies.

Member of the social and ethics committee

5. WD Geach (57)

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

Independent non-executive director

Appointed July 2008

Non-executive director of Grindrod Bank Limited. Walter is an Advocate of the High Court of South Africa and a senior professor and Fellow of the University of KwaZulu-Natal. His areas of specialisation are Financial Accounting, Taxation, Corporate Governance, Business Law and Financial Services. He previously served on the tax committee of The South African Institute of Chartered Accountants KZN and was a technical committee member of the South African Institute of Professional Accountants.

Member of the audit committee

6. MJ Hankinson (62)

BComm; CA(SA)

Independent non-executive director

Appointed December 2009

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

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

Member of the audit committee

7. MH Visser (57)

BComm (Hons); CA(SA)

Non-executive director

Appointed October 2011

Chief executive officer of Remgro, non-executive chairman of Rainbow Chicken Limited and non-executive director of Distell Group Limited, FirstRand Limited, Mediclinic International Limited, MMI Holdings Limited, PGSI Limited, PG Group Limited, RMB Holdings Limited, RMI Holdings Limited and Unilever South Africa Holdings (Pty) Limited.

8. SDM Zungu (44)

BSc (Mechanical Engineering); MBA

Independent non-executive director

Appointed December 2009

Executive chairman and founding member of Zungu Investments (Pty) Limited and previous director of Aflease Gold Limited and Uranium One Africa Limited. Sandile serves on the Presidential Advisory Council on Black Economic Empowerment and is the chairperson of the sub-committee aimed at dealing with ownership and control issues. He is also a member of the World Economic Forum in his capacity as Young Global Leader.

9. JJ Durand (45)

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

Alternate non-executive director

Appointed October 2011

Chief investment officer of Remgro, former chief executive officer of VenFin Limited and currently a director of a number of companies, including Rainbow Chicken Limited, Capevin Investments Limited, Kagiso Tiso Holdings (Pty) Limited, Sabido Investments (Pty) Limited and Discovery Holdings Limited.

EXECUTIVE


1


2


3


4


5


6


7

1. AK Olivier (51)

CA(SA)

Chief executive officer

Appointed May 1999

Alan was employed in 1986 in the Shipping division and held senior treasury and financial positions before his appointment as chief executive of Unicorn Shipping in 1995. Alan is a director of local and international subsidiary companies and associates, including Grindrod Bank Limited, Grindrod (South Africa) (Pty) Limited and Ocean Africa Container Lines (Pty) Limited and is deputy chairman of The United Kingdom Mutual Steamship Assurance Association (Bermuda) Limited. He has 25 years service with the group.

2. DA Polkinghorne (47)

BComm; MA (Oxon)

Chief executive officer – Financial Services

Appointed November 2006

Managing director of Grindrod Bank Limited and executive director of all the Financial Services companies. Director of various outside companies where he is involved in the audit, risk and remuneration committees and trustee of two large charitable trusts which require asset management input. David has been involved in the financial services sector for more than 20 years. He has had exposure to all areas of corporate and investment banking and, in particular, has extensive experience in commercial property finance, private equity and corporate finance. He has 12 years service with the group.

3. DA Rennie (51)

Marine Captain

Chief executive officer – Ports and Terminals

Appointed October 2002

Director of major local and international subsidiaries and associates, including Grindrod (South Africa) (Pty) Limited, Ocean Africa Container Lines (Pty) Limited and Oil Tanking Grindrod Calulo (Pty) Limited. Chairman of Maputo Port Development Company and Grindrod Mauritius Limitada. Dave was employed in 1978 and has diverse port, terminal and freight logistics experience. He has 33 years service with the group.

4. AF Stewart (47)

CA(SA)

Chief executive officer – Trading

Appointed August 2003

Director of major local and international subsidiary companies within the group. Tony was employed in 2000 as financial manager of Unicorn Shipping and was appointed as group financial manager in 2002, prior to his appointment as group financial director in 2003, a position he held until February 2011. Tony took over the executive responsibility of the Trading division from Brendan McIlmurray following his retirement in July 2011. Tony has 11 years service with the group.

5. AG Waller (49)

CA(SA)

Group financial director

Appointed March 2011

Andrew joined the group on 1 January 2011 and was appointed group financial director on 1 March 2011. Andrew was previously a partner of Deloitte & Touche for 15 years during which time he was responsible for a number of South African listed companies.

Member of the social and ethics committee

6. MR Wade (52)

Chief executive officer – Shipping

Appointed November 2011

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

7. HJ Gray (42)

NDip (Finance and Business Management)

Chief executive officer – Logistics

Appointed to the executive committee June 2011

Director of major local subsidiary companies and associates, including Grindrod (South Africa) (Pty) Limited and Röhlig-Grindrod (Pty) Limited. Hylton has over 15 years' freight forwarding experience.

Planned investment in capacity expansion

In addressing the equity and funding requirements for the major infrastructure projects on the recommendation of the board, shareholders approved the raising of R2 billion additional equity.

Performance and strategy

In a year of opportunity and challenge Grindrod has continued to advance port, terminal and rail infrastructure projects in Africa in order to further develop its strategy of becoming an integrated freight and logistics service provider.

In addressing the equity and funding requirements for the major infrastructure projects and on the recommendation of the board, shareholders approved the raising of R2 billion additional equity. A major part of the capital is earmarked for the expansion of coal terminal capacity at Maputo port.

This heralds an exciting development for the group with Remgro becoming a major shareholder of Grindrod Limited. Remgro is considered a strong and supportive partner with strategic insights, global technical competence, significant financial resources and a capacity to efficiently raise capital. The association should lead to further synergies between the two groups who share the same values and cultural fit.

The planned investment in capacity expansion has been timely, given the increased demand for commodities out of limited southern African port and logistical capacity and will further reduce the impact of the cyclical shipping activity on group results. These infrastructure investments have high barriers to entry and long-term contracts have been secured with key customers. Given the scale of the projects, Vitol, the world's largest independent energy trader, has been introduced as a 35% shareholder of Maputo coal terminal in the current year. The transaction is subject to regulatory approval. Vitol's industry standing in energy related activities and their good entrepreneurial skills will add value to the Grindrod group in the future.

The capital projects will impact on return on equity over the short-term, however, over the longer term will provide momentum to the vision of sustainable value creation for shareholders.

Results

The integration strategy has seen increased contributions from the Freight Services, Trading and Financial Services divisions, although group earnings to 31 December 2011 were down by 32% on the previous year due to poor shipping markets. Compared to many of its peers in the shipping industry, Grindrod has done well not to incur losses in its Shipping division in markets which have remained extremely weak for some time.

A final dividend of 12 cents per ordinary share has been announced. This represents a dividend cover of 3,8 times for the year (2010: 3,5 times). The cover is impacted by the new share issue related to the raising of additional equity referred to earlier.

Our people

The board is proud of the efforts of management and each employee within the Grindrod group during a period which has required skilful assessment of markets and opportunities and sound judgement. Grindrod has attracted and retained quality people with a strong value system. In regard to career aspirations, the board has taken further interest in developing talent and skills relative to the operations, with more formal structures having been put in place within the group. As the group progresses its declared growth strategy, it is critical that remuneration policies are robust and competitive to ensure key skills are retained and attracted.

Sustainable development

Grindrod recognises that its environmental and climate change response needs to be in step with a rapidly changing market place. Climate change related risks, including possible carbon taxes, unforeseen ramifications of international climate change agreements, the imposition of stricter air pollution limits and physical extreme weather impacts on our global transport operations are all being considered by management. Conversely, opportunities will be pursued such as participation in carbon trading, marketing the environmental benefits of shipping over other forms of transport and investing in energy efficient transport technologies.

With appropriate resourcing and systems in place, good progress was made during the year in achieving the objectives and targets contained in the group's environmental and climate change policy. It is also encouraging to note that Grindrod was once again admitted to the JSE's Socially Responsible Investment ("SRI") Index and received a "Best Practice" result for environmental performance.

The group also voluntarily participated in the international carbon disclosure project for the second year running.

I am pleased to report the formation of a new board-level social and ethics committee which will provide an important oversight function in terms of social and economic development, corporate citizenship, environmental and climate change management and other legal requirements of the Companies Act.

Outlook

While the continuing industrialisation and urbanisation in China, India and other emerging economies underpins growth in commodity demand, recovery in the advanced economies is more challenging. While shipping markets are predicted to remain weak for some time, we expect good growth in other businesses, particularly ports and terminals. The group continues to position itself for better times in the shipping world. The introduction of strategic shareholders and partners, the investment in ports and terminals, particularly in Maputo and the expansion of our shipping fleet at the appropriate time, positions the group for growth when world economies and markets improve.

The board

It has always been the objective of the group to maintain a high quality board of directors with a culture of transparency that encourages strong debate in the boardroom. In this regard the required skills and experience of non-executive directors has been carefully considered and further focus will be given to appropriate succession planning. Mike Groves was appointed as lead independent director during the year.

I wish therefore to acknowledge and thank board members for their contributions to the board as well as serving on the various committees.

Laurence Stuart-Hill and John Jones retired as executive directors on 30 June 2011 and 31 August 2011, respectively. I wish to record my sincere appreciation for the part they played in the growth and history of the group. I also wish to welcome the new directors who include the Remgro representatives, Thys Visser and Jannie Durand (alternate) as well as Martyn Wade as an executive director.

Finally, I wish to pay tribute to and thank Alan Olivier as group chief executive officer, his management team and all employees who have responded so willingly and ably to the challenges of a demanding year.

IAJ Clark
Chairman

Durban
28 February 2012

Creating sustainable business growth

Grindrod's strategy of providing services throughout the complete commodity supply chain was reaffirmed as the right strategy for the group.

Introduction

2011 has been an important year for Grindrod. Over the past number of years the group has been able to fund its growth into logistics and ports and terminals infrastructure by utilising the profits from the Shipping division. With the decline in shipping markets resulting from an oversupply of new ships worldwide, a review of the group's funding requirements was necessary to enable us to take advantage of significant strategic opportunities as they arose. This led to a re-evaluation of Grindrod's strategy in respect of key investment projects, equity and funding sources.

Group strategy

Grindrod's strategy of providing services throughout the complete commodity supply chain was reaffirmed as the right strategy for the group. This involves the movement of drybulk, bulk liquid, containerised and vehicle cargoes through its global chain of Trading, Logistics, Ports and Terminals as well as the Shipping businesses.

To realise this integrated strategy, the group deemed it essential to continue to advance its ports, terminals and rail infrastructure projects in Africa. Other opportunities across the various business sectors continue to be evaluated, but given the current environment, have not been pursued.

Although the shipping markets continue to underperform, the group has retained its advantage of a low cost fleet and is positioning itself for potential strategic acquisition opportunities.

The proportion of earnings from the group's Freight Services, Trading and Financial Services divisions continues to grow and demonstrates the success of the diversification strategy.

In order to sustain the business and enable it to respond to further opportunities, thereby enhancing value for shareholders, the group needed to build on its core strengths, strategic assets, strong customer and strategic partner relationships. Grindrod accordingly elected to explore suitable funding sources and partnerships to ensure timeous delivery and completion of key infrastructure projects and to provide capacity for others. The board's decision was that shareholders would be better served by executing on a number of the infrastructural projects, in particular the Maputo coal terminal expansion, as opposed to disposing of these projects at an early stage in their development.

The decision to seek approval from shareholders to raise R2 billion in equity required careful consideration in respect of the opportunities and their likely outcomes. Shareholders' approval of the need to raise equity endorsed the group's strategy. The format of the capital raising enabled the group to receive funds at a premium to the market, while the introduction of Remgro as a strategic long-term investor provides years of business experience across many sectors.

The board also decided to introduce Vitol as a strategic partner to the Maputo coal terminal and establish a coal trading joint venture with them. The partnership is expected to create value for shareholders and enhance Grindrod's ability to execute on the expansion of the terminal.

Performance

In a year of increasingly volatile markets and a difficult economic environment, the group's earnings of R531 million were 32% down for the year (2010: R780 million). The Freight Services, Trading and Financial Services divisions performed well during 2011, with increased earnings of 22% over 2010 results. This strong performance was offset by a poor shipping market, resulting in earnings of R7 million (2010: R362 million) in the Shipping division.

Key challenges

The protracted delay in the recovery of global economies, accompanied by the oversupply of dry cargo shipping capacity and the lack of infrastructure to support the demand for African commodities has presented key challenges for the group.

New infrastructure investments will take time to develop into cash-generating assets. During this period there will be pressure on the group's ability to achieve high levels of return. The introduction of Vitol, as a strategic partner in the Maputo coal terminal, has realised some value from this asset for the group. Management remains confident that the investments in key strategic assets will benefit shareholders in the long term. Whilst planning for the large phase four project at the Maputo coal terminal, evaluation of alternatives to add further capacity to the facilities in the near term are being assessed.

The volumes through the group's terminals, in particular Maputo and Richards Bay, have increased and utilisation continues to improve. This is the result of the concerted efforts of our customers, Transnet, Mozambique Rail Company ("CFM") and the staff in the Freight Services division. By driving efficiencies and focusing investment spending, rail delivery improved immensely in 2011.

Logistics, despite a slower than expected turnaround and industrial action in the transport business, achieved earnings growth on the prior year, benefiting from improved market conditions and increased volumes in the second half of 2011.

The oversupply of ships is expected to keep markets suppressed through 2012, although some signs of improvement in the tanker market are evident.

The Bank performed well, growing deposits to R2,9 billion and assets under management to R6,2 billion.

Key focus areas for the group are:
- maximising utilisation of existing infrastructure;
- improving efficiencies;
- building port and terminal infrastructure assets; and
- developing new strategic opportunities.

With a staff complement of over six thousand skilled and dedicated people, valuable strategic assets, strong customer, supplier and banking relationships, a good pipeline of capital projects and a recapitalised balance sheet, the group is well positioned to execute on its strategy.

The group is committed to integrating governance and sustainability practices into the business strategy. Evidence of progress is demonstrated in the divisional operating reviews.

Management and employees

The group continues to attract and retain talented people with sound work ethic. Their entrepreneurial spirit continues to uncover opportunities for the group to grow and develop the business.

In 2011 the restructure of the executive team was completed. Martyn Wade assumed responsibility for the Shipping division, Hylton Gray for the Logistics division and Tony Stewart for the Trading division. Dave Rennie is now focused on Ports and Terminals.

Some members of the executive team retired during the year after long service with the group. Brendan McIlmurray and Laurence Stuart-Hill retired on 30 June 2011 and John Jones on 31 August 2011. All contributed enormously to the success of the group and I wish them well for the future. Particularly noteworthy is that John achieved 43 years' service with the group.

I would like to thank my executive and all our employees for their contribution and hard work. It is in these times of opportunity that the greatest effort is required.

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

AK Olivier
Chief Executive Officer

Durban
28 February 2012

Appropriate allocation of equity

Group revenue increased by 22% up to R35,9 billion from R29,4 billion mainly due to growth in volumes in the Trading division and increased capacity and utilisation, in Ports and Terminals, in the Freight Services division.

Financial strategy

The group's strategy of becoming an integrated freight and logistics service provider has over the past number of years largely been facilitated by the cash generated from the Shipping division.

At the beginning of the year it was forecast, that as a result of the excessive levels of ship newbuildings delivering into the market in 2010 and in the year under review, Shipping profits were expected to further decline. Whilst profits from the other divisions were expected to rise, planned development at the Maputo coal terminal interrupted earnings. In addition, the growth of the Trading division was forecast to absorb cash and the turnaround by the road transportation division took longer than initially anticipated.

In light of these events, the strategic financial focus for the year under review was to:

- appropriately finance the group's assets;
- provide the analysis for the board to reconfirm the strategy;
- present the funding requirements of the prioritised growth opportunities;
- motivate the appropriate method of funding; and
- execute on the agreed plan.

With the funding section of the plan having been successfully executed in the year, the focus for the new year moves to:

- appropriate allocation of equity and loan funding to new projects to maximise long-term shareholder value;
- careful consideration of the currency needs;
- alignment of the investments with shareholder endorsed strategy; and
- monitoring group returns and gearing levels.

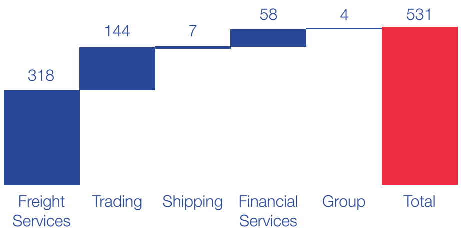
Group earnings

Group revenue increased by 22% up to R35,9 billion from R29,4 billion mainly due to growth in volumes in the Trading division and increased capacity and utilisation in Ports and Terminals within the Freight Services division.

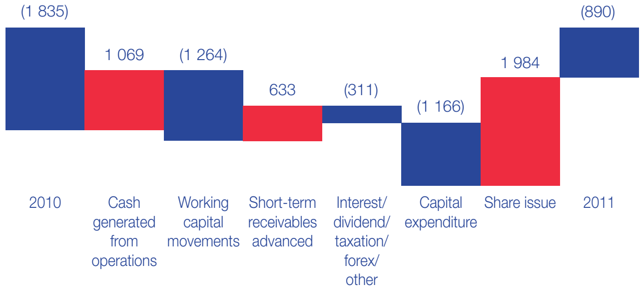
This translated into improved earnings before interest, taxation, depreciation and amortisation (EBITDA) for these divisions. The low charter hire rates and reduced ship operating profits in the Shipping division, resulted in a 15% decrease in group EBITDA to R1,0 billion (2010: R1,2 billion).

Operating profit reduced to R643 million, impacted by higher depreciation and amortisation costs, as a result of the increased investment in ships and infrastructure assets. Operating margins excluding the Trading business, were 7,3%

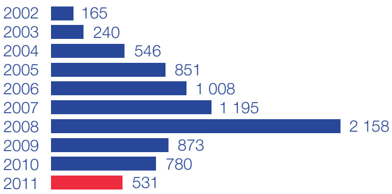
2011 Attributable income by division (Rm)



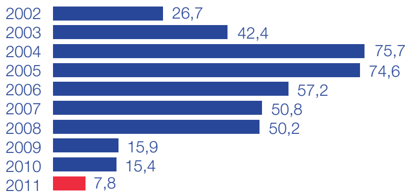
Net debt analysis (Rm)



Attributable income (Rm)



Return on ordinary shareholders' funds (%)



compared to 10,9% in 2010. The Trading division achieved margins of R24,22 per tonne (US$3,33).

The interest on higher long-term and short-term borrowings in 2011, was offset by interest earned on increased cash and cash equivalents with net interest decreasing by 4% to R49 million (2010: R51 million). The group's effective tax rate increased to 23% (2010: 12%) primarily due to the decrease in Shipping operating profits.

The group's share of income from joint ventures and associates of R118 million (2010: R109 million) increased by 8%, largely as a result of improved earnings in Röhlig-Grindrod and the port of Maputo.

The group profit attributable to ordinary shareholders of R531 million was 32% down over the prior year (2010: R780 million).

Statement of financial position

Shareholders' equity increased from R5,9 billion to R9,2 billion. This was a result of the R2 billion equity raising, the strengthening of the Rand/US Dollar exchange rate over the year which contributed R905 million to the foreign currency translation reserve, and retained income of R584 million.

The immediate impact is the reduction in the net debt:equity ratio to 9,6% (2010: 30,7%).

Increased long-term debt of R2,2 billion (2010: R1,3 billion) arose through the raising of finance on the group's shipping fleet. The growth in Trading increased short-term borrowings to R1,6 billion (2010: R1,4 billion) whilst cash and cash equivalents increased from R1,1 billion to R3,0 billion after the share issue.

With the sale of 35% of the Maputo coal terminal in January 2012 and the sale of 50% of Cockett Marine currently under negotiation, all the assets and liabilities of these entities have been transferred to non-current assets and non-current liabilities held for sale. On completion of the proposed sales, these businesses will be disclosed in investment in joint ventures.

Borrowings, cash flow and liquidity

Cash generated from operations before working capital changes, decreased to R1,1 billion from R1,3 billion in 2010. Cash outflows included capital expenditure of R1,2 billion and dividends paid of R260 million. The above outflows combined with the R2 billion proceeds for the share issue, decreased the net debt position from R1,8 billion at 31 December 2010 to R890 million at 31 December 2011.

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

Capital expenditure

Future capital commitments are to be utilised for the expansion of terminal capacity and the continued procurement of locomotives and ships. Capital expenditure of R837 million has been approved, of which R365 million has already been committed. The commitments exclude the planned expansion of terminal capacity in Maputo and Richards Bay, railway infrastructure and development of a bulk liquid storage facility at Coega currently being developed.

The capital commitments table includes R365 million relating to joint ventures.

Capital expenditure was directed towards the group's ship newbuilding programme, the expansion of terminal capacity, new locomotives and the replacement of a portion of the Logistics road fleet.

During the year, the shipping fleet increased from 35,0 ships to 38,5 ships. Two handysize bulk carriers were cancelled with the SANFU shipyards and await arbitration. This has resulted in recoverables on cancelled ships of R381 million reflected in the statement of financial position.

(R million)	Capital expenditure 2011	Capital expenditure approved 2012	2013	2014	Total commit-ments	Split as follows: Approved not contracted	Approved and contracted
Freight Services	**287**	384	129	–	513	468	45
Logistics	**159**	12	–	–	12	–	12
Ports and Terminals	**128**	372	129	–	501	468	33
Trading	**11**	1	1	1	3	–	3
Shipping	**866**	251	42	–	293	4	289
Financial Services	**1**	23	2	3	28	–	28
Group	**1**	–	–	–	–	–	–
	1 166	659	174	4	837	472	365

The table includes capital commitments of R365 million relating to joint ventures.

Capital expenditure in Freight Services was directed at the completion of the expansion of the Maputo coal terminal from four million tonnes to six million tonnes and the replacement of a significant portion of the auto motive and drybulk transport fleet.

During the year, the group reviewed its weighted average cost of capital (WACC) calculation and project hurdle rates to ensure they reflected current market conditions and the market outlook. The projected hurdle rates remain in line with 2010 levels and are set out in the following table:

Weighted average cost of capital hurdle rates

	High risk %	Medium risk %	Low risk %
ZAR	15	12	9
USD/Euro	10	8	6

The WACC benchmark is risk weighted and capital expenditure projects are generally only approved if the projected returns substantially exceed benchmarks. The WACC benchmarks continue to be regularly reviewed and amended as market conditions change.

The group's planned investment into long-term port and terminal infrastructural assets and ship newbuildings will impact the net debt:equity ratio and the net debt:EBITDA ratios. Careful planning will continue to ensure the associated risks are addressed. The sale of 35% of the Maputo coal terminal to Vitol, subsequent to year-end, was part of this planning.

Foreign currency exposures

The group continues to expand offshore, increasing its foreign currency assets and related liabilities. At 31 December 2011, 60% of the group's net assets were denominated in US Dollars. Appropriate board approved policies continue to be enforced to mitigate foreign exchange risks.

Interest rate exposures

As at 31 December 2011, only 6% of the group's US Dollar interest rate exposure was hedged. The remaining Rand interest rate swap expired on 31 December 2011 and the open position has enabled the group to take advantage of the low interest rate cycle. The group will look to lock in the low rates at an appropriate time to limit exposure to the risk of increasing interest rates and achieve the group target cover level. The situation will continue to be closely monitored by management.

Financial controls and risk management

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

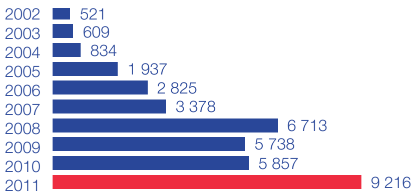
The internal control systems are designed to provide reasonable assurance against material losses, misstatement of financial results and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is another important aspect of internal control.

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

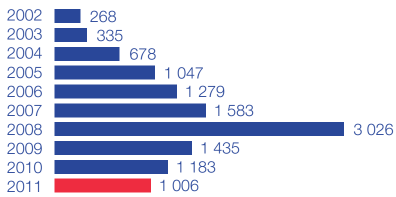
- an organisational structure comprising clearly defined reporting lines, responsibilities and levels of authority;
- policies, procedures and guidelines to ensure that best practice standards are achieved;
- a system of financial planning, budgeting and reporting which enables performance to be monitored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

During 2011, the internal financial control framework has been further developed to improve the identification of financial reporting risks and to provide additional assurance that controls are adequate to address the risk of material misstatements of financial results.

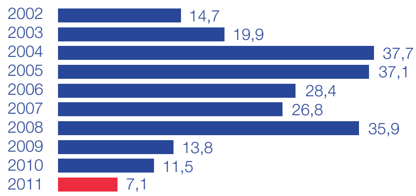
Shareholders' funds (Rm)



Trading profit (EBITDA) (Rm)



Return on net assets (%)



The internal audit approach has been dealt with in the corporate governance section on page 64.

The risks identified as significant to the group and the management of these risks are dealt with in the risk management report on pages 53 to 60.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards board ("IASB") in issue and effective for the group at 31 December 2011 and the AC 500 standards issued by the Accounting Practices Board or its successor. The annual financial statements comply with Schedule 4 of the South African Companies Act, No 71 of 2008 and the disclosure requirements of the JSE Listings Requirements.

These annual financial statements were approved by the board of directors on 28 February 2012.

The accounting policies adopted and methods of computation used in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those of the annual financial statements for the year ended 31 December 2010 except for the adoption of new or revised accounting standards, interpretations and circulars and restatements which are described below.

During the year the group elected to early adopt IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Given the significant transactions that will be effective during 2012, these new standards would have a significant impact on the group in 2012. Management has therefore made the decision to early adopt these standards for the 2011 financial year.

The major change as a result of the early adoption is that joint venture entities which were previously proportionately consolidated are now accounted for and disclosed on the same basis as investments in associates. Account balances previously included as separate line items on the statement of financial position are now disclosed as a net amount on the investment in joint venture line. Similarly, in the income statement, profit after tax attributable to joint ventures is consolidated and disclosed in the share of joint venture companies' profit after taxation.

Amendments to these standards as noted above have been applied retrospectively. The effect of changes to the comparatives has been detailed in note 2 of the annual financial statements.

The group adopted IAS 24 (revised) Related Party Transactions in the current year which modifies the definition of a related party. The adoption of this standard has no material effect on the group's disclosures.

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

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

Abridged financials

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

Post balance sheet events

Grindrod and Vitol entered into an agreement with effect from 1 January 2012 whereby Vitol acquired from Grindrod a 35% interest in Maputo coal terminal for a consideration of US$67,7 million. In addition, Vitol and Grindrod entered into a partnership to combine their respective sub-Saharan coal trading businesses (65% Vitol/35% Grindrod). This transaction was announced in the press on 18 January 2012.

AG Waller
Group Financial Director

Durban
28 February 2012

The full set of annual financial statements and notes are available on the Grindrod Limited website, www.grindrod.co.za.

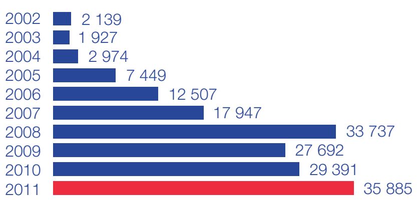
GROUP FINANCIAL REVIEW

at 31 December

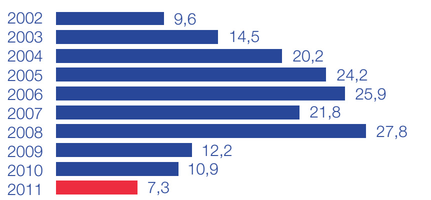
	2011 Rm	2010* Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm
GROUP STATEMENT OF FINANCIAL POSITION										
Ships, property, terminals, vehicles and equipment	**5 268**	4 564	3 923	4 541	3 047	2 337	2 069	1 536	961	1 093
Investment property	**22**	–	–	–	–	–	–	–	–	–
Intangible assets	**548**	649	831	713	521	351	251	50	37	16
Investments	**1 115**	1 138	367	367	307	337	178	201	265	310
Loans and advances to bank customers	**2 074**	1 710	1 483	1 050	966	506	–	–	–	–
Liquid assets and short-term negotiable securities	**190**	129	104	139	229	174	–	–	–	–
Derivative financial assets	**–**	1	102	141	92	21	1	–	50	–
Recoverables on cancelled ships	**381**	–	239	–	–	–	–	–	–	–
Deferred taxation	**89**	162	159	159	138	70	69	37	7	–
Current assets	**10 743**	5 538	5 423	6 874	4 628	3 474	2 410	821	773	485
Total assets	**20 430**	13 891	12 631	13 984	9 928	7 270	4 978	2 645	2 093	1 904
Share capital and premium	**2 052**	66	49	13	199	515	498	8	84	81
Reserves and accumulated profit	**7 164**	5 791	5 689	6 700	3 179	2 310	1 439	826	525	440
Equity attributable to owners of the parent	**9 216**	5 857	5 738	6 713	3 378	2 825	1 937	834	609	521
Non-controlling interests	**94**	114	98	62	61	(2)	7	8	7	3
Total equity	**9 310**	5 971	5 836	6 775	3 439	2 823	1 944	842	616	524
Deferred taxation liabilities	**125**	117	22	19	33	24	20	4	2	12
Interest-bearing loans	**4 374**	3 328	2 246	1 964	2 306	1 829	1 534	974	856	959
Derivative financial liabilities	**19**	16	181	37	49	12	83	50	76	–
Other liabilities	**6 602**	4 459	4 346	5 189	4 101	2 582	1 397	775	543	409
Total equity and liabilities	**20 430**	13 891	12 631	13 984	9 928	7 270	4 978	2 645	2 093	1 904
Net current assets/(liabilities)	**4 973**	1 147	1 691	2 491	679	453	301	(211)	9	(265)

* *Restated*

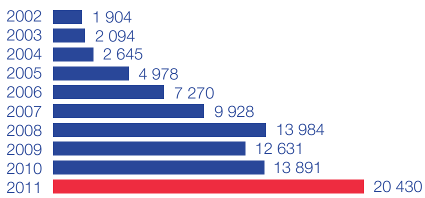
Revenue (Rm)



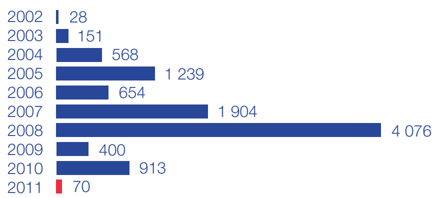
Operating margin (excluding trading) (%)



Total assets (Rm)



Cash available from operations (excluding dual purpose assets) (Rm)



	2011 Rm	2010* Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm
GROUP INCOME STATEMENT										
Revenue	**35 885**	29 391	27 692	33 737	17 947	12 507	7 449	2 974	1 927	2 139
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**1 006**	1 183	1 435	3 026	1 583	1 279	1 047	678	335	268
Depreciation and amortisation	**(363)**	(295)	(292)	(241)	(218)	(154)	(122)	(76)	(55)	(62)
Operating profit before net interest and taxation	**643**	888	1 143	2 785	1 365	1 125	925	602	280	206
Non-trading items	**60**	13	14	(164)	4	(39)	3	2	–	(3)
Net interest paid	**(49)**	(51)	(91)	(175)	(131)	(71)	(87)	(62)	(67)	(37)
Profit before share of associate and joint venture companies' profit	**654**	850	1 066	2 446	1 238	1 015	841	542	213	166
Share of associate and joint venture companies' profit after taxation	**118**	109	76	66	63	128	89	53	32	19
Profit before taxation	**772**	959	1 142	2 512	1 301	1 143	930	595	245	185
Taxation	**(175)**	(114)	(188)	(243)	(16)	(76)	(65)	(48)	(5)	(19)
Profit after taxation	**597**	845	954	2 269	1 285	1 067	865	547	240	166
Non-controlling interests	**(13)**	(6)	(12)	(20)	(13)	5	1	(1)	–	(1)
Profit for the year before preference dividends	**584**	839	942	2 249	1 272	1 072	866	546	240	165
Preference dividends	**(53)**	(59)	(69)	(91)	(77)	(64)	(15)	–	–	–
Profit attributable to owners of the parent	**531**	780	873	2 158	1 195	1 008	851	546	240	165
Ordinary shareholders' interest in non-trading items	**(60)**	(13)	(16)	164	(4)	(2)	(2)	1	–	3
Headline earnings	**471**	767	857	2 322	1 191	1 006	849	547	240	168
GROUP CASH FLOW										
Cash available from operations	**70**	913	400	4 076	1 904	654	1 239	568	151	28
Distribution/dividends paid	**(230)**	(300)	(461)	(604)	(331)	(104)	(201)	(61)	(30)	(28)
Cash retained from operations	**(160)**	613	(61)	3 472	1 573	550	1 038	507	121	–
Proceeds on disposal of ships, property, terminals, vehicles and equipment, investments and other items	**111**	70	51	341	73	669	16	121	481	77
Cash available for investment	**(49)**	683	(10)	3 813	1 646	1 219	1 054	628	602	77
Cash invested	**(343)**	(366)	(587)	(2 175)	(1 828)	(1 084)	(1 704)	(581)	(348)	(237)
Net finance (raised)/repaid	**(392)**	317	(597)	1 638	(182)	135	(650)	47	254	(160)

GROUP FINANCIAL REVIEW (continued)

at 31 December

		Objectives	2011	2010*	2009	2008	2007
ORDINARY SHARE PERFORMANCE							
Number of ordinary shares in issue less treasury shares	(000's)		**589 536**	455 803	454 203	450 252	455 459
Weighted average number of ordinary shares on which earnings per share are based	(000's)		**78 234**	454 591	452 278	453 640	452 934
Earnings per share	(cents)		**111,0**	171,6	193,0	475,7	263,9
Headline earnings per share	(cents)		**99,6**	167,7	189,6	511,7	263,1
Price/earnings ratio	(times)		**12,6**	11,0	9,2	3,2	8,9
EV/EBITDA	(times)		**13,6**	7,9	5,6	2,9	3,6
Dividend/distribution per share	(cents)		**29,5**	54,0	60,0	136,0	78,0
Dividend/distribution cover	(times)		**3,8**	3,2	3,2	3,5	3,4
Dividend yield	(%)		**2,1**	2,8	3,4	8,9	3,3
EBITDA dividend/distribution cover	(times)		**5,8**	4,8	5,3	4,9	4,5
EBITDA per share	(cents)		**210,3**	260,2	317,3	665,4	349,7
Net worth per share at book value	(cents)		**1 454**	1 147	1 122	1 340	590
PROFITABILITY							
Operating margin	(%)		**1,8**	3,0	4,1	8,3	8,0
Operating margin excluding bulk product trading	(%)		**7,3**	10,9	12,2	27,8	21,8
Return on net assets	(%)	12,0	**7,1**	11,5	13,8	35,9	26,8
Return on ordinary shareholders' funds – minimum	(%)	15,0	**7,8**	15,4	15,9	50,2	50,8
Effective rate of taxation	(%)		**22,7**	11,9	16,5	9,7	1,2
LEVERAGE AND LIQUIDITY							
Total liabilities to total shareholders' interests	(%)		**48,5**	70,6	75,8	73,3	152,0
Net interest-bearing debt to total shareholders' interests – maximum	(%)	75,0	**9,6**	30,7	4,4	(4,8)	28,5
Net debt to EBITDA – maximum	(times)	3,0	**0,9**	1,6	0,2	(0,1)	0,6
Debt service cover	(times)		**(0,5)**	2,8	3,2	2,7	5,2
Interest cover – minimum	(times)	3,0	**14,2**	17,8	12,7	14,9	10,5
Current ratio – minimum		1,0	**1,9**	1,3	1,5	1,6	1,2
EMPLOYEES							
Number of employees – subsidiaries			**4 014**	4 849	3 829	3 999	3 955
– joint ventures			**1 223**	782	648	651	1 375
Profit per employee	(R000)		**115**	149	210	499	257
Assets per employee	(R000)		**4 438**	2 652	3 041	3 233	2 138

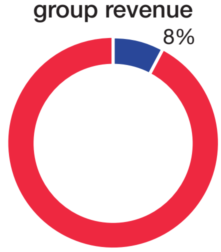
** Restated*

2006	2005	2004	2003	2002	
449 179	461 626	454 610	480 685	472 483	
455 719	458 490	450 220	477 710	480 862	
221,2	185,7	121,3	50,2	34,4	Profit attributable to ordinary shareholders divided by weighted average number of shares in issue during the year under review.
220,8	185,3	121,4	50,2	35,0	Headline earnings divided by weighted average number of shares in issue during the year under review.
11,7	7,0	6,5	4,7	4,1	Share price at end of year under review divided by earnings per share.
3,6	3,3	2,7	4,3	5,5	Total equity plus interest-bearing loans divided by EBITDA.
66,0	52,0	35,0	12,0	8,0	Total ordinary dividend/distribution declared relating to the financial year.
3,4	3,5	3,4	4,2	4,2	Earnings per share divided by dividend/distribution per share.
2,6	4,0	4,4	5,0	5,7	Dividend per share divided by the share price at the end of the year under review.
4,3	4,4	4,3	6,0	7,1	EBITDA divided by (total ordinary dividend/distribution declared relating to the financial year multiplied by the number of ordinary shares in issue less treasury shares)
280,7	228,4	150,6	72,0	55,8	EBITDA divided by the weighted average number of shares on which earnings per share are based.
461	314	183	127	110	Total equity less preference share equity divided by the total number of ordinary shares in issue less treasury shares.
9,0	12,4	20,2	14,5	9,6	Operating profit before interest and taxation, expressed as a percentage of revenue.
25,9	24,2	20,2	14,5	9,6	Operating profit before interest and taxation, excluding Trading, expressed as a percentage of revenue excluding Trading revenue.
28,4	37,1	37,7	19,9	14,7	Operating profit before interest and taxation, including non-trading items and share of associate and joint venture companies' profit, expressed as a percentage of average total assets excluding deferred taxation, less current liabilities, excluding short-term borrowings and current portion of long-term borrowings.
57,2	74,6	75,7	42,4	26,7	Profit attributable to ordinary shareholders' expressed as a percentage of average ordinary shareholders' funds.
6,6	7,0	8,1	1,8	10,4	
115,7	130,2	156,3	125,6	184,5	Other liabilities and interest-bearing debt (interest-bearing loans including Bank deposits after netting off bank balances, cash on deposit included in financial assets, non-current assets held for sale as disclosed separately and included in inventory, banks advances and liquid assets and short-term negotiable) expressed as percentage of total shareholders' funds (ordinary shareholders' funds plus minority interest).
19,7	33,0	53,3	61,0	106,6	Interest-bearing loans including Bank deposits after netting off bank balances, cash on deposit included in financial assets, banks advances and liquid assets and short-term negotiables expressed as a percentage of total shareholders' funds.
0,4	0,6	0,7	1,1	2,1	Interest bearing loans divided by EBITDA.
11,0	3,7	2,6	1,7	2,7	Free cash flow divided by short-term and long-term debt repayments and interest paid.
15,9	10,7	9,7	4,2	5,6	Operating profit before interest and taxation, including non-trading items divided by net interest paid.
1,2	1,3	0,9	1,0	0,6	Current assets divided by current liabilities excluding current portion of long-term borrowings.
3 695	2 322	1 516	1 139	965	
1 448	2 248	1 180	889	835	
229	247	259	150	120	Total revenue divided by the number of employees, including 50% of the joint venture employees.
1 645	1 445	1 255	1 321	1 377	Total assets divided by the number of employees, including 50% of the joint venture employees.

DIVISIONAL REVIEWS: FREIGHT SERVICES

Key financial ratios		2011	2010
Margin	(%)	**13,2**	10,1
Debt:equity ratio		**0,18:1**	0,33:1
Return on ordinary shareholders' equity	(%)	**16,2**	14,6
Return on net assets	(%)	**13,9**	12,1
Number of employees		**4 956**	5 229

2011 contribution to group revenue



2011 contribution to group attributable income

Freight Services comprises the group's investment in Ports and Terminals infrastructure and Logistics businesses.

The Freight Services division offers an integrated logistics service solution to its customers and aims to deliver superior service to customers from pit to port on corridors where it operates.

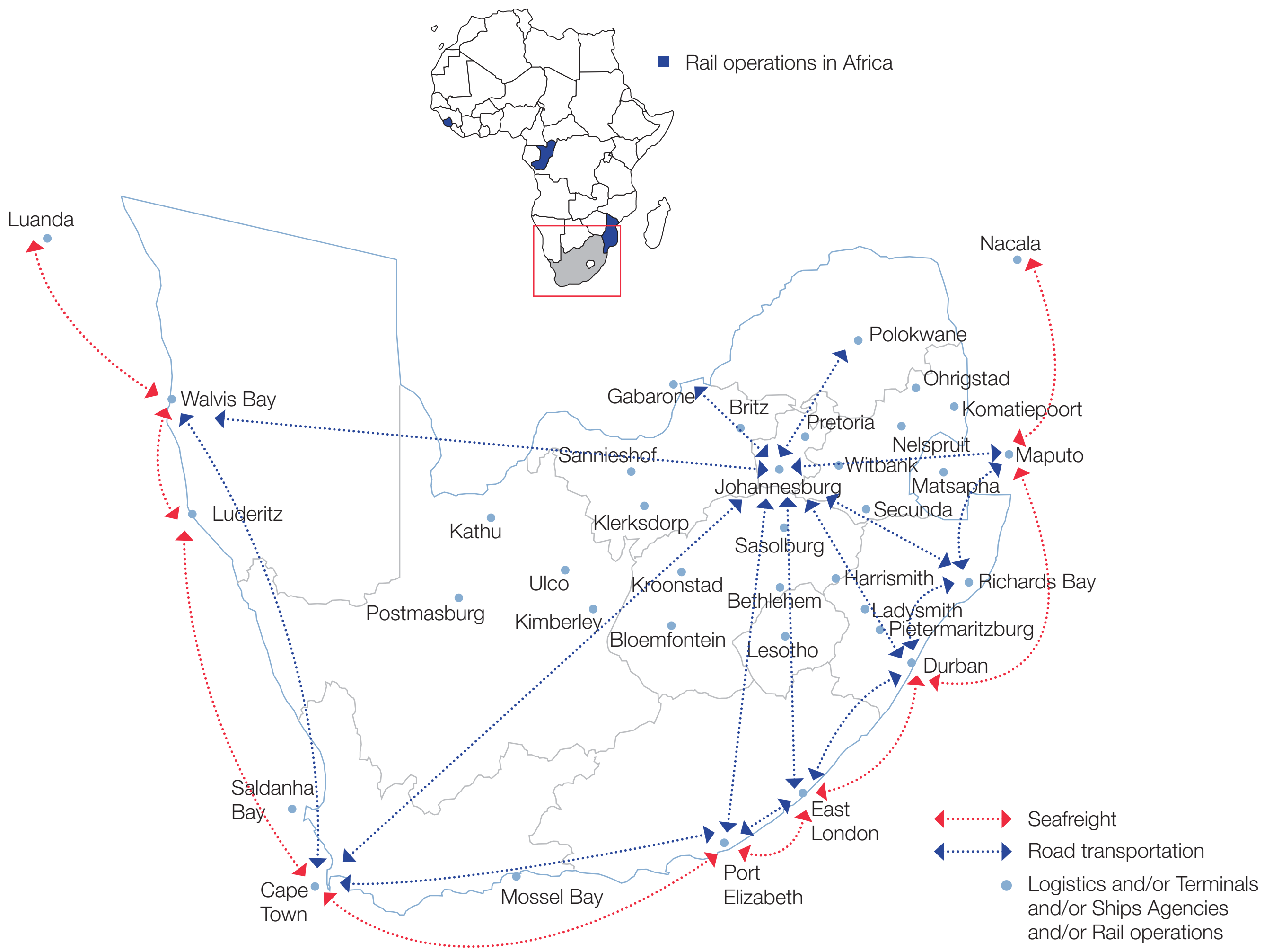
Ports and Terminals

- Ports
- Terminals
- Rail
- Seafreight

Logistics

- Intermodal
- Road transportation
- Clearing and forwarding
- Ships agencies

Freight Services operations are primarily located in southern Africa



KEY STRATEGIC OBJECTIVES

- Align supply chain strategy with commodity demand to maximise throughput
- Expand strategic assets and supply chain capabilities
- Leverage growth opportunities for infrastructure investment on the African continent
- Rationalise and attain full capacity utilisation for Logistics businesses
- Improve the BEE status of the South African operation

OPERATIONAL REVIEW

Income statement	2011 Rm	2010 Rm	Growth %
Revenue	**2 905**	2 390	22
EBITDA	**572**	419	36
Operating income	**382**	242	58
Share of associate and joint venture companies' profit	**71**	105	33
Attributable income	**318**	262	21

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

Statement of financial position	2011 Rm	2010 Rm	Growth %
Non-current assets/ investments	**2 654**	2 495	(6)
Current assets	**750**	784	(4)
Total assets	**3 404**	3 278	
Equity	**2 340**	2 030	15
Net debt	**19**	673	(38)
Other liabilities	**645**	575	12
Total equity and liabilities	**3 404**	3 278	

Freight Services earnings contributed 60% to the group's earnings (2010: 34%). Attributable income increased by 21% to R318 million (2010: R262 million) which includes a profit of R22 million from the disposal of the perishable cargo business.

The improved earnings were achieved through increased terminal utilisation, rail efficiencies and improved market demand in the Logistics business sector. The Maputo coal terminal throughput was up 101% on 2010, with 480 000 tonnes shipped on average per month in the last quarter of 2011 following the commissioning of the phase three expansion. Growth was achieved despite disruptions to the coal terminal operations in Maputo during the commissioning of the upgrade of the terminal expansion. Logistics operations were disrupted by a combination of industrial action in the road transport sectors, a reduction in car carrying volumes due to plant shutdowns following the tsunami in Japan and refinery shortages in the liquid bulk businesses during the first half of 2011.

Despite the challenges experienced, the Freight Services division delivered on a number of strategic objectives:

- conclusion of the Maputo coal terminal expansion to 6 million tonnes;
- completion of a pre-feasibility study to expand the Maputo coal terminal capacity by 20 million tonnes with the conversion of the existing 6 million tonnes terminal into a 10 million tonnes terminal completed, with bankable feasibility in progress;
- conclusion of a 35% Vitol investment in Maputo coal terminal in January 2012;
- completion of the dredging of the port of Maputo entrance channel to a depth of 11 metres;
- port of Maputo achieving volumes of 11,8 million tonnes;
- Maputo coal terminal volumes up 101% at 3,9 million tonnes (2010: 1,8 million tonnes);
- increase in the Maputo car terminal volumes and Richards Bay coal volumes in 2011 compared to the previous year;
- conclusion of bulk liquid terminal joint venture with Oiltanking and Calulo called Oiltanking Grindrod Calulo ("OTGC");
- locomotive manufacturing and leasing contracts secured in Sierra Leone and Mozambique;
- considerable improvement in coal rail service;
- joint initiatives with Transnet to further improve the Maputo and Richards Bay rail freight corridors' efficiencies, to cater for the route-to-market requirements of junior miners and to increase dedicated rolling stock to service these corridors;
- establishment of an Intermodal container depot in the port of Maputo with Dubai Ports World; and
- completion of the new Durban warehouse facility.

The division continues to face the following challenges:

- restricted availability of rail resources to service drybulk terminal volumes in Richards Bay and the car terminal in Maputo;
- low shipping container volumes and freight rates; and
- volatility of the Rand/US Dollar exchange rate.

Capital expenditure and commitments

Capital expenditure, including joint venture capital expenditure of R34 million, amounted to R321 million for the year (2010: R353 million). The majority of the capital expenditure was utilised in the replacement of fleet in the road transport operations following a number of years of underinvestment after the contraction in cargo volumes and the completion of the expansion of the Maputo coal terminal capacity.

The phase three expansion of Maputo coal terminal was completed at the end of the first half of 2011, with record tonnages subsequently achieved. To date, US$70 million has been invested in the refurbishment and expansion of the terminal. A further coal stockpile was added to the Richards Bay terminal, bringing capacity up to 3,2 million tonnes.

Phase four of the Maputo coal terminal expansion project to create capacity for 20 million tonnes of coal and 10 million tonnes of magnetite is progressing as planned, with the pre-feasibility stage completed in the second half of 2011. The project involves land reclamation resulting in a footprint of 120 hectares, the construction of two additional berths, a stockyard and railway infrastructure. Phase four requires an investment of approximately US$800 million.

Capital expenditure of R384 million has been approved for 2012, of which R45 million is committed. A further R964 million is planned to be spent in 2012 with the major capital expenditure of R330 million for the expansion of the Maputo coal terminal from 6 million tonnes to 7,3 million tonnes and finalising the feasibility study for the phase 4 proposed development.

SUSTAINABILITY

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

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

Key environmental, social and governance ("ESG") highlights for the year include (with further details provided in the group sustainability report on pages 51 to 52):

- 38,2% increase in occupational health and safety ("H&S") spend aimed at improving performance in this area. The development of new high risk H&S standards and the adoption of Occupational Health and Safety Assessment Series ("OHSAS") 1800 at all business units. Safety risk audit reviews covering key business units were completed during the year, with an average compliance level of 87% achieved (76% in 2010);
- implementation of monitoring and divisional data collation systems for monthly H&S and environmental reporting; and
- the adoption by all businesses of five divisional environmental standards covering energy management and GHG emissions, waste management, prevention of soil and groundwater contamination, water consumption and wastewater management and air pollution.

Regretfully there was one work-related fatality within the division during the year.

The Freight Services Climate Change Strategy and Implementation Plan was finalised and adopted during 2011. The strategy consists of nine core objectives and the implementation plan outlines how these objectives are to be achieved. The plan includes:

- definition of responsibilities for carbon management at appropriate levels and functions within the division;
- procedures for monitoring sources of GHG emissions on a monthly basis, tracking progress towards defined objectives and targets and identifying anomalies for immediate redress;
- identification of areas for improvement of energy efficiency in vehicles, buildings, plant and machinery;
- provision for necessary training and awareness and establishment of effective channels of communication for carbon management;
- implementation of plans for energy efficiency programmes within each business unit where Grindrod has operational control;
- research and development plans to keep up to date with new and emerging technologies, alternative fuels and sequestration options to further reduce Freight Services' carbon footprint, and;
- provisions to remain abreast of climate change legislation development, so as to be prepared for any forthcoming requirements.

OPERATIONAL OVERVIEW

Ports and Terminals

Income Statement	2011 Rm	2010 Rm	Growth %
Revenue	**870**	674	29
EBITDA	**337**	296	14
Operating income	**263**	219	20
Share of associate and joint venture companies' profit	**42**	78	(51)
Attributable income	**212**	237	(10)
Margins (%)	**30**	33	

Terminals	Utilisation in 2011	Utilisation in 2010	Current capacity	Planned capacity 2012
Drybulk (tonnes)	**9 462 164**	6 917 577	14 250 000	14 850 000
Liquid bulk (m^3)	**168 333**	171 340	340 000	340 000
Automotive (number of vehicles)	**35 147**	18 298	52 000	52 000

Ports and Terminals comprises the group's investments in ports, terminals, rail and seafreight. The 2010 Ports and Terminals attributable income included once-off contractual income of approximately R117 million.

Ports

The group's investment in the Maputo Port Development Company ("MPDC"), remains at a 24,7% shareholding, with Dubai Ports World, the Government of Mozambique and local partners holding 24,7%, 49% and 1,6%, respectively. MPDC has the concession to develop and operate the port of Maputo in Mozambique until 2042.

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

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

Terminals

Terminals strive to offer a competitive route to market for current and prospective customers, who include the major mining houses.

Maputo coal and magnetite terminal

The phase three expansion of the Maputo coal and magnetite terminal was completed in 2011 and the planning of phase four is progressing. The board has approved expenditure to increase coal capacity at the terminal during 2012, to be completed in 2013 by a further 1,3 million tonnes.

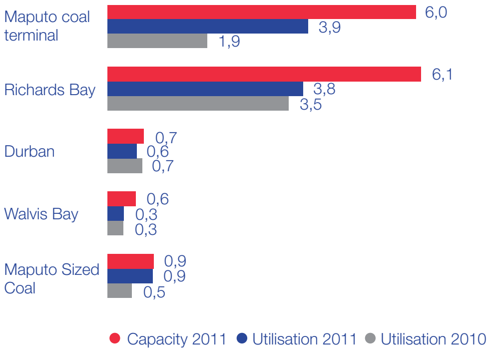
As referred to in the financial director's report, Grindrod and Vitol entered into an agreement whereby Vitol acquired a 35% interest in the Maputo coal terminal.

The separate sized coal terminal, for the handling of a specific coal product, with a capacity of 900 000 tonnes per annum showed strong growth in volumes in 2011 on the back of strong commodity demand and improved rail service. The expansion of capacity of this terminal to 1,5 million tonnes per annum is planned for 2012.

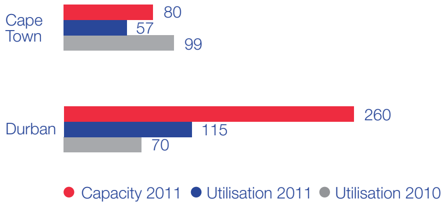
Richards Bay coal terminal

The operations, which are spread over four sites, three of which are connected by conveyor belt to Transnet Port Terminals infrastructure, have a combined capacity of 6,1 million tonnes per annum. Volumes handled through the facilities increased marginally to 3,8 million tonnes in 2011 (62% utilisation), with further initiatives planned to increase coal exports through the existing facilities. Previous expansion plans of an additional

Drybulk terminal capacity and utilisation (tonnes millions)



Liquid bulk terminal capacity and utilisation (m^3 thousands)



500 000 tonnes of capacity has been replaced with longer-term expansion plans. The pre-feasibility study for the further expansion of the coal export capacity by up to 10 million tonnes per annum in total is planned to commence in 2012.

Maydon Wharf terminal (Durban)

The terminal handles fertiliser, containers, steel, project cargo, bagged cargo as well as other bulk and break bulk cargo and has capacity to handle 700 000 tonnes of drybulk cargo and 30 000 twenty foot equivalent units ("TEU") per annum. Volumes declined in 2011 within the exit of a fertiliser customer, following the customer's acquisition by a third party.

Walvis Bay terminal

The terminal handles drybulk commodities and has a capacity of 550 000 tonnes per annum, with trading in 2011 in line with 2010.

Maputo car terminal

The Maputo car terminal, owned and operated in partnership with Höegh Autoliners (30%), has an annual throughput capacity of 52 000 vehicles with 35 147 vehicles being handled in 2011 (2010: 18 298). Although the terminal is ideally situated as a complementary port to the South African ports for the import and export of vehicles delivering to, or manufactured in Gauteng, the terminal mainly services the transhipment market. The expansion of terminal capacity to 167 000 vehicles to complement the South African car terminal capacity planned in 2011 has been delayed, subject to the availability of rail resources on the Maputo corridor.

Tank terminals

Liquid bulk terminal operations are conducted in the ports of Durban (molasses) and Cape Town (vegetable oils) with the terminals having a total annual throughput capacity of 340 000 m^3. Terminal volumes declined to 69 583 m^3 (2010: 114 675 m^3) mainly due to a delayed start in the vegetable oil season. Terminal volumes are now on track. Investigations are being conducted to expand terminal capacity in both operations. This would also result in the Durban terminal being modified to cater for the handling of high flash point bulk liquid cargoes. In addition to the tank terminal facilities, the operations trade in molasses and also provide road based transportation of the commodities handled through the facility.

OTGC is focused on the development of liquid bulk terminals throughout South Africa. OTGC has been awarded preferred bidder status to develop and operate a new tank terminal in the port of Coega to cater to the requirements of the petrochemical industry on concession from Transnet.

Rail

Effective rail operations are key to maximising utilisation of bulk infrastructure investments. Grindrod conducts its rail operations through the 50% held joint venture companies RRL Grindrod (Pty) Limited and RRL Grindrod Locomotives (Pty) Limited, in partnership with its BEE partner Solethu Investments (Pty) Limited. A full spectrum of rail services are provided, including locomotive and wagon construction, rehabilitation and maintenance, locomotive leasing and rail operations.

The business has expanded rapidly with a fleet of 34 owned and leased locomotives as at 31 December 2011, deployed in Sierra Leone, Mozambique, Republic of Congo and South Africa. The majority of the locomotives employed in the fleet are new locomotives that RRL Grindrod has constructed, with the balance being existing locomotives that RRL Grindrod has refurbished in its own production facility in Pretoria. The business is well placed to further expand through its existing base, public-private-partnerships and concession opportunities, with an additional 24 newbuild locomotives contracted to be built in 2012.

The company is a registered permit holder with the National Rail Safety Regulator and is ISO 9001:2008 accredited.

Seafreight

Seafreight comprises the group's 49% investment in Ocean Africa Container Lines (Pty) Limited ("OACL"), in partnership with Safmarine. OACL is accounted for as an associate. OACL operates a container shipping service in the southern African region. The business model of OACL came under pressure in 2011, driven in large by changing shipping patterns by the Safmarine/Maersk group, resulting in the business having to be restructured and repositioned.

Logistics

Income statement	2011 Rm	2010 Rm	Growth %
Revenue	**2 035**	1 716	19
EBITDA	**235**	123	91
Operating income	**119**	23	410
Share of associate and joint venture companies' profit	**29**	27	–
Attributable income	**106**	25	327
Margins (%)	**6,0**	1,0	

The Logistics division comprises the group's investments in transportation, warehousing, intermodal, clearing and forwarding, ships agency and other customer service operations. The logistics business is integral in providing support for developing the other businesses within the group, in particular with their customer and harbour intelligence throughout southern Africa.

Road transportation

The road transportation operations are a prominent transporter of motor vehicles in southern Africa, providing distribution and logistical services to a substantial number of South African car manufacturers and other importers. Integral to this service is the electronic interface with customers, which includes a vehicle tracking system. The company is highly rated in the motor vehicle delivery industry for risk management, reliability, customer service and ability to meet deadlines. Auto carrier logistics are undertaken by road carriers, rail, or self-drive options throughout southern Africa. The division also provides a vehicle stevedoring and driving service function within the Durban car terminal on behalf of Transnet Port Terminals and major vehicle manufacturers.

The drybulk fleet has both side tipping and bottom discharge units in use to serve both the agricultural and mining sectors. The fleet is active in the entire southern African Development Countries ("SADEC") region, with all the main corridors being serviced. The division also offers regional distribution services of bagged agricultural products, with its specialised fleet made up of 8, 12 and 34 tonne Tautliners.

The liquid bulk fleet provides primary and secondary distribution services to various oil majors in the southern African region.

The services offered are from a well distributed network of depots and include:

- transportation of liquid petroleum gas;
- optimisation studies for and with customers;
- running of depots on behalf of oil companies;
- primary distribution of fuel from refineries and import facilities to terminals, depots and large customers, locally and to neighbouring countries; and
- secondary distribution of fuel from terminals and depots to customers.

The road transportation operations also include the group's joint venture heavy lift logistics and engineering capabilities, Vanguard Rigging (Pty) Limited.

Clearing and Forwarding

Clearing and Forwarding operations are conducted through Grindrod's 50% held investment in Röhlig-Grindrod, together with Röhlig & Co Internationale. The company experienced continued growth in the business since the market retraction in late 2008 and 2009.

The company is represented in all trading centres across five continents through the principal member Röhlig & Co, and is complemented by the Grindrod network and presence throughout South Africa. Röhlig-Grindrod offers customers total management control over their worldwide clearing and forwarding services for import and export cargoes moving by sea, air or over land. Röhlig-Grindrod is among South Africa's top three freight forwarders and logistics providers, with a customer base of more than 1 600 regular clients and turnover in excess of R3 billion.

The company's market leading information system, Compuclear/Nutrack, monitors the shipping and documentation process at each critical point in the path to ensure consistency and accuracy in tracking status reporting. The system also provides management information for customers to optimise planning and review of the supply chain performance.

Intermodal

The Intermodal operation's performance improved on the prior year following an increase in mining volumes although margins remain tight. Intermodal continues to invest in the consolidation and expansion of its existing operations, with a new development in Maputo scheduled for 2012.

Grindrod Intermodal provides a complete solution for containerised cargo comprising:

- complex warehousing and distribution solutions including cross-dock and bonded warehousing;
- full service countrywide and over border transportation of containerised cargo by road and rail;
- comprehensive empty and full container depot services; and
- container sales and leasing.

Greater supply chain efficiencies are now offered through the merger of a complementary national infrastructure in excess of 500 000 m^2, assets over the value of R150 million and resources including a team of 700 dedicated employees. Key account managers are positioned in the offices of their customers to ensure forward and backward integration.

Ships Agencies

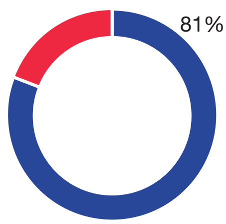
Ships Agencies provides both the local and international market with a full economical and efficient service in the shipment of bulk and break bulk cargo (liquid and dry) including ships husbandry along the South African coast. Operations were negatively impacted during the year by a combination of the strong Rand/US Dollar and weak shipping markets, particularly in container shipping. The businesses operate under the following brands:

- Eyethu Ships Agencies;
- King & Sons – liner;
- King & Sons – non-liner;
- Mitchell Cotts Maritime; and
- Voigt Shipping.

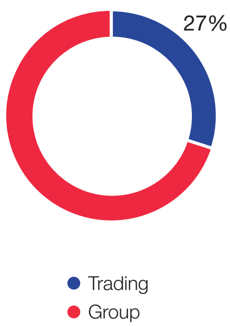
DIVISIONAL REVIEWS: TRADING

Key financial ratios		2011	2010
Operating margin	(%)	**0,5**	0,7
Operating margin per tonne (including JVs)	R	**24,22**	23,07
Debt:equity ratio		**1,31:1**	0,95:1
Return on ordinary shareholders' equity	(%)	**16,3**	19,6
Return on net assets	(%)	**6,3**	9,7
Number of employees		**495**	369

2011 contribution to group revenue



2011 contribution to group attributable income



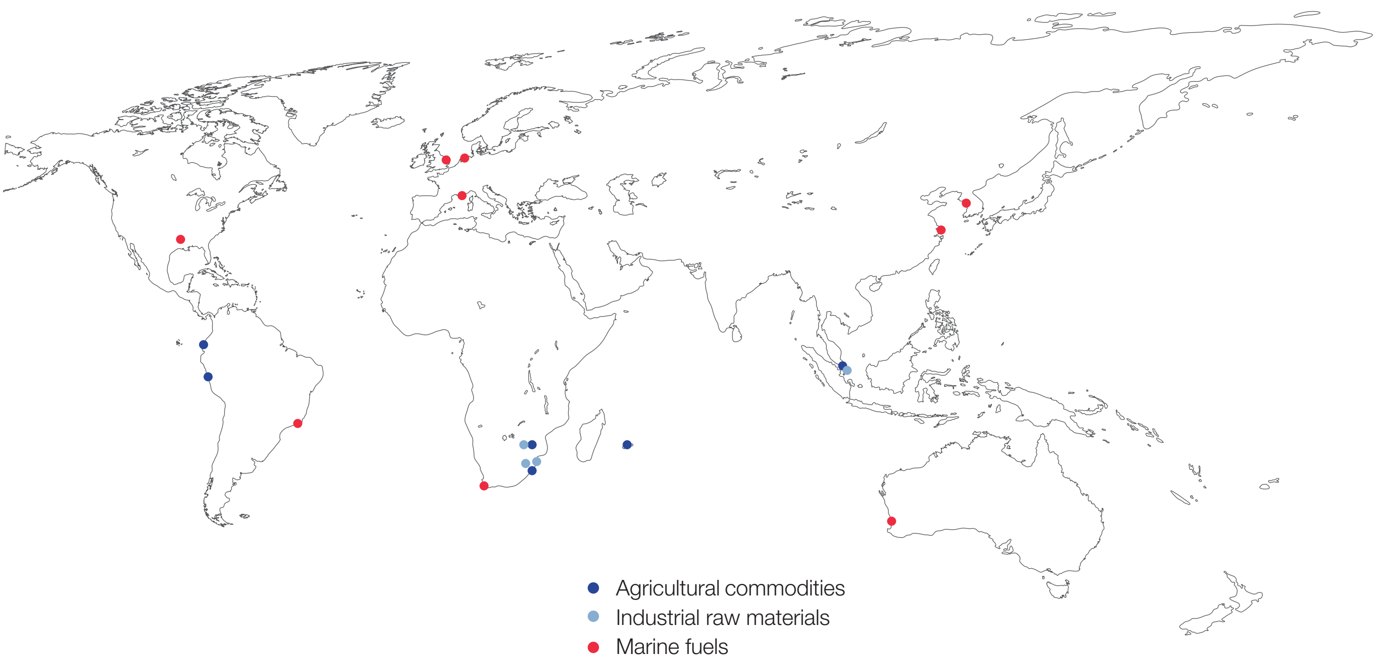
The Trading division aims to provide value added solutions to producers and consumers of a focused range of globally traded commodities. This includes sourcing and marketing agricultural commodities, industrial raw materials, coal and marine fuels around the world through complete supply chain management.

Atlas
Agricultural commodities
- Grains
- Oil seeds
- Oil seed products

Oreport
Industrial raw materials
- Stainless steel/ steel products
- Chrome
- Coal

Cockett
Marine fuels
- Marine fuel oil and lubricants

Global trading operations



The Trading division prides itself in developing lasting customer and supplier relationships, providing an enhanced service offering that includes origination, procurement, marketing, shipping, logistics management, risk management and financing activities.

A key success factor is the ability to leverage shipping, port, terminal and logistics operations of the Grindrod group, providing customers and suppliers with an efficient cost effective one-stop service. Complementary business practices across various commodities and geographical locations allow the division to develop synergies to further enhance customer service. The division has a target market that includes intermediary and end-users of agricultural commodities, industrial raw materials and marine fuel.

The drybulk trading businesses, Atlas and Oreport are being rebranded and will operate under the single brand, Grindrod Trading. This single entity will develop its business through the continued provision of integrated, value adding solutions to its customers through utilising the various offerings and key assets of the group together with investment in key supply chains.

KEY STRATEGIC OBJECTIVES

- Provide integrated, value adding solutions to producers and customers
- Improve operating margin per tonne
- Ensure long-term sustainability of business
- Utilisation of group assets, services and resources
- Investment in supply chain projects
- Fully develop existing businesses in line with market demand and target opportunities for growth

OPERATIONAL REVIEW

Income statement	2011 Rm	2010 Rm	Growth %
Revenue	29 189	22 796	28
EBITDA	166	173	(4)
Operating income	155	165	(6)
Share of associate and joint venture companies' profit	33	1	2 585
Attributable income	144	120	20

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

Statement of financial position	2011 Rm	2010 Rm	Growth %
Non-current assets/ investments	440	546	(20)
Current assets	2 585	2 211	17
Total assets	3 025	2 757	
Equity	1 146	715	60
Net debt	1 499	678	121
Other liabilities	380	1 364	(72)
Total equity and liabilities	3 025	2 757	

Trading tonnage increased from 7,4 million metric tonnes in 2010 to 7,5 million metric tonnes in 2011, representing a 1,7% increase in volumes over the period. The Trading division has seen a significant increase in revenue, primarily due to increased commodity prices and product mix. Operating margin per tonne, including joint ventures, increased to US$3,33 from US$3,14 in 2011.

Trading highlights for the year include:

- conclusion of a joint venture transaction for constructing grain silos in Beira, Mozambique;
- acquisition of milling operations in South Africa;
- crop finance programme to originate agricultural commodity supply in South Africa;
- commissioning of an additional chrome ore recovery plant;
- marine fuels improvement in volume and margin per tonne;
- contracted tank storage to support physical supply of marine fuel; and
- partnership with Vitol to grow the sub-Saharan coal trading business concluded subsequent to year-end.

Trading continues to face the following challenges/risks which are mitigated as described below:

Market risk

Constant price volatility impacted by fundamentals and macro events can expose the trading businesses to large commodity price movements. This is mitigated through hedging, research and qualified resources operating under strict compliance frameworks.

Credit/counterparty risk

Credit policies, combined with credit insurance and diligent credit assessments of counterparties mitigates this exposure.

Liquidity risk

Rising and volatile commodity prices can put pressure on working capital facilities. This is mitigated by constant cash flow and working capital monitoring and forecasting and maintenance of key banking relationships.

Operational risk

Involvement in the physical supply of commodities gives rise to operational risks which are minimised through partnering with key service providers and through strong risk management and compliance practices.

Lasting customer and supplier relationships help to ensure stability during market volatility.

Talent management, career development and training form an integral part of the business that strives to develop a positive team spirit and a favourable working environment.

Environmental and climate change issues remain a key focus and the Trading division continues to promote environmental awareness and responsibility among employees.

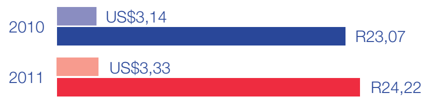
One of the key initiatives in early 2012 will be to put in place a new corporate and management structure in the division. In addition to rebranding some of the operational brands to Grindrod Trading, the Atlas and Oreport businesses will also operate as a single entity. This will include consolidating all operations under a single information technology platform and centralising logistics and back office functions, to maximise operational efficiency and ensure sustainability, profitability and growth.

SUSTAINABILITY

The division made inroads into integrating sustainability policies and practices into core business functioning. Sustainability risks and business opportunities are discussed at divisional executive meetings and improved sustainability personal performance criteria have been included in the Trading chief executive officer's bonus scheme. During the year the division actively participated in the Grindrod group environmental and climate change committee, implemented office-based eco-efficiency measures and began to investigate the feasibility of participating in carbon trading.

Volume traded (mmt)

Margin/mt



OPERATIONAL OVERVIEW

Agricultural commodities

Atlas Trading and Shipping is a bulk agricultural commodities trading business sourcing quality product globally with security in price and delivery to its customers. Atlas sources predominantly grains, soya bean meal and oil seeds from around the globe and manages the supply chain activity to its customers in South Africa, sub-Saharan Africa, North Africa, South East Asia and the West Coast of South America. Atlas has made strategic investments in key supply chains to maximise control over the supply chain, optimise logistics and to create value for all stakeholders.

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

Industrial raw materials

Oreport is an international marketing organisation specialising in the worldwide procurement, physical movement and distribution of industrial raw materials. Oreport provides a complete managed solution from the materials' point of origin through to delivery to the final purchaser and collection of payment.

Oreport's product portfolio includes stainless steel, steel products, chrome and coal.

In addition, investments in both upstream and downstream operations in the industrial raw materials sector have further strengthened the strategic base of the company and Chromtech in particular, has become a major profit contributor.

Chromtech is a joint venture operation which designs, develops and operates chrome recovery plants on behalf of or in collaboration with platinum group metals and/or chrome ore mining companies, with the principal objective of securing reliable sources of concentrate for export or conversion into ferrochrome and/or other chrome-related products.

The concentrate is currently exported to China and Chromtech has become a premium supplier of engineering intellectual capital in the design, development, construction and operation of chrome recovery plants for the recovery of chrome concentrate from the by-products of the platinum mining process.

Management with Vitol, in a joint venture, will focus on origination, logistics and marketing of coal in sub-Saharan Africa and is supported by Grindrod's interest in strategic coal terminal operations.

Marine fuels

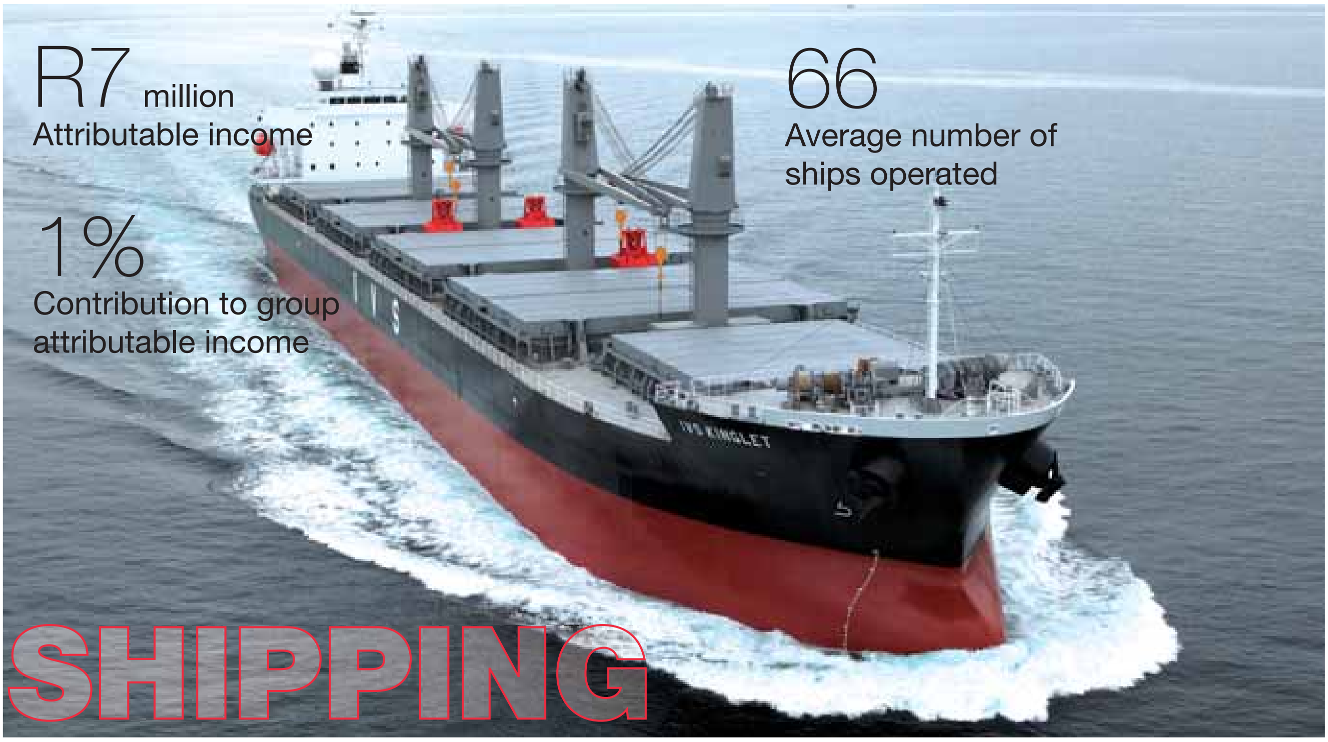
The Cockett Marine Oil group was established in 1979 and has grown to be one of the largest value added resellers and physical marine fuel suppliers in the world. Cockett has developed an international network of offices to deliver a global service to its clients. In addition, Cockett is currently developing a network of physical supply operations in strategic locations. Cockett has an excellent reputation in the marine fuel sector supported by a highly experienced and motivated trading team with dedicated in-house technical support.

Cockett supplies approximately five million tonnes of marine fuels per annum. Clients are therefore able to directly benefit from its considerable purchasing power and knowledge of a highly fragmented bunker market.

Cockett provides broad market access, meaningful economies of scale with higher availability of products and services while minimising the exposure to fuel volume, delivery, price and quality risks.

To further expand this business, Grindrod negotiated the introduction of a 50% strategic partner into the business. The assets and liabilities of Cockett Marine are shown as held for sale in the Trading balance sheet.

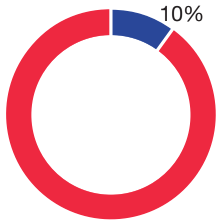
DIVISIONAL REVIEWS: SHIPPING



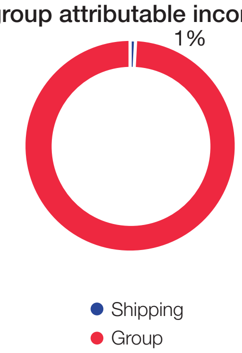
Key financial ratios		2011	2010
Margin	(%)	**0,8**	9,8
Debt:equity ratio		**0,45:1**	0,31:1
Return on ordinary shareholders' equity	(%)	**0,2**	15,4
Return on net assets	(%)	**1,1**	10,3
Number of employees		**442**	497

Average number of ships operated	2011	2010
	66	69
Owned	**16**	10
Long-term charter	**20**	24
Ship operating	**30**	35

2011 Contribution to group revenue



2011 Contribution to group attributable income



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

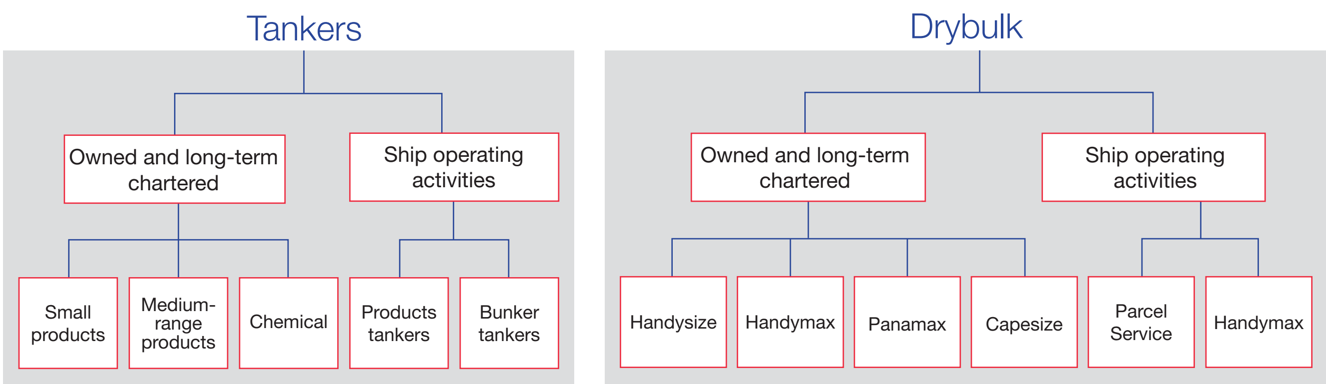
Tankers

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

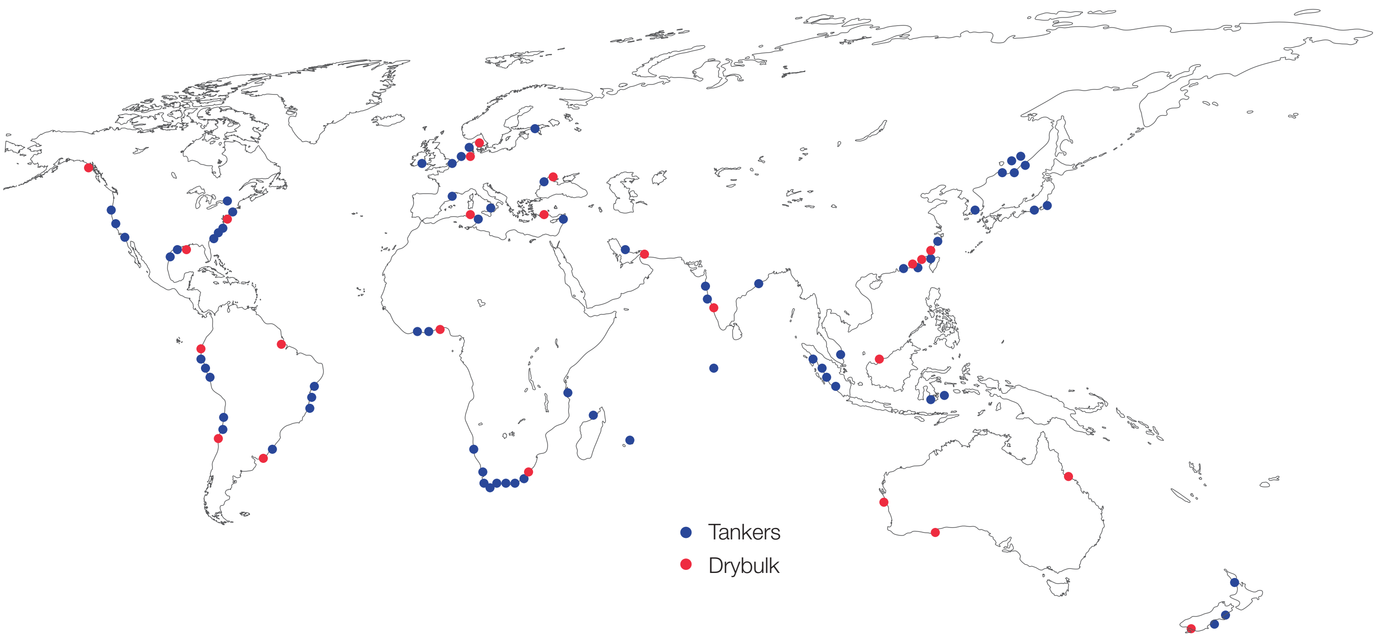
Drybulk

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

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



Global fleet loading and unloading areas



KEY STRATEGIC OBJECTIVES

- Purchase of well-priced fuel efficient newbuilding medium range ("MR") products tankers
- Long-term charters of MR products tankers at attractive levels
- Rationalise operation of ships in the various shipping pools based on results
- Purchase of well-priced predominantly Japanese built fuel efficient newbuilding handysize bulk carriers
- Long-term charters of Japanese built handymax and handysize bulk carriers
- Continue to develop and strengthen the global ship operating capability

OPERATIONAL REVIEW

Income Statement	2011 Rm	2010 Rm	Growth %
Revenue	**3 597**	4 010	(10)
EBITDA	**188**	497	(62)
Operating income	**30**	392	(92)
Share of associate and joint venture companies' profit	**14**	3	366
Attributable income	**7**	362	(98)

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

Statement of financial position	2011 Rm	2010 Rm	Growth %
Non-current assets/investments	**4 382**	3 428	28
Current assets	**623**	558	12
Total assets	**5 005**	3 986	
Equity	**3 281**	2 827	16
Net debt	**1 487**	871	71
Other liabilities	**237**	288	(18)
Total equity and liabilities	**5 005**	3 986	

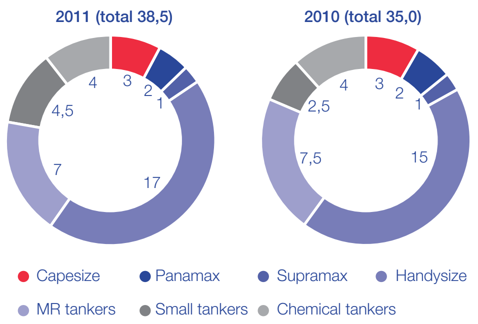
Highlights for the year include:

- contractual performance by all counterparties both in wet and dry during one of the most volatile and challenging markets of the last 20 years;
- completion of relocation of Unicorn's operations office from the United Kingdom to Singapore to consolidate the drybulk and tanker operations;
- realignment and expansion of the Parcel Service to the Far East via a new joint venture;
- continued development of the Handymax operating division into an established and recognised industry player;
- good performance of the South African tanker and bunker barge businesses; and
- daily earnings achieved outperformed average spot market rates for the year.

Financial performance by cargo type is summarised below:

	Bulk carriers				Tankers			2011	2010	
Profit from owned and long-term chartered ships	Handysize	Handymax	Panamax	Capesize	Medium-range	Small	Chemical	**Total**	Total	Growth %
Average number of owned/long-term chartered ships	15,8	1,1	2,0	3,2	6,9	2,7	4,0	**35,7**	34,1	5
Average daily revenue (US$)	13 000	13 400	24 000	27 900	14 600	9 600	13 300	**15 100**	17 500	(14)
Average daily cost (US$)	9 700	13 000	9 200	26 400	16 000	12 300	14 300	**13 200**	12 800	(3)
Profit (US$ million)	19	–	11	2	(4)	(3)	(1)	**24**	60	(60)
(US$ million)										
Profit from ship operating activities								**15**	29	(48)
Profit from ship sales								**–**	3	(100)
Shipbuilding costs								**–**	(1)	100
Impairments								**(15)**	–	–
Overheads								**(24)**	(27)	(11)
Funding costs/taxation								**2**	(9)	122
Foreign exchange losses								**(1)**	(6)	83
Total – US$ million								**1**	49	(98)
Total – Rand								**7**	362	(98)
Tankers (R million)								**(141)**	(54)	(161)
Drybulk (R million)								**148**	416	(64)

Fleet



Average daily earnings achieved were above average spot rates for the year through forward contract cover, operational efficiencies and good pool performances.

At 31 December 2011, the Shipping division had an owned and long-term chartered fleet of 38,5 ships, a net increase of 3,5 over the 31 December 2010 fleet.

Forward contracts on 45% (weighted by revenue) of vessels in 2012 will lock in US$20 million of operating profit, with 13% (weighted by revenue) of vessels already under contract for 2013.

While the net increase in the fleet in 2011 has been relatively small, due to the current difficult market conditions in both the tanker and drybulk sectors, a number of acquisitions and long-term charter opportunities are expected to materialise. Management will continually monitor these opportunities specifically in the MR tanker, handysize and handymax bulk carrier sectors.

SUSTAINABILITY

The Shipping division has always maintained world-class safety, health and environmental ("SHE") management systems and has an enviable performance record in this area. A key aspect of this is the training, management and retention of good people at all levels. The division made significant inroads during the year in terms of streamlining SHE monitoring, management and reporting and to improving the way sustainability-related risks and opportunities are incorporated into business operations and strategy. Standardised reporting to group level is now done through one senior manager, who is also an active member of the Grindrod group environmental and climate change committee.

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

- doubling of occupational H&S spend aimed at driving further improvements in this area. The division maintained its outstanding record reporting three medical treatment cases (four in 2010) and two lost time incidents for the year;
- strict compliance with MARPOL (International Convention for the Prevention of Pollution from Ships) through certified on-board management systems and ongoing training, which facilitated the division achieving the remarkable record of zero significant oil spills for the sixth consecutive year;
- achieving a 15% improvement in ship-based GHG emissions efficiency year-on-year (5% improvement target surpassed). Air pollution (SOx and NOx) emissions improvement targets per 1 000 nautical mile (NM) were also surpassed;
- a marine management system, Bassnet, is in the process of being installed. This encompasses planned maintenance, safety, crew management and procurement modules and will assist in improving the operating standards of this department;
- a data centre has recently been installed in the Singapore office which improved efficiencies and communications with the Durban offices;
- during the year the tanker and drybulk divisions were restructured to report to one shipping executive, which together with the consolidated operations in Singapore and Durban, allows for more efficient management of the Shipping division; and
- the employment of key staff around the world has resulted in the strengthening of a dynamic, highly experienced team. Long and short-term incentive schemes are in place as retention mechanisms for key personnel.

OPERATIONAL OVERVIEW
Tankers

	2011 Rm	2010 Rm	Growth %
Revenue	**1 023**	1 132	(10)
EBITDA	**(47)**	125	(129)
Operating income	**(149)**	38	(493)
Share of associate and joint venture companies' (loss)/profit	**(1)**	1	(200)
Attributable loss	**(141)**	(54)	(161)

Unicorn Shipping operates from Singapore and the South African office provides marine and technical services. The division supplies modern, high quality and specialised tonnage along with maintaining an active and visible presence in the pools in which it participates.

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

Contract cover is derived from time chartering-out a portion of the fleet. Unicorn Shipping employs some of its ships in pools which operate on a mix of contract cover and spot market rates. Tankers are currently employed in the Navig8, Dorado, Scorpio, Han Gang and Stolt pools, all recognisable blue chip names in the tanker industry. Unicorn's competitive advantage continues to be one of long-standing reputation for blue chip performance.

The tanker business had a difficult year, with European sovereign debt worries and a sluggish American economy weighing heavily on oil demand allied to continuing fleet oversupply:

- small products tanker earnings were also affected by ongoing high maintenance issues;
- long-term charter contracts at attractive rates on two owned medium-range tankers terminated at the end of the first quarter of 2011 and these vessels were placed in pools where the earnings were impacted due to soft market rates; and
- chemical tanker earnings remained poor, however, there are encouraging signs that earnings could improve.

Tanker charter rates at the date of preparing this report were as follows:

	Spot rates (US$ per day)	One-year time charter rates (US$ per day)	Three-year time charter rates (US$ per day)	Average spot rates **2011** **(US$ per day)**	2010 (US$ per day)
Medium-range*	5 285	14 250	14 750	**7 587**	7 213
Small**	9 000	9 750	10 250		

Source: Clarksons Research Services Limited
** *Management assessment for "Small"*
(Meaningful chemical tanker rates are not available)
(Meaningful small tanker average spot rates are not available)

While a portion of the small tanker fleet was contracted out at attractive rates, earnings from the spot market were poor. The decision to move a number of vessels into a larger deadweight size pool is expected to be beneficial to earnings in 2012.

Two newbuilding MR fuel efficient products tankers were contracted for future long-term charter at levels considered attractive by management.

During the year the tanker division took delivery of two 16 500 dwt (small) products tankers and a 52 600 dwt MR products tanker in a joint venture and exercised an option on a 46 700 dwt MR products tanker previously held under a long-term finance arrangement. Due to a dispute on contractual terms with a Chinese shipyard, in addition to three previously cancelled vessels, a further two 16 500 dwt products tankers were cancelled.

The cancellation of these two small tankers had a negative impact on the second half of the 2011 earnings, resulting in the write-off of owners' costs and expensing of a foreign exchange contract entered into in 2009 which was a hedge against the cost of the vessels. Both these cancellations await arbitration.

Tanker division earnings will face another difficult year in 2012 as European sovereign debt worries continue to dampen demand, which will result in low rates. However, the tanker market is expected to improve into 2013 as the last of the large order books are delivered and demand catches up with supply.

The key challenges facing management continue to be one of maximising earnings and ensuring the fleet is fully employed without committing to low earning long-term charter rates. Management is in the process of rationalising the division's participation in several pools which is expected to result in improved earnings.

IVS is headquartered in Singapore with offices in Canada, the United Kingdom, South Africa, Japan, the Netherlands and Mozambique. Through a combination of a modern fleet, third party tonnage and almost four decades of experience, the focus of IVS is to remain a reliable and trusted partner in the shipping of cargoes worldwide.

Drybulk

	2011 Rm	2010 Rm	Growth %
Revenue	**2 574**	2 878	(11)
EBITDA	**235**	372	(37)
Operating income	**179**	354	(50)
Share of associate and joint venture companies' profit	**15**	2	650
Attributable income	**148**	416	(64)

IVS is firmly established as a global operator and has become a carrier of choice for a number of major grain houses with strong forward opportunities. The target market continues to be counterparties who are looking for a first class, long-established reliable partner able to offer a quality service. IVS prides itself on its service, reputation, financial standing and its close relationships with its customers and focuses mainly on handysize, handymax, panamax and capesize bulk carriers. Contract cover is derived from time chartering-out a portion of its fleet, selling forward freight agreements and entering into contracts of affreightment. Most of its handysize bulk carriers are employed in the IVS/Lauritzen pool which operates on a mix of contract covers and spot market.

The fleet is made up of owned and long-term charters of up to 10 years. Most of the long-term charters include the right to acquire the vessels at favourable pre-determined prices during the charter period, which allows flexibility to exercise options at an opportune time.

The drybulk business performed well despite an oversupply of tonnage in the market and ongoing piracy deviation costs:

- handysize ships generated good profits due to a combination of above market cover and good performance by the IVS/Lauritzen Pool allied to efficient, low cost fleet operation;
- the panamax ships continued to generate profits under their fixed income charters; and
- a high level of contract cover and the introduction of spot/ market operating into the cape fleet ensured a profitable year in this sector.

Drybulk rates at the date of preparing this report were as follows:

	Spot rates (US$ per day)	One-year time charter rates (US$ per day)	Three-year time charter rates (US$ per day)	Average spot rates **2011** **(US$ per day)**	Average spot rates 2010 (US$ per day)
Handysize	8 184	8 750	9 500	**10 552**	16 428
Panamax	8 212	11 500	11 875	**14 000**	25 041
Capesize	4 708	15 250	17 000	**15 639**	33 298

Source: Clarksons Research Services Limited

The dry cargo owned fleet has a reasonable level of forward cover. With the rapid drop in freight rates through the fourth quarter of 2011, contracting additional profitable cover was not achievable.

The long anticipated major correction in the international dry cargo shipping market is now occurring and a number of interesting potentially lucrative acquisition opportunities are starting to materialise which management are assessing. During the year the drybulk division took delivery of two 32 500 dwt handysize bulk carriers, a 28 000 dwt handysize bulk carrier in a joint venture and a 61 000 dwt handymax bulk carrier, and exercised a purchase option on one of its long-term charters, a 32 400 dwt handysize bulk carrier.

The key challenge facing the drybulk division is the potentially lower freight rates caused by a large oversupply of tonnage. This will continue to skew the supply/demand equation until sometime in 2013, thereby presenting a challenging 12 to 18 months for the dry cargo market.

On the positive side, the scrapping of old ships, in particular handysize vessels, is also at record levels and fleet growth in the handysize sector will be limited.

Ship operating activities

		2011 Rm	2010 Rm	Growth %
Revenue		**2 796**	2 371	18
Gross profit		**113**	188	(40)
Gross margin	(%)	**4**	8	(50)

The ship operating activity figures in the above table are included in the Tankers segment on page 43 and the drybulk segment on page 44.

Ship operating activities consist primarily of Unicorn Calulo products tankers, Unicorn Calulo bunker tankers, short-term operation of handymax bulk carriers and the Parcel Service.

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

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

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

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

In order to service the contracts in the Parcel Service and Handymax operating divisions, vessels are chartered-in on a short-term basis with the divisions' long-term fleet being used from time to time if the positioning and costing meet the requirements.

Ship operating activities had a satisfactory year. The tanker and bunker tanker businesses performed well. While volumes were steady in the Parcel Service, margins were adversely affected by ongoing piracy issues particularly in the first half of the year. The Handymax operating businesses developed further with both the number of cargoes carried and ships controlled, increasing.

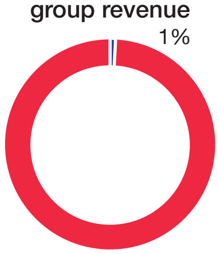
Earnings in the Parcel Service and Handymax divisions are expected to improve over the 2011 profits.

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

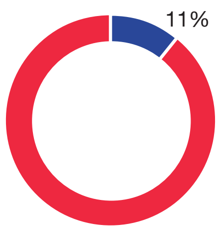
DIVISIONAL REVIEWS: FINANCIAL SERVICES

Key financial ratios		2011	2010
Return on ordinary shareholders' equity	(%)	**13,7**	14,9
Capital adequacy ratio	(%)	**12,8**	13,3
Number of employees		**108**	88

2011 Contribution to group revenue

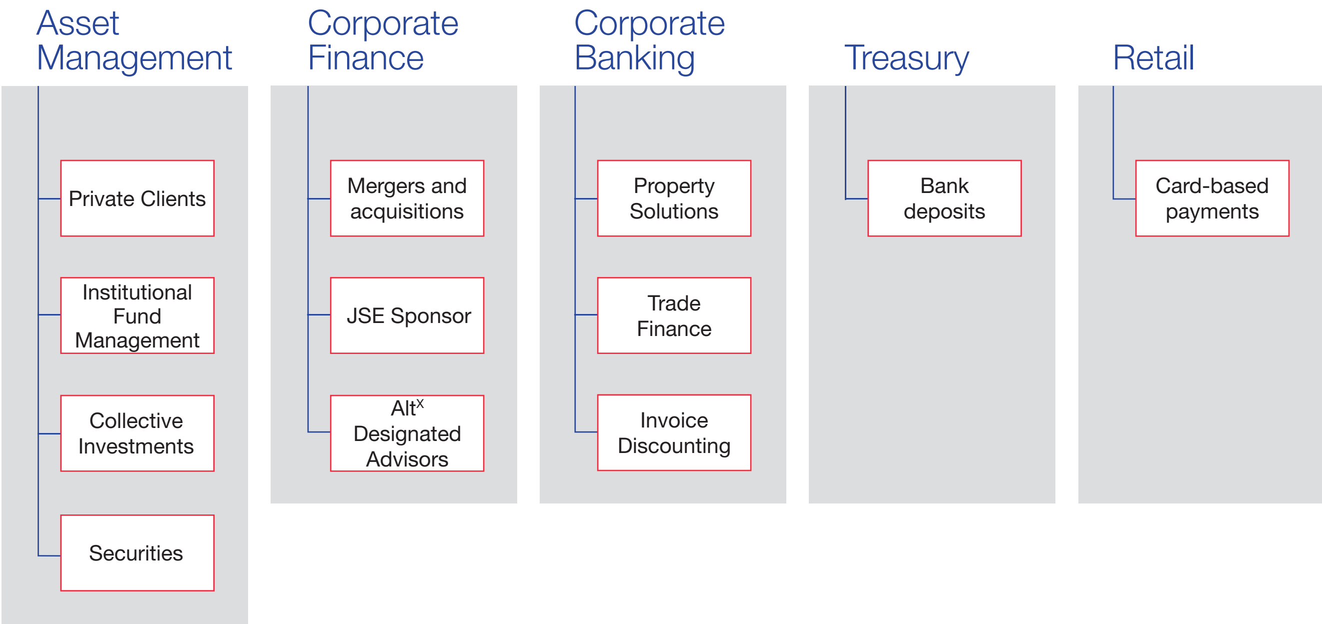


2011 Contribution to group attributable income



- Financial Services
- Group

The Financial Services division is comprised of Grindrod Bank and Grindrod Asset Management.



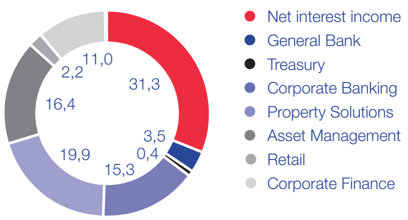
Offices in South Africa

Grindrod Bank is an Authorised Financial Services and Credit Provider ("NCRCP25"), regulated by the South African Reserve Bank. Established in 1994, the Bank is a competitive niche bank with a particularly strong reputation in property finance.

The investment management activities of Financial Services are housed in Grindrod Asset Management, which comprises four main areas of activity: Private Clients, Institutional Fund Management, Collective Investments and the newly established stock broking business, Grindrod Securities.

Grindrod's Financial Services operations are solely South African based with representative offices in Durban, Cape Town and Johannesburg. The target market includes small to medium-size corporates, high net worth individuals, non-governmental organisations and institutions. A growing number of intermediaries interact with the Collective Investment Scheme ("CIS") and retail offerings, as they serve as the distribution channels for financial products.

Revenue contributions from divisions (%)



The Bank's objective is to be an independent bank with a credit rating and status which attracts stable funding, and generates an above average return on capital, through focused investment banking, asset management and retail offerings.

KEY STRATEGIC OBJECTIVES

- Grow the stable funding base
- Maintain a focused, secure lending book
- Grow the Asset Management business
- Expand the Investment Banking operation
- Focus on efficient and growing banking interest income
- Expand the direct transact card technology offering
- Create new collective investment scheme funds

OPERATIONAL REVIEW

Income statement	2011 Rm	2010 Rm	Growth %
Revenue	**194**	193	1
EBITDA	**82**	90	(10)
Operating income	**80**	89	(10)
Attributable income	**58**	45	30

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

Statement of financial position	2011 Rm	2010 Rm	Growth %
Non-current assets/ investments	**113**	62	82
Bank loans, advances and liquid assets	**2 078**	1 839	13
Current assets	**164**	3	5 360
Net cash including debt	**1 350**	615	120
Total assets	**3 706**	2 519	
Equity	**701**	399	76
Bank deposits	**2 911**	2 016	44
Other liabilities	**93**	104	(10)
Total equity and liabilities	**3 706**	2 519	

Financial Services attributable income increased 30% year-on-year, largely due to strong fee income from lending activities, advisory fees and growth in asset management fees. Deposit growth of 44% to R2,9 billion, was achieved through extending the marketing reach of the Bank and creating the infrastructure to provide clients with a personalised service. An investment in additional distribution and marketing centres in Pretoria and Durbanville, has provided further access to information and direct services for clients. A key driver for building sustained and growing relationships is through genuine interactions with the client base, engaging in holistic financial needs of clients, which in turn often lead to opportunities across other divisions of the business. Assets under management increased 33% to R6,1 billion.

The Financial Services division continues to entrench its reputation in the market for accessible top management and quick turnaround on service delivery, with a willingness to partner clients and customise solutions. These combined qualities are attractive to the Bank's customers in an inflexible environment.

Whilst using innovation to structure suitable solutions, advances continue to be managed with a strong focus on good credit management, emphasising the need for sound underlying security and serviceability of loans. This approach has enabled the Bank to avoid the requirement for increased specific impairment charges over the past few years. With no undue pressure on growing market share in the lending business, the continuing financial crisis with the resultant restrictions and higher margins on credit being made available by the larger banks, continues to allow the Bank to take advantage of appropriately priced finance opportunities without compromising on the quality of the underlying security.

Despite the growth in the Bank and Asset Management, costs were well maintained with a cost to income ratio of 57% being achieved. Albeit above the 50% target due to the investments in people and infrastructure to ensure regulatory compliance and expansion into new business areas, this is creating a base for future efficiencies as the business expands.

Additional highlights for the year include the decision to establish Grindrod Securities, a new stockbroking service, and the registration of Grindrod Collective Investments (Pty) Limited as a Financial Services Board ("FSB") approved CIS management company. Grindrod Securities adds diversification to the financial services offering, allowing clients access to a wider range of products and services, whilst broadening the reach of the business to a new section of the market that will benefit from the existing service offerings. Having an in-house CIS management company now enables Asset Management to expand its CIS offering without the restrictions of operating under a white label service provider. It is envisaged that Asset Management will expand its product range from two funds to seven funds during 2012.

The Bank remains well funded, strongly supported by a stable and growing deposit base. Consistently competitive money market rates have contributed to record high deposit levels for the Treasury division.

In addition, the Bank has maintained its Investment Grade rating and grown its levels of assets under management. These are positive milestones in the context of its strategic objectives.

The following challenges continue to present themselves in the macro financial sector:

- interest margins are expected to remain under pressure;
- continued global credit concerns;
- continued pressure on the domestic banking sector;
- an uncertain investor environment; and
- regulatory changes emanating from the implementation of Basel 3, particularly relating to liquidity management.

By continuing to focus on fewer, well secured loans with a low risk of bad debts, the Bank is prepared to sacrifice growth to preserve interest margin. The generally conservative investment offerings from Asset Management, with a focus on capital stability and generating income returns for investors means it is well placed to attract new investors in times of uncertainty and volatility.

Inroads are being made into servicing the financial needs of certain Grindrod business units and this will continue to be a marketing driver. With a particular reference to group interaction, there is strong potential to partner with other Grindrod business units in providing an end-to-end service to group customers in the areas of Trade Finance and Invoice Discounting, Corporate Finance advisory services to companies in growth phases and Property Finance where warehousing requirements may arise.

SUSTAINABILITY

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

These initiatives are aimed at consistently improving efficiencies, improved and sustained client relationships through impressive customer service and ultimately achieving sustainable income growth.

While the division contributes less than 1% to the Grindrod group's environmental footprint (as measured by GHG emissions) it still takes this area seriously and efforts to improve office eco-efficiency, i.e. energy, water, waste efficiencies, are well underway. The division also actively participates in the Grindrod group environmental and climate change committee.

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

OPERATIONAL REVIEW

Corporate Banking

The specialist lending division focuses primarily on the commercial and industrial property sectors and offers a range of flexible financial packages. These include corporate lending, specialised property solutions, trade finance and invoice discounting.

A key focus remains on the commercial and industrial property sector, however, significant strides have been achieved in growing the Trade Finance and Invoice Discounting operations, largely through relationship building and recognition in the market.

Corporate lending continues to conclude notable transactions, with good quality customers approaching a now well-established team. Deals are evaluated and tailored on a case-by-case basis. The strategy is to increase the lending activities in all asset classes but particularly those with higher net margins. Due to the relationship-based nature of the business, clients are assured of the Bank acting in their mutual best interest. This has resulted in the proliferation of repeat business and referrals.

The year-end deposits closed at R2,9 billion against a budget of R2,5 billion. In order to fund the 2012 growth, management will look to renew and increase the existing secured funding lines from established banking partners. Secured and longer-term funding will impact negatively on the net interest margin but allows for certainty in lending growth and will position the Bank to meet the regulatory liquidity objectives proposed under Basel 3.

Despite pressure on deposit rates the budgeted net interest income was achieved. With margin contraction likely to continue to be a feature of 2012, the division is focusing on the pricing of loans at appropriate levels to ensure margin is preserved.

Corporate Banking once again earned fees in excess of budget and experienced no bad debts, which was exceptional in the prevailing environment. Good credit remains a cornerstone of the lending business.

Property Solutions

This division substantially exceeded its fee target for the year and is well positioned for 2012.

It is anticipated that a number of mezzanine loans will be repaid during the course of 2012, with resultant income from exit fees and as a consequence, the division will need to secure new mezzanine lending opportunities. A strong pipeline of business exists, cemented by recognised expertise and outstanding service levels, which should enable the 2012 targets to be achieved.

The expansion of the property private equity activities of the division will be a key focus for 2012.

Asset Management

Private Clients

Private Clients exceeded its budget for the year with the performance of its managed portfolios once again beating their various benchmarks. Assets under management achieved 3,4% against an All Share Index total return of 2,6%.

Institutional Fund Management

Asset Management manages Nedgroup's South African listed property collective investment scheme (unit trust) in terms of Nedgroup's "best of breed" approach. The fund was launched on 1 August 2010 and as at 31 December 2011, assets under management in this fund stood at R243 million. It has been the top performing fund in its category over the period since it was launched and for the 12 months to 31 December 2011.

Collective Investments

The Investment Products division manages three CIS funds: the Grindrod Diversified Preference Share Fund, the Grindrod Global Property Income Fund and the Grindrod International Property Fund, a US Dollar denominated "mirror" fund to the existing Rand denominated Grindrod Global Property Income Fund. This fund aims to attract South African and other investors who already have monies in foreign jurisdictions.

Other assets, offered in conjunction with the CIS funds, include substantial preference share assets managed through the Grindrod Investments Trust which saw asset growth of 36%.

The division intends to continue its positive growth trend with the addition of new products during the course of 2012. To support the distribution of the new product range, a specialist team of consultants has been established to pro-actively service the Independent Financial Advisor market whilst relying on the industry linked investment service provider ("LISP") channels to endorse these CIS funds.

Retail

With its inclusion in the National Payments System (PASA, MasterCard and BankServAfrica), the retail division offers card-based payment solutions to FSB-registered financial intermediaries, who in turn provide packaged solutions to consumers.

This niche model fills a gap in the market, not well-serviced by the established South African banks. Agreements have been established with strong partners, ensuring steady fee income, both monthly and on a card volume basis. Realisation of these income streams is expected in 2012, with the implementation and roll out of significant transactions.

Corporate Finance

The Corporate Finance division grew its client base significantly and continues to act as the sole southern African representative of M&A International, using this global network of specialists to advise mid-market companies on cross-border acquisition and disposal opportunities.

This business relies on partnering clients through the listed landscape. Trust is developed over time, with new business coming from insights into client business needs through their life cycle. New business tends to be generated through the credibility and reputation of the Bank itself, or from the team's proactive research into specific companies' strategic business needs in the small to mid-cap market.

The year ended with 13 sponsor/designated advisor clients and fee generation in excess of budget.

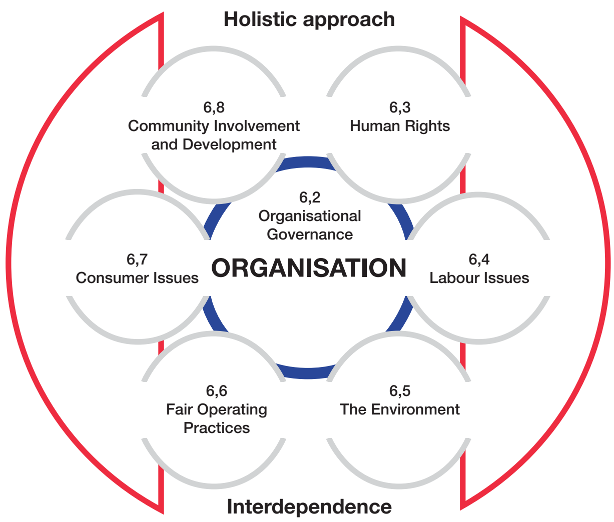
Treasury

Treasury supports a variety of the Bank's functions and products, however, its primary purpose is to fund the Bank via deposits. 2012 saw substantial deposit growth and, more importantly, a significant growth in term deposits which now comprise 58% of the deposit book.

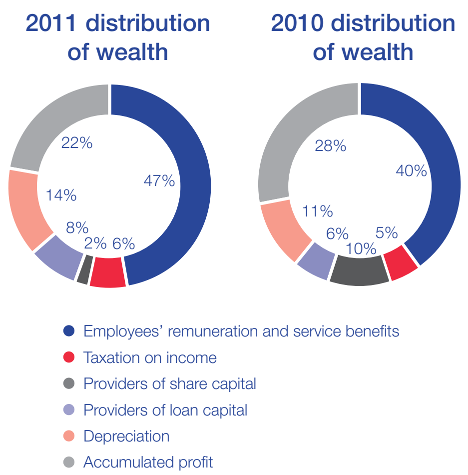
GROUP SUSTAINABILITY

Grindrod's Adoption of the GRI

Grindrod adopted the Global Reporting Initiative ("GRI") framework and guidelines for sustainability reporting in 2005 with a current self-declared B level of GRI application in terms of the extent to which the GRI's G3.1 Guidelines have been adopted for the year. This means that Grindrod has provided full disclosure on all the GRI profile disclosure criteria, has provided management approach disclosures for each Indicator Category, and has reported fully on more than 20 Core Performance Indicators (across the prescribed range of indicator categories).



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



In the last few years, Grindrod has moved towards a more holistic, integrated and stakeholder-driven approach to managing the environmental, social and governance ("ESG") or "non-financial" aspects of its business, in the firm belief that these aspects are inextricably linked to long-term shareholder value.

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

This sustainability review provides a balanced and reasonable representation of Grindrod's ESG policies, practices and performance for the financial year ended 31 December 2011 and covers all group company activities around the world, including impacts on communities and the environment.

Specific progress towards greater integration of sustainability factors into core business functioning were achieved by:

- the formation of a new social and ethics committee at group level, which has a broad social, governance and SHE strategic oversight function. The committee is required to report annually to shareholders; and
- the revision of the performance bonus schemes for all top executives to include greater emphasis of sustainability performance criteria.

GROUP SUSTAINABILITY (continued)

Other sustainability performance highlights for the year include (with more detail in the sections that follow):

- good progress with reaching broad–based black economic empowerment (B-BBEE) objectives and targets. Year-on-year the average B-BBEE assessment within the group went from 4 to 3 (the rating scale is based on a range of 1 to 8, with 1 being the most desirable score). There was also a shift within the group from self-assessment towards formal independent assessment;
- stepped up efforts to drive improvements in health and safety performance. Year-on-year total occupational health and safety investment increased by 49%;
- good progress with meeting group environmental policy objectives. Highlights included Shipping achieving their zero significant oil spill target for the sixth consecutive year, and meeting or progress towards meeting group eco-efficiency targets. Grindrod was once again admitted to the JSE Socially Responsible Investment ("SRI") Index. Grindrod has been part of this index since 2005. Notable this year was Grindrod's achievement of a "Best Practice" result for environmental reporting; and
- governance highlights:
  - appointment of a lead independent director;
  - implementation of further best practice requirements in terms of King III with the exceptions noted in the corporate governance report; and
  - 2010 annual report recognised in the excellent category of the Ernst & Young survey of annual reports and Grindrod also awarded runner up in the mid-cap category across all industries in the Chartered Secretaries/JSE annual report awards.

Grindrod once again made use of the services of an independent verification agency to provide stakeholder assurance around sustainability reporting. An expanded limited assurance process was completed by Deloitte (see page 77). Detailed findings will be acted on to drive further improvements in the accuracy and completeness of sustainability monitoring and reporting.

RISK MANAGEMENT

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

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

The risk management processes followed are based on the ISO 31000 standard for risk management. Independent, objective assurance on the effectiveness of the risk management process is to be provided to Grindrod's board in 2012.

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

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

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

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

Risk tolerance levels

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

- investment hurdle rates are set in accordance with the WACC and take into consideration the need to retain shareholder value, access to capital, recognition that the actual cost of capital is not known with certainty and the fact that not all risks can be foreseen. Therefore they carry a premium over Grindrod's cost of capital;
- surplus group funds are invested in terms of a surplus investments policy to safeguard cash and liquid assets. The risk tolerance levels for surplus cash investments are measured in terms of lending rates achieved by major banks in the money market, including but not limited to STeFI (Short-Term Fixed Interest) or LIBOR (London Interbank Offered Rate). Bank credit risk is managed through counterparty limits set out in this policy. Exposures to foreign currencies and interest rates are monitored by the group's foreign currency risk and interest rate risk policies;
- the shipping risk model measures the effect on group cash flow should charter rates in all sectors be at their historical lows for three consecutive years. The current benchmarks are that the aggregate of three year earnings must be less than 40% of shipping opening equity and debt and debt equity at year end must be less than 3:1;
- in respect of the trading of agricultural commodities the net open position limits per commodity times the worst case price fluctuation over a three-day period are limited to US$4,3 million. The economic exposure is theoretical because it assumes the worst case scenario for all commodities, both long and short, but in practice commodities and positions are off-set; and
- insurance cover is taken out on risks associated with unplanned loss to assets, exposure to liabilities, fidelity, business interruption and other operational risk. Insurance cover on assets is based upon current replacement values. A substantial portion of risk is self-insured through captives at costs well below market premiums.

RISK MANAGEMENT (continued)

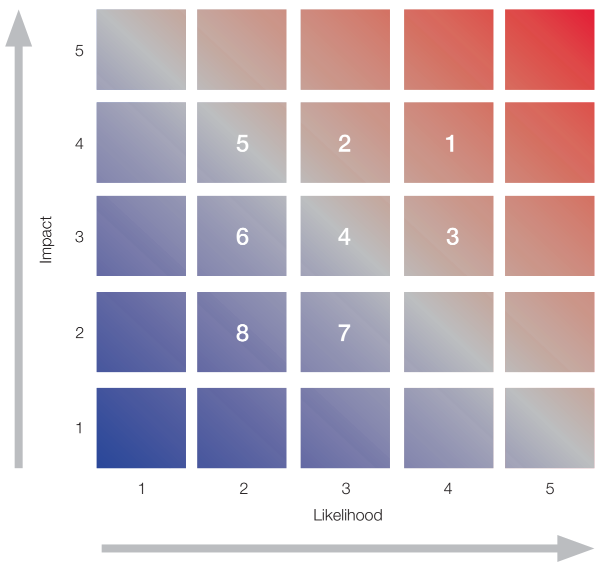
Overview of key risks

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

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

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

Residual risks



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

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

1
- Inadequate infrastructure

2
- World shipping markets
- Piracy
- Demand for commodities
- Liquidity

3
- Industrial action

4
- Counterparty/credit
- Funding
- Exposure to commodity price fluctuations

5
- Strategy

6
- Ship newbuildings
- Loss of key staff
- IT systems failure
- Loss or breakdown of key assets
- Non-compliance with loan covenants
- Financial claims from contractual exposures
- Off-hire or loss of a ship

7
- Exchange/interest rate
- Fraud

8
- Environmental, climate change and health and safety
- Legal compliance

Risk	Category	Impact	Mitigation
Inadequate infrastructure	Operational risk	Restricted availability of rail resources to service drybulk terminal volumes.	Joint operating centre staffed by Grindrod Corridor Management, Transnet Freight Rail and CFM (Mozambique Ports and Railways) to manage rail co-ordination and improve efficiencies. There was considerable improvement in this regard in 2011. Promote public-private partnerships in the port, terminal and rail sectors in the long-term.
World shipping markets	Market risk	The current low shipping market is one of the most volatile and may have an adverse impact on earnings.	Continual assessment by management of shipping markets. Careful timing of fixed charters and entry into markets, diversification of risk and a solid contract base. Use of forward freight agreements and bunker hedges. Matrix based contracts of affreightment/options (Parcel Service). Participation in shipping pools. Consolidation of drybulk and tanker operations. Realignment and expansion of the Far East Parcel Service. Use of risk model to measure long-term exposure to charter and spot markets updated quarterly. Annual review of the risk model's assumptions and the benchmarks.
Piracy	Operational risk	Although Grindrod's main trading routes are not through high risk piracy areas, there is nonetheless a significant cost to Grindrod in terms of extra days at sea to avoid areas prone to piracy, extra bunker costs and higher insurance costs.	Avoiding high risk areas and/or remaining outside the listed areas when transiting the Indian Ocean and/or transiting the Gulf of Aden under naval convoy or under the group transit scheme along the internationally recommended corridor. The adoption of internationally recommended industry best practices and IMO guidelines on employing passive anti-piracy measures such as early warning and the prevention of boarding and the participation in voluntary reporting and vessel registration schemes. The use of citadels or "strong rooms" and armed guards from reputable or recommended service providers on a case by case basis. Insurance including kidnap and ransom, loss of hire and loss of hire (damage) and additional war risk covers.

Risk	Category	Impact	Mitigation
Demand for commodities	Market risk	Although a strong market demand for commodities resulted in increased volumes handled through all terminals during the second half of the year, the risk is that should there be a reduced demand in commodities, this will result in reduced volumes and revenues.	This risk is managed through "take or pay" agreements and throughput guarantees.
Liquidity	Financial risk	Banking liquidity risk refers to a situation where there will not be sufficient cash and/or cash equivalents to meet the needs of depositors and borrowers. For the Trading division, the liquidity risk is that rising and volatile commodity prices can put pressure on working capital facilities.	Grindrod Bank exercises conservatism with regard to large depositors and ensures that the excess over the threshold is held as liquid assets and not invested with a duration mismatch. The Trading division mitigates its liquidity risk by constant cash flow and working capital monitoring and forecasting and maintenance of key banking relationships.
Industrial action	Organisational risk	Logistics operations may be disrupted by industrial action in the road transport sectors.	Following the appropriate human resources and industrial relations procedures and encouraging a culture of open communication within the group. Further detail is set out in the integrated human capital report.
Counterparty/credit	Market risk	Financial losses may arise should counterparties/debtors become unable to meet their obligations to the group.	A counterparty risk management policy is in place. Charter and contract counterparties are thoroughly investigated. Regular monitoring of all counterparties in order to assess their ability to perform on contracts and charters. Internal controls include a thorough credit approval process with regular management review. Debtors are reviewed monthly by management. Selective use of credit guarantee insurance. Operating within set financial limits. Substantial exposures require board approval. Due to the size of Grindrod Bank and the non-retail nature of its book, it does run concentration risks which are not entirely covered by Pillar I capital requirements and to this end the Bank holds an additional 1,57% capital.

Risk	Category	Impact	Mitigation
Funding	Financial risk	Inadequate funding for expansion projects and/ or financial exposure to a single project.	R2 billion raised in equity in 2011 to develop infrastructural opportunities and projects. Introduction of a strategic partner in the Maputo coal terminal in 2012. The group has a detailed funding plan and liquidity analysis in order to facilitate adequate funding for its expansion programme and to ensure that the group's funding is at levels that result in an efficient cost of capital, while maintaining an acceptable level of risk.
Exposure to commodity price fluctuations	Market risk	The agricultural trading business is exposed to fluctuations in commodity prices.	A commodity position trading policy which includes daily trade position reports, weekly mark-to-market and monthly commentary on strategy, position and market. The capping of tonnes per commodity to ensure the theoretical economic exposure is limited to US$4,3 million.
Strategy	Strategic risk	Adverse impact on earnings or capital arising from incorrect business decisions, improper imple-mentation of decisions, or lack of responsiveness to industry changes.	Understanding and obtaining adequate information about the markets the group operates in. Combined "through the cycle" experience within its executive and management team. Using an established supporting expertise base including financiers, insurers, agents, brokers and legal advisors. Operating within set financial limits, approval framework and board review. Adherence to the group investment policy which ensures that all due diligence processes are fully followed for any acquisitions or projects.
Ship newbuildings	Operational risk	Risk of financial loss if a vessel on order is not delivered or is delayed or not delivered to technical specification or the risk of legal disputes relating to the newbuilding contract.	The use of experienced and third party expertise; The selection of shipbuilders, considering quality versus cost; Refund guarantees, although there are country risks that banks may not honour the refund guarantees and there may be difficulties in legally enforcing the refund guarantees. In addition, refund guarantees may expire before contracts expire; and Warranties for one year once the ship has been completed and the final instalment paid.
Loss of key staff	Organisational risk	The loss of key staff can cause significant disruption in any business.	The retention of key staff by offering competitive remuneration packages and long-term incentives, a progressive work environment, career growth opportunities and succession planning.

RISK MANAGEMENT (continued)

Risk	Category	Impact	Mitigation
IT systems failure	Organisational risk	Most businesses within Grindrod are IT dependant and an IT systems failure could result in an inability to operate and financial loss	Centralised IT systems are backed up with a disaster recovery plan, while the group's wide area network communications platform is serviced by a fully backed up, outsourced virtual private network. The group invests in appropriate computer technology to ensure that business units improve efficiencies and remain globally competitive. The targeted technology refresh cycle is between three to five years, thus avoiding the accumulation of legacy systems throughout the group. The IT steering committee monitors IT governance and strategy.
Loss or breakdown of key assets	Operational risk	The loss or breakdown of a key asset could result in an inability to operate and financial loss.	Management ensures 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 for equipment are held in storage and that high maintenance standards are upheld.
Non-compliance with loan covenants	Financial risk	Non-compliance with loan covenants can lead to financial penalties or the loan being called up.	Continual review of loan covenants to ensure that current loans are within loan covenant ratios.
Financial claims from contractual exposures	Operational risk	Liability and indemnity clauses in contracts can give rise to claims resulting in financial loss.	Internal controls are in place to minimise claims for damages in respect of claims and third party negligence. Insurance cover is in place in the event that a claim arises.
Off-hire or loss of a ship	Operational risk	Substantial off-hire or the actual or total constructive loss of a ship would result in the loss of revenue.	Compliance with high maintenance and safety standards. The use of competent brokers and standard charterparty agreements to pro-actively manage the exposure to loss of charter income or revenue as a result of significant off-hire or loss of a ship. Insuring owned ships in excess of replacement values. Having insurance in place to cover the value of ships on charter for which the group holds purchase options and newbuildings under construction.

Risk	Category	Impact	Mitigation
Exchange/interest rate	Financial risk	The Rand/US Dollar exchange rate significantly impacts on the group's results.	It is not the group's policy to hedge US Dollar operating cash flows generated by US Dollar-denominated businesses. A board approved group exchange and interest rate policy. A detailed review of the group's foreign exchange and interest rate exposure quarterly by the board and on an ongoing basis by management.
Fraud	Financial risk	Fraud can result in financial loss and damage to brand reputation and goodwill.	Fraud risk factors and internal controls are regularly reviewed and assessed through the group's risk management and internal audit process. The fraud risk management strategy is continuously reviewed and updated. The group fraud and corruption prevention policy and the fraud response plan ensure formal reporting and feedback. Grindrod subscribes to Tip-offs Anonymous, the confidential whistle-blowing hotline service.
Environmental, climate change and health and safety	Operational risk	Environmental – potential impacts include reputational loss, fines and penalties, statutory liability for environmental remediation and other financial consequences. Climate change – compliance with changes in the regulatory environment aimed at reducing the effects of climate change (see climate change risks and opportunities outlined on page 90).	The application of high safety standards and use of modern, high-specification ships greatly reduces the risk of oil pollution. Environmental cover is insured under P&I policies and oil pollution has coverage of up to US$1 billion per vessel per incident. All environmental management efforts within group subsidiaries are guided by the board approved group-wide environmental policy. The board monitors compliance with the environmental policy through bi-annual quality, health, safety, security and environmental reports. Subsidiary companies are required to formulate key environmental objectives with achievable targets and to report on performance against these targets for the year.

Risk	Category	Impact	Mitigation
Environmental, climate change and health and safety (continued)	Operational risk	Health and Safety – failure to maintain the high levels of safety management can result in harm to employees, contractors, the public, damage to the environment and reputational loss.	Climate change risk is managed through the group environmental and climate change committee. Occupational health and safety is managed in terms of ship-based or site-level integrated safety, health, environment and quality ("SHEQ") management systems and site level health and safety committees. Senior employees in the group are required to ensure that all legal requirements are complied with and this forms part of their personal key performance areas. Major contractors e.g. shipyards, are audited in terms of SHE performance on an ongoing basis. All serious incidents are reported to the board and dealt with in the most serious light, with full investigations conducted and appropriate remedial action taken in all cases. Refer the environmental and climate change performance report on pages 85 to 91.
Legal compliance	Legal risk	Non-compliance with relevant laws, regulations and business rules can result in reputational loss and penalties, statutory liability and other financial consequences.	Service providers such as auditors, attorneys, trade associations and classification societies keep operating companies abreast of any significant changes in legislation. Tax legislation and its numerous changes are regularly reviewed to ensure the group is in compliance with all relevant tax legislation. A detailed tax compliance review is carried out on a regular basis by internal audit.

CORPORATE GOVERNANCE

Introduction

The principles of good corporate governance recommended in the King Report on Governance and King Code of Governance for South Africa 2009 ("King III") forms the backbone of Grindrod's own corporate governance framework. Grindrod applies high ethical standards which are considered essential for the success of any governance framework and the group is committed to complying with the JSE Listings Requirements and all legislation, regulations and best practices relevant to its business in every country it conducts business.

In establishing an effective corporate governance framework, the Grindrod group has a comprehensive set of policies, regularly updated in line with changes in legislation and business governance requirements, with which all group companies and employees are obliged to comply. A review of local and international laws impacting group operations was updated in 2011. All divisions are required to provide assurances to the audit committee bi-annually, confirming they have complied with all applicable laws and consideration has been given to non-binding rules, codes and standards.

For the 2011 financial year, with the exception of those items outlined below, the board confirms that the group has complied with King III. In addition, a King III reference table is included on pages 66 and 67 of the integrated annual report.

1. The chairman of the board is not an independent non-executive director. Mr IAJ Clark was appointed non-executive chairman in 2007 and due to his shareholding and unexercised share options, which were awarded during his term as chief executive officer, he is not considered independent. The board is of the view that his experience and business skills far outweigh perceived lack of independence. Mr IM Groves was appointed lead independent director by the board on 17 August 2011.
2. The company does not have a separate risk management committee. Due to board member experience and knowledge, the responsibility is considered best placed with the full board. A full report on risk management is set out on pages 53 to 60 of the integrated annual report.
3. The company believes that directors should not earn attendance fees in addition to a base fee. Directors add value to the group outside of the formal board and committee meetings, often greater value than within the confines of a formal meeting. In addition, the directors have a record of high attendance at board and committee meetings.
4. Elements of a combined assurance model have been developed, but requires further attention. It is planned to add more structure and formality to this process during 2012.
5. The group internal audit manager does not report solely to the audit committee as required by King III. He reports administratively to the financial director, but functionally to the chairman of the audit committee.
6. The IT governance framework and processes were enhanced in 2011 to ensure further alignment with King III, however, divisional compliance with the IT governance framework is in the process of being implemented (refer to the IT report on page 64 of the integrated annual report).
7. An independent assurance on ethics performance has not yet been formally implemented. A process will be established to address this matter.

Board of directors

The board is the focal point and custodian of corporate governance within the group and provides effective and responsible leadership based on the ethical values of responsibility, accountability, fairness and transparency.

Board members are appointed through a formal process and the remuneration/nomination committee assists in identifying suitable candidates to be proposed to shareholders for approval. An induction programme is in place for new directors, which includes an induction book, consultation with each divisional executive and site visits. The cost of attending appropriate external training courses is paid by the company.

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

Composition, independence, performance and rotation

The roles of chairman and group chief executive officer are distinct and the board annually elects a chairman at the next meeting after the annual general meeting.

During the year changes to the board included the retirement of Messrs LR Stuart-Hill and JG Jones and the appointment of Messrs MH Visser, JJ Durand (alternate) and MR Wade. The board comprises five independent non-executive directors, three non-executive directors and six executive-directors. Directors' details and their diversity of skills and commercial experience are detailed on pages 13 and 15 of the integrated annual report.

The remuneration/nomination committee reviewed the independence of Grindrod's non-executive directors and concluded that Messrs H Adams, WD Geach, MJ Hankinson, IM Groves and SDM Zungu are independent non-executive directors.

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

- Mr MR Faku represents the interests of the B-BBEE partner of Grindrod (South Africa) (Pty) Limited, a major subsidiary company; and
- Messrs MH Visser and JJ Durand (alternate) represent the interests of Remgro, a major shareholder in Grindrod.

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

In terms of the company's Memorandum of Incorporation, at each annual general meeting at least one-third of directors retire by rotation from the board. These retiring directors may offer themselves for re-election. Executive directors retire from the board at 60 or 63 years of age depending on their contracts, whilst non-executive directors retire at the annual general meeting following their 70th birthday.

Responsibilities and charter

The board's role is regulated in a formal board charter. The responsibilities of the board are set out in the charter and the board is required to annually review its operations against the charter framework. The charter is available on the group's website.

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

- compliance with all relevant laws, regulations and codes of business practice;
- definition of levels of materiality, reserving specific powers to itself and delegating other matters to executive management in terms of a group limits of authority framework;
- giving direction on all strategic matters and annually approves the group business plan;
- monitoring the implementation of the business plan by management;
- reviewing performance of the various board committees established to assist in the discharge of its duties;
- monitoring key risk and performance areas of the group and identifying non-financial issues relevant to the group; and
- determining the policy and models applied to ensure the integrity of:
  - risk management and internal controls;
  - director selection, orientation and evaluation;
  - executive and general remuneration;
  - external and internal communications; and
  - ensures there is appropriate succession planning at senior management level.

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 covered in the group financial director's report on page 22.

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

Board meetings

The Grindrod Limited board met five times during the year, which included a specially convened meeting to review the group's strategy and to assess various capital raising options. Meetings are planned well in advance and full attendance of the board is expected. The quorum for board meetings is eight directors. Board attendance is set out on page 63.

Committees

The audit committee was appointed in terms of the Companies Act for the first time at the annual general meeting held on 25 May 2011.

The board has a remuneration/nomination committee and a social and ethics committee. The social and ethics committee was established in November 2011. Members and the chairmen of these committees are appointed by the board.

In addition, the group has an executive committee.

These committees play an important role in enhancing good corporate governance and assisting the board in discharging its responsibilities. Each committee acts within the ambit of clearly defined terms of reference approved by the board and are available on the group's website.

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

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

Audit committee

The audit committee comprises Messrs IM Groves (chairman), WD Geach and MJ Hankinson, all of whom are independent non-executive directors. The chairman, group chief executive officer, group financial director and representatives from the external and internal auditors attend all meetings by invitation. Mr IM Groves reports to the board on the activities and recommendations made by the committee.

The committee performs the role of reviewing internal controls and financial results, approving the internal audit plan, recommending the appointment of the external auditor and overseeing the external and internal audit processes and is also responsible for overseeing the implementation of the integrated report and verification procedures. The audit committee fulfils its responsibility in line with a specific terms of reference and in terms of section 94(7) of the Companies Act.

The committee met three times during the year and have continued the practice of meeting with internal and external auditors without management present. Committee attendance is set out on page 63.

The report of the audit committee is set out on pages 68 to 69.

Remuneration/nomination committee

The remuneration/nomination committee comprises Messrs MJ Hankinson (chairman), IAJ Clark and IM Groves, all of whom are non-executive directors.

The committee is responsible for, inter alia, the assessment and approval of a broad remuneration philosophy and strategy for the group, the review of the structure, size and composition of the board and its committees, evaluation of the leadership requirements of the group and succession planning and approval of the terms of any scheme providing performance-based incentives.

In addition to the above, the committee is responsible for making recommendations to the board on all fees payable to non-executive directors and considers the performance and independence of all non-executive directors.

The group's remuneration policy will be put to shareholders for the first time for a non-binding advisory vote at the 2012 annual general meeting (refer page 70 for the remuneration policy).

The committee met three times during the year. Committee attendance is set out on page 63.

Social and ethics committee

The committee was appointed in November 2011 and comprises Messrs MR Faku, MJ Hankinson (chairman), CAS Robertson and AG Waller.

The role of the committee is to assist the group with overseeing sustainability matters and is responsible for monitoring the group's activities with regard to social and economic development, good corporate citizenship, environment, health and public safety, consumer relationships and labour and employment practices, as prescribed by the Companies Act.

Executive committee

The executive committee comprises the executive directors, Mr HJ Gray and the company secretary.

The board has delegated a wide range of matters relating to the group's management to the executive committee as directed by the group limits of authority framework, including:

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

The executive committee held seven meetings during the year, which included a strategic session, a succession planning meeting and a presentation by the Institute for Futures Research. The executive committee also held a two-day strategic planning meeting with key operational management during 2011. Committee attendance is set out on page 63.

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

Board and committee meeting attendance for the year ended 31 December 2011 was as follows:

Directors/members	Board	Audit	Remuneration/ Nomination	Executive
Non-executive directors				
IAJ Clark	5/5		3/3	
H Adams	4/5			
MR Faku	4/5			
WD Geach	5/5	3/3		
IM Groves	5/5	3/3	3/3	
MJ Hankinson	4/5	3/3	3/3	
MH Visser Δ	1/5			
SDM Zungu	4/5			
Executive directors				
HJ Gray ^				5/7
JG Jones ~	2/5			3/7
JB McIlmurray *				3/7
AK Olivier	5/5			7/7
DA Polkinghorne	5/5			7/7
DA Rennie	5/5			7/7
AF Stewart	5/5			7/7
LR Stuart Hill *	2/5			2/7
MR Wade +	1/5			7/7
AG Waller	4/5			7/7

* *Retired 30 June 2011*
^ *Appointed 1 June 2011*
~ *Retired 31 August 2011*
Δ *Appointed 31 October 2011*
\+ *Appointed 16 November 2011*

Company secretary

The board is assisted by a suitably qualified company secretary in accordance with applicable legislation who is considered to be fit and proper for the position. All directors have access to the advice and services of the company secretary. His duties include those stipulated in the Companies Act and King III and he is also responsible for compliance in terms of the rules and the JSE Listings Requirements.

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

Share dealings

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

Directors and all group employees are not permitted to deal directly or indirectly in the shares of the company during:
- the period from the end of the interim and annual reporting periods to the announcement of the interim and annual results; or
- any period when they are aware of any negotiations or details which may affect the share price; or
- the period declared as a prohibited period in terms of the JSE Listings Requirements.

Corporate sponsor

Grindrod Bank Limited acts as the company's sponsor in compliance with the JSE Listings Requirements. In the case of major corporate actions, the services of an independent sponsor are engaged. An example of this occurred in 2011 when the specific share issue transaction was concluded and Deutsche Bank acted as lead independent sponsor.

Relations with stakeholders

The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meets with major institutional investors and analysts. The group's website is also used as a communication tool for stakeholders. A full report is set out on pages 10 and 11.

Internal audit

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

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

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

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

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

Considerable strides were made in 2011 by increasing focus on:
- co-developing and evaluating financial and operational controls frameworks;
- reviewing the reliability and integrity of significant financial, managerial and operational information; and
- implementation of systems.

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

Information technology (IT) governance

IT is implemented in Grindrod, based on the following model:
- each division manages its own unique business applications;
- IT infrastructure (networks, communications, etc.) is delivered as a shared service; and
- an IT steering committee, represented by senior management of each division, oversees IT strategy and its implementation.

Divisional IT is responsible for ensuring that IT is managed within a defined framework that takes into account, inter alia:
- IT standards;
- legal requirements such as the Electronic Communications and Transactions Act, the Promotion of Access to Information Act, the Regulation of Interception of Communications Act and the soon to be enacted Protection of Personal Information Act;
- internal policies defining application and use of IT resources; and
- IT risk.

The group is committed to full compliance with King III and the board has delegated the responsibility for IT governance to the group chief information officer ("CIO") by means of an IT charter. The CIO is in turn supported by senior members of each of the group's operating divisions to ensure that IT assets are managed and maintained within the defined corporate IT policy framework.

IT risks are assessed for both likelihood and impact and managed appropriately. Risk avoidance tactics are practised on major risks such as data loss, whilst those areas with lower likelihood of risks occurring are largely managed with contingency plans.

Group risk and internal audit annually appraise IT risk categories and perform detailed reviews based on findings and assessments. External audit perform annual reviews on significant systems covering areas such as IT security, applications and control environment.

Business continuity and disaster recovery plans are a key element of IT operations and the group has implemented a new recovery method for IT systems, whereby the systems are now replicated every 24 hours on a standby IT system. In the event of a disaster or major outage at the core computing facility, recovery time to full operation can be achieved in less than one hour with maximum data loss limited to less than one day.

All contracts for service and supplies are scrutinised to ensure legal compliance and assessment of risks associated with multi-year contracts.

Green IT is practised by Grindrod through several initiatives, including:

- best lifecycle result from purchase to disposal:
  - recycling printer cartridges with certified "green" recycle companies; and
  - purchasing hardware from companies that utilise best environmental practice during the manufacturing process;
- running core systems on virtual computers to reduce energy requirements for power and cooling; and
- encouraging the use of mobility and video conferencing throughout the group to reduce employee travel.

IT assets are effectively managed and utilised to achieve maximum return on capital expenditure. Packaged software applications are preferred to in-house development for critical applications.

All new project initiatives are approved in principle by the IT steering committee having reviewed full project information.

Implementation of projects are carefully managed to produce expected results. System life-cycles are monitored to ensure that the group's intellectual capability is sustained.

Business continuity management

Existing business continuity management ("BCM") practises across the group are currently being enhanced.

The following areas have been addressed:

Commitment

BCM policy development, documentation and application, including commitment of senior management to BCM within the operation;

Risk assessment

Identification, creation and review of risks in the context of BCM;

Business impact analysis

Identification and review of the impact for various risks that were identified;

Develop continuity strategies

Identifying the various recovery strategies available to the organisation, before conducting a cost benefit analysis on these strategies to identify the preferred strategy;

Incident management planning

Development of incident management response plans; and

Business continuity plan development

Development of a recovery plan framework and formalising the recovery plans.

All divisions and business units have completed revised business continuity plans which will be evaluated and tested during 2012.

Ethics

The Grindrod code of ethics was updated and distributed in November 2011 and is designed to raise ethical awareness, act as a guide in day-to-day decisions and to help assure customers and other stakeholders of the integrity of the group companies with which they deal. Every Grindrod stakeholder is obliged to adhere to the code of ethics.

The group is committed to providing excellent services to customers and considers a high standard of ethical behaviour to be paramount in achieving this objective. An important element of the induction process is to communicate to new employees the group's values, standards and compliance procedures. The group's core values include respect for company assets and the environment, operating with integrity, acting with professionalism in the group's service delivery to customers, being fair in the way we treat people and accountability, which requires employees to take full ownership of actions taken.

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

Employees or others can report unethical or risky behaviour to the custodian of the Grindrod code of ethics, the Grindrod ethics officer.

Postal address:	PO Box 1, Durban, 4000
Telephone:	+27 31 365 9116
E-mail:	craigr@grindrod.co.za

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

Free post:	c/o Tip-offs Anonymous, Freepost DN298, Umhlanga Rocks, 4320, South Africa
Telephone:	0800 21 31 18 or +27 31 571 5329
E-mail:	grindrodethics@tip-offs.com
Website:	www.tip-offs.com

During 2011, there were:

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

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

Access to information

Grindrod has complied with the requirements of the Promotion of Access to Information Act ("PAIA") of 2000. Grindrod's PAIA manual was updated in November 2011 and is available on the group's website. There were no specific requests made in terms of this legislation during the year.

King III reference table

Key

✓ Compliant
Partially compliant
▲ Under review
✗ Non-compliant

Ethical leadership and corporate citizenship	
Effective leadership based on an ethical foundation	✓
Responsible corporate citizen	✓
Effective management on company's ethics	✓
Assurance statement on ethics in integrated report. Refer to page 77	▲
Board and directors	
The board is the focal point for and custodian of corporate governance	✓
Strategy, risk, performance and sustainability are inseparable	✓
Directors act in the best interest of the company	✓
The chairman of the board is not an independent non-executive director. Refer to page 61	✗
Framework for the delegation of authority has been established	✓
The board comprises a balance of power, with a majority of non-executive independent directors	✓
Directors are appointed through a formal process	✓
Formal induction and ongoing training of directors is conducted	✓
The board is assisted by a competent, suitably qualified and experienced company secretary	✓
Regular performance evaluation of the board, its committees and the individual directors	✓
Appointment of well-structured committees and an oversight of key functions. Refer to page 61	#
An agreed governance framework between the group and its subsidiary boards	✓
Directors and executives are remunerated fairly and responsibly. Refer to page 70	✓
Remuneration of directors and certain senior executives is disclosed	✓
The company's remuneration policy is approved by its shareholders	✓
Audit Committee	
Effective and independent	✓
Suitably skilled and experienced independent, non-executive directors	✓
Chaired by an independent non-executive director	✓
Oversees integrated reporting	✓
A combined assurance model is being developed to improve efficiency in assurance activities. Refer to page 61	#
Satisfies itself of the expertise, resources and experience of the company's finance function	✓
Oversees internal audit. Refer to page 68	✓
Integral to the risk management process	✓
Oversees the external audit process	✓
Reports to the board and shareholders on how it has discharged its duties	✓

The governance of risk	
The board is responsible for the governance of risk and setting levels of risk tolerance	✓
The risk committee assists the board in carrying out its risk responsibilities. Refer to page 62	✗
The board delegates the risk management plan to management	✓
The board ensures that risk assessments and monitoring is performed on a continual basis	✓
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
Management implements appropriate risk responses	✓
The board receives assurance on the effectiveness of the risk management process	✓
Sufficient risk disclosure to stakeholders	✓
The governance of information technology	
The board is responsible for IT governance	✓
IT is aligned with the performance and sustainability objectives of the company	✓
Management is responsible for the implementation of an IT governance framework. Refer to page 64	#
The board monitors and evaluates significant IT investments and expenditure	✓
IT is an integral part of the company's risk management	✓
IT assets are managed effectively	✓
The risk committee and audit committee should assist the board in carrying out its IT responsibilities.	✓
Compliance with laws, codes, rules and standards	
The board ensures that the company complies with applicable laws	✓
The board and directors have a working understanding of the relevance and implications of non-compliance	✓
Compliance risk forms an integral part of the company's risk management process	✓
The board has delegated to management the implementation of an effective compliance framework and processes	✓
Internal audit	
Effective risk-based internal audit	✓
Written assessment of the effectiveness of the company's system of internal control and risk management	✓
Internal audit is strategically positioned to achieve its objectives	✓
Governing stakeholder relationships	
Appreciate that stakeholders' perceptions affect a company's reputation	✓
Management proactively deals with stakeholder relationships	✓
There is an appropriate balance between its various stakeholder groupings	✓
Equitable treatment of shareholders	✓
Transparent and effective communication with stakeholders	✓
Disputes are resolved effectively and timeously	✓
Integrated reporting and disclosure	
The board ensures the integrity of the company's integrated report	✓
Sustainability reporting and disclosure is integrated with the company's financial reporting	✓
Sustainability reporting and disclosure is independently assured	✓

AUDIT COMMITTEE REPORT

Terms of reference

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

The committee has reviewed its corporate governance practices in terms of the Companies Act and King III. The committee is pleased to present their report in terms of the Companies Act and the JSE Listings Requirements for the financial year ended 31 December 2011.

Composition

The committee consists of three independent non-executive directors appointed by shareholders at the annual general meeting.

At 31 December 2011, the audit committee comprised:

Name	Qualifications	Appointed
IM Groves	CA(SA)	February 1998
WD Geach	BA LLB, MCom, CA(SA), FCIS	June 2009
MJ Hankinson	BComm, CA(SA)	May 2010

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

Meetings

The audit committee held three meetings during the year. Attendance at these meetings is reflected on page 63.

Statutory duties

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

- nominated for appointment as auditor, Deloitte & Touche who, in our opinion, is independent of the company and Ms R Ebrahim as the responsible partner;
- determined the fees paid to Deloitte & Touche as disclosed in the notes to the integrated annual report;
- determined Deloitte & Touche's terms of engagement;
- believes that the appointment of Deloitte & Touche complies with the relevant provisions of the Companies Act and King III;
- approved all non-audit service contracts with Deloitte & Touche;
- received no complaints relating to the accounting practices and internal audit of the company, the content or auditing of its financial statements, the internal financial controls of the company and any other related matters;
- made submissions to the board on matters concerning the company's accounting policies, financial controls, records and reporting; and
- concurred with the adoption of the going concern premise in the preparation of the financial statements.

Delegated duties

The committee has:

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

Based on the results of the formal documented review of the group's system of internal controls and risk management and considering information and explanations provided by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the committee that caused it to believe that the company's systems of internal controls and management are not effective and that the internal financial controls do not form a sound basis for the preparation of the reliable financial statements.

Regulatory compliance

The audit committee has complied with all applicable legal, regulatory and other responsibilities.

External audit

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

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

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

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

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

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

Based on our satisfaction with the results of the activities outlined above, we have nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditors, with Ms R Ebrahim as the designated partner.

In terms of the rotation requirements of the Companies Act, 2012 will be her second year as designated auditor of the company. The committee confirms that the auditor and designated auditor are accredited by the JSE.

Finance function

We believe that Mr AG Waller, the group financial director, possesses the appropriate expertise and experience to meet his responsibilities in his position as required by the JSE.

We are satisfied with the:

- expertise and adequacy of resources within the finance function; and
- experience of the divisional chief financial officers and financial managers.

Based on the processes and assurance obtained, we believe that the accounting practices are effective.

Financial statements

The committee has reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:

- the interim results for the six months ended 30 June 2011;
- the pro-forma effects included in the circular to shareholders relating to the subscription by Remgro for the purchase of Grindrod shares;
- the pro-forma effects included in the announcement regarding the joint venture to be entered into between Vitol and Grindrod.
- the audited annual results for the year ended 31 December 2011; and
- reviewing the working capital packs prepared by management to support the board's going concern statement at reporting dates as well as the solvency and liquidity tests required in terms of the Companies Act.

Integrated annual report

The audit committee considered the integrated annual report, incorporating the abridged annual financial statements, for the year ended 31 December 2011. The audit committee has also considered the sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to audit committee members. The committee has also considered the external assurance provider's report and is satisfied that the information is reliable and consistent with the financial results. The annual financial statements have been prepared using appropriate accounting policies, which conform to International Financial Reporting Standards.

The committee, via a round robin resolution dated 28 March 2012, recommended the integrated annual report for approval to the board.

The audit committee recommended the adoption of the annual financial statements by the board.

On behalf of the audit committee.

IM Groves
Chairman

Durban
28 March 2012

REMUNERATION REPORT

Remuneration philosophy and policy

The board continues to embrace the importance of people to the continued sustainability and growth of the group. Grindrod's objective is to attract, retain and motivate excellent talent. Oversight of the remuneration policy and implementation thereof is maintained to ensure rewards are competitive, taking cognisance of the appropriate local and global remuneration benchmarks, proportionate with the contribution to the group's performance. As a principle, above average remuneration is awarded to those employees who add significant value as measured through achievement of performance objectives.

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

In line with King III, the board intends to request shareholders to provide non-binding approval for the group's remuneration policy at the forthcoming annual general meeting. The rationale and basis for the group's executive remuneration policy is carefully considered by the remuneration/nomination committee and is detailed in the integrated annual report.

Grindrod's policy, philosophy and practices do not conflict with King III and there were no material changes to the remuneration practices with the advent of the new code.

Remuneration governance

Employment contracts

The following notice periods are to ensure continuity of operations:

- the group chief executive officer is on a 12-month notice period;
- members of the executive have notice periods of six months;
- other key senior management are on three months' notice with the balance of management on thirty-day notice periods.

Composition of the remuneration/nomination committee

The remuneration/nomination committee is composed exclusively of non-executive directors and is chaired by an independent non-executive director.

The members of the committee during the year were as follows:

MJ Hankinson	Chairman
IAJ Clark	Member
IM Groves	Member

Role of the remuneration/nomination committee

The remuneration/nomination committee is tasked on behalf of the board to ensure the alignment of remuneration with realising shareholder value. The committee operates under Terms of Reference that are reviewed annually, approved by the board and encompass the provisions of the new Companies Act and updated to take account of King III.

The committee's key objectives include:

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

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

Structure of the remuneration

Remuneration of executives and key senior managers comprises guaranteed total cost to company and variable portion which incorporates short and long-term incentive bonus schemes. Grindrod utilises the "Towers Watson" global grading methodology when benchmarking executive remuneration. PE Corporate Services (Pty) Limited are independent compensation consultants used by Grindrod for this purpose. A number of factors in determining the level of responsibility are taken into consideration which includes sales volumes, profits, number of employees, assets and salary/wage account.

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

Non-executive directors' remuneration

The level of fees paid to non-executive directors is reviewed by the remuneration/nomination committee on an annual basis. The recommendations are submitted to the Grindrod board for consideration and the fees are approved in advance by the shareholders at the annual general meeting. Various market surveys are utilised to determine the remuneration levels and reference is made to the fees paid by comparable listed companies.

Non-executive directors do not participate in the group's incentive bonus plan or share option schemes, however, Mr IAJ Clark continues to hold options granted during his tenure as chief executive officer.

Directors'/prescribed officers' emoluments

The remuneration paid/payable to executive and non-executive directors and prescribed officers' of the company relating to the 2011 financial year-end, was as follows:

2011	Directors' fees R000	Committee fees R000	Basic remune-ration R000	Retirement medical and other benefits R000	Total package R000	Bonus R000	Total R000
Executive directors/ prescribed officers							
AK Olivier	**–**	**–**	**4 618**	**1 167**	**5 785**	**4 391**	**10 176**
HJ Gray (appointed 1 June 2011)	**–**	**–**	**1 370**	**264**	**1 634**	**1 400**	**3 034**
JG Jones (retired 31 August 2011)	**–**	**–**	**1 607**	**376**	**1 983**	**750**	**2 733**
DA Polkinghorne	**–**	**–**	**2 014**	**397**	**2 411**	**1 449**	**3 860**
DA Rennie	**–**	**–**	**2 621**	**792**	**3 413**	**2 592**	**6 005**
AF Stewart	**–**	**–**	**1 810**	**887**	**2 697**	**1 274**	**3 971**
LR Stuart-Hill (retired 30 June 2011)	**–**	**–**	**1 373**	**857**	**2 230**	**–**	**2 230**
MR Wade#	**–**	**–**	**3 676**	**787**	**4 463**	**2 024**	**6 487**
AG Waller	**–**	**–**	**2 680**	**467**	**3 147**	**1 593**	**4 740**
Sub-total	**–**	**–**	**21 769**	**5 994**	**27 763**	**15 473**	**43 236**
Non-executive directors							
IAJ Clark*	**514**	**57**	**–**	**51**	**622**	**–**	**622**
H Adams	**180**	**–**	**–**	**–**	**180**	**–**	**180**
IM Groves*	**239**	**229**	**–**	**51**	**519**	**–**	**519**
MH Visser (appointed 31 October 2011)	**32**	**–**	**–**	**–**	**32**	**–**	**32**
MJ Hankinson	**180**	**110**	**–**	**–**	**290**	**–**	**290**
MR Faku	**180**	**–**	**–**	**–**	**180**	**–**	**180**
SD Zungu	**180**	**–**	**–**	**–**	**180**	**–**	**180**
WD Geach*	**239**	**117**	**–**	**–**	**356**	**–**	**356**
Sub-total	**1 744**	**513**	**–**	**102**	**2 359**	**–**	**2 359**
Total emoluments	**1 744**	**513**	**21 769**	**6 096**	**30 122**	**15 473**	**45 595**
2010							
Executive directors							
AK Olivier	–	–	4 640	819	5 459	4 337	9 796
JG Jones	–	–	1 765	524	2 289	1 055	3 344
TJT McClure (retired 31 July 2010)**	–	–	1 948	8 595	10 543	–	10 543
DA Polkinghorne	–	–	1 861	388	2 249	1 760	4 009
DA Rennie	–	–	2 421	816	3 237	2 400	5 637
AF Stewart	–	–	2 002	901	2 903	2 213	5 116
LR Stuart-Hill	–	–	2 596	878	3 474	1 891	5 365
Sub-total	–	–	17 233	12 921	30 154	13 656	43 810
Non-executive directors							
IAJ Clark*	438	50	–	47	535	–	535
H Adams	153	–	–	–	153	–	153
IM Groves*	206	187	–	47	440	–	440
MJ Hankinson	158	60	–	–	218	–	218
MR Faku	158	–	–	–	158	–	158
RA Norton (retired 19 May 2010)	77	81	–	–	158	–	158
SD Zungu	158	–	–	–	158	–	158
WD Geach*	176	58	–	–	234	–	234
Sub-total	1 524	436	–	94	2 054	–	2 054
Total emoluments	1 524	436	17 233	13 015	32 208	13 656	45 864

\# *Includes accommodation costs in Singapore of R786 600 as part of the employment contract.*
* *Includes fees paid by Grindrod Bank Limited.*
** *Includes settlement of a profit share agreement which was entered into when acquiring Island View Shipping*

As required by King III the remuneration paid to the next three highest paid employees for the year ended 31 December 2011 are as follows:

	Basic remune-ration R000	**Bonus R000**	**Total 2011**	Total 2010
Employee 1	3 731	**2 912**	**6 643**	6 589
Employee 2	3 731	**2 268**	**5 999**	6 150
Employee 3	2 632	**1 294**	**3 926**	2 226
Total	10 094	**6 474**	**16 568**	14 965

The above are all offshore based employees and remuneration has been converted to Rands at the average exchange rate.

Incentive schemes

Short-term incentive

Executives

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

The bonus payments related to 2011 performances are set out below:

Name	Percentage payout
AK Olivier	75%
HJ Gray	50%
DA Polkinghorne	61%
DA Rennie	75%
AF Stewart	40%
MR Wade	50%
AG Waller	50%
Average	**57%**

Other senior management

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

Other senior management excluding Financial Services, can generally earn short-term incentives of up to a maximum of 50% of their total annual guaranteed remuneration. Within the Financial Services division, this maximum can in some instances be as high as 100%.

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

Long-term incentives

Share option scheme

The share option scheme is closed to additional participants and 3 300 000 shares (equivalent to 0,6% of the issued share capital excluding treasury shares) remain under option in terms of the scheme at 31 December 2011. The options are exercisable at the market prices ruling on the dates the options were granted and vary from 239 cents to 1 251 cents per ordinary share and at varying dates before November 2015.

400 000 ordinary shares were allotted during the year in terms of the scheme for a consideration of R2 615 000.

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

Director	Options at 01.01.11	Options exercised during the year	Options at 31.12.11	Option price (cents)	Vesting dates	Expiry dates
IAJ Clark	100 000	100 000	–	380		
	300 000	150 000	150 000	1 251	23.11.2012	23.11.2015
AK Olivier	400 000	–	200 000	239	26.11.2009	26.11.2013
			200 000	239	26.11.2010	26.11.2013
	400 000	–	100 000	1 251	23.11.2009	23.11.2015
			100 000	1 251	23.11.2010	23.11.2015
			100 000	1 251	23.11.2011	23.11.2015
			100 000	1 251	23.11.2012	23.11.2015
DA Rennie	500 000	–	100 000	1 251	23.11.2008	23.11.2015
			100 000	1 251	23.11.2009	23.11.2015
			100 000	1 251	23.11.2010	23.11.2015
			100 000	1 251	23.11.2011	23.11.2015
			100 000	1 251	23.11.2012	23.11.2015
AF Stewart	150 000	150 000	–	239	26.11.2010	26.11.2013
	500 000	–	100 000	1 251	23.11.2008	23.11.2015
			100 000	1 251	23.11.2009	23.11.2015
			100 000	1 251	23.11.2010	23.11.2015
			100 000	1 251	23.11.2011	23.11.2015
			100 000	1 251	23.11.2012	23.11.2015
	2 350 000	**400 000**	**1 950 000**			

Share price linked option scheme

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

In terms of the rules of the scheme, the grant price of an option is determined on the same basis as the settlement price, i.e. the average of the closing price of the previous seven trading days. The cash settlement amount of an option is equal to the difference between the weighted average price of Grindrod shares on the date upon which an option vests and the grant price. The participants receive the amount due as a cash bonus.

The remuneration/nomination committee recommends the granting of options for approval by the board of Grindrod Limited.

A summary of options granted to executive directors and senior management, still to vest as at 31 December 2011, is as follows:

Date option granted	Number of options	Price (cents)
2007	403 335	1 625
2007	330 672	2 400
2008	905 068	2 350
2008	62 000	2 822
2009	2 542 000	1 430
2010	3 116 000	1 395
2011	3 402 000	1 633
	10 761 075	

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

Bonus payments of R35 867 were made on options which vested in 2011. In addition, R54 783 was paid to Mr JG Jones on his retirement on 31 August 2011, in terms of the rules of the scheme.

The detail of awards granted to executives as at 31 December 2011 is as follows:

Director	Options at 01.01.2011	Options granted during the year	Options vested during the year	Vesting price (cents)	Options at 31.12.2011	Option price at grant date (cents)	Vesting dates
AK Olivier	1 764 700		283 300	1 633		1 625	01.03.2011
			62 000	1 633		2 350	01.03.2011
					283 400	1 625	01.03.2012
					62 000	2 350	01.03.2012
					62 000	2 350	01.03.2013
					108 000	1 430	01.03.2012
					108 000	1 430	01.03.2013
					108 000	1 430	01.03.2014
					229 300	1 395	01.03.2013
					229 300	1 395	01.03.2014
					229 400	1 395	01.03.2015
		683 000			227 600	1 633	01.03.2014
					227 700	1 633	01.03.2015
					227 700	1 633	01.03.2016
DA Polkinghorne	233 400		51 600	1 633		1 625	01.03.2011
			43 300	1 633		2 350	01.03.2011
					51 800	1 625	01.03.2012
					43 300	2 350	01.03.2012
					43 400	2 350	01.03.2013
		104 000			34 600	1 633	01.03.2014
					34 700	1 633	01.03.2016
DA Rennie	657 400		51 600	1 633		1 625	01.03.2011
			28 000	1 633		2 350	01.03.2011
					51 800	1 625	01.03.2012
					28 000	2 350	01.03.2012
					28 000	2 350	01.03.2013
					68 600	1 430	01.03.2012
					68 600	1 430	01.03.2013
					68 800	1 430	01.03.2014
					88 000	1 395	01.03.2013
					88 000	1 395	01.03.2014
					88 000	1 395	01.03.2015
		191 000			63 600	1 633	01.03.2014
					63 700	1 633	01.03.2015
					63 700	1 633	01.03.2016
AF Stewart	582 400		16 600	1 633		1 625	01.03.2011
			31 300	1 633		2 350	01.03.2011
					16 800	1 625	01.03.2012
					31 300	2 350	01.03.2012
					31 400	2 350	01.03.2013
					68 000	1 430	01.03.2012
					68 000	1 430	01.03.2013
					68 000	1 430	01.03.2014
					83 600	1 395	01.03.2013
					83 700	1 395	01.03.2014
					83 700	1 395	01.03.2015
		229 000			76 300	1 633	01.03.2014
					76 300	1 633	01.03.2015
					76 400	1 633	01.03.2016

Director	Options at 01.01.2011	Options granted during the year	Options Vested during the year	Vesting price (cents)	Options at 31.12.2011	Option price at grant date (cents)	Vesting dates
MR Wade	571 000		31 000	1 633		2 822	01.03.2011
					31 000	2 822	01.03.2012
					31 000	2 822	01.03.2013
					26 600	1 430	01.03.2012
					26 700	1 430	01.03.2013
					26 700	1 430	01.03.2014
					132 600	1 395	01.03.2013
					132 700	1 395	01.03.2014
					132 700	1 395	01.03.2015
		365 000			121 600	1 633	01.03.2014
					121 700	1 633	01.03.2015
					121 700	1 633	01.03.2016
AG Waller		294 000			98 000	1 633	01.03.2014
					98 000	1 633	01.03.2015
					98 000	1 633	01.03.2016
	3 808 900	**1 866 000**	**598 700**		**5 076 200**		

The fair value at commencement date of the options awarded on 1 March 2011 was R2,74 per share.

Grindrod Bank Limited share price linked option scheme

A share price linked scheme was introduced in 2009 for Grindrod Bank executives and key employees. The scheme operates on the same principle as the Grindrod Limited share price linked option scheme, with the exception of the share price being based on a combined net asset value of Grindrod Bank and related financial services entities as opposed to the Grindrod listed price.

A summary of options granted to executives and senior management of the Financial Services division, still to vest as at 31 December 2011, is as follows:

Date option granted	Number of options	Price (cents)
2009	2 032 000	466
2010	1 144 000	499
2011	2 996 000	604
	6 172 000	

Bonus payments under this scheme in any year are restricted to a maximum of 6% of the net after tax profit of the Financial Services division.

A bonus payment of R328 380 was made in terms of the rules of the scheme.

The detail of awards granted to an executive as at 31 December 2011 is as follows:

Director	Options at 01.01.2011	Options granted during the year	Options at 31.12.2011	Option price (cents)	Vesting dates
DA Polkinghorne	696 000		149 000	466	01.03.2012
			149 000	466	01.03.2013
			149 000	466	01.03.2014
			83 000	499	01.03.2013
			83 000	499	01.03.2014
			83 000	499	01.03.2015
		280 000	93 300	604	01.03.2014
			93 300	604	01.03.2015
			93 400	604	01.03.2016
	696 000	**280 000**	**976 000**		

Forfeitable share plan

A forfeitable share plan scheme has been developed to cater for ad-hoc retention for executives and key personnel. The salient features are set out in the notice of annual general meeting for consideration by shareholders.

Directors' interests in the company

At 31 December 2011, the directors held interests in the company as follows:

Ordinary shares

Director	**2011 Beneficial indirect**	**2011 Non-beneficial indirect**	2010 Beneficial indirect
IAJ Clark	**5 969 900**	**–**	5 719 900
IM Groves	**1 298 947**	**–**	1 298 947
MJ Hankinson	**8 000**	**8 000**	5 000
AK Olivier	**1 634 250**	**–**	1 634 250
DA Rennie	**750 000**	**–**	750 000
AF Stewart	**462 050**	**–**	632 050
LR Stuart-Hill (retired 30 June 2011)	**–**	**–**	8 500
	10 123 147	**8 000**	10 048 647

There were no non-beneficial indirect shareholdings at 31 December 2010 in respect of ordinary shares held by the directors.

Preference shares

Director	**2011 Beneficial indirect**	2010 Beneficial indirect	2010 Non-beneficial indirect
IAJ Clark	**205 931**	205 931	–
IM Groves	**15 000**	15 000	–
JG Jones (retired 31 August 2011)	**–**	20 000	4 000
DA Rennie	**–**	–	10 000
LR Stuart-Hill	**–**	13 800	–
	220 931	254 731	14 000

There were no non-beneficial indirect shareholdings at 31 December 2011 in respect of preference shares held by the directors.

The ordinary and preference shareholdings were unchanged at 28 February 2012.

ASSURANCE STATEMENT

Independent assurance statement by Deloitte & Touche to Grindrod on their sustainability indicator disclosure in their Integrated Annual Report for the year ended 31 December 2011 ("the Report").

Scope of our work

Grindrod engaged us to perform limited assurance procedures for the year ended 31 December 2011 on the following subject matter:

- direct energy consumption;
- indirect energy consumption;
- total direct and indirect GHG emissions; and
- injury frequency rate.

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

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

Assurance process and standard

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

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

Key procedures

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

Key procedures we conducted included:

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

Conclusion

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

Although progress has been made with the implementation of indicator specific policies, we noted deviations relating to the accuracy and completeness of the direct and indirect energy consumption, GHG emissions and injury frequency rate at the Freight Services division.

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

Responsibilities of directors and independent assurance provider

Responsibilities of directors

The directors are responsible for the preparation of the integrated annual report 2011, including the implementation and execution of systems to collect required sustainability data.

Deloitte's responsibilities

Our responsibility is to express our limited assurance conclusion on the performance data for the year ended 31 December 2011.

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

Nina le Riche
Director, Deloitte & Touche

Cape Town, South Africa
28 February 2012

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Green Point, Cape Town, 8005.

The group continues to maximise employee engagement in creating value in the group, whilst simultaneously supporting employee growth, development and balance throughout the work-life experience. This approach facilitates a dynamic and viable environment within which the group and staff are in a position to add meaningful, reciprocal value.

The group continues to sustain past endeavours to attract, retain and improve the performance of its people.

A holistic approach is integral to all human resource strategies which are driven by the business strategy, whilst implementing best practice initiatives and complying with all relevant legislation. Sustainability targets, including B-BBEE and employment equity are integrated into divisional, senior management and executive performance measures to ensure that the alignment and implementation is successful.

To facilitate these endeavours, the group has revised its policies and procedures in order that the various established committees and forums can effectively manage employee engagement and sustainability priorities.

Talent acquisition

The adoption and implementation of an on-line e-recruitment tool, has resulted in significant benefits including sourcing critical technical skills through expanding talent databases and simultaneously reducing the cost of sourcing employees through recruitment agencies.

Where there is business urgency or inadequate depth in the pool of candidates, the group has forged relationships with established agencies to source great talent.

Talent development

The group continues to grow and develop leaders at all levels within the businesses. An assessment of talent availability and skills was launched to support and identify the current leadership pipeline, scarce technical or specialist skills and the need for skilled designated employees in senior management and executive positions. Information from this assessment subsequently triggered the launch of integrated initiatives to grow the pool of leadership.

Business management has accountability for managing succession and integration with human acquisition, skills development, performance improvement and reward processes. Further, technical and soft skills programmes were taken up by staff and underpinned growth in training and development spend (refer the skills development section for statistics).

Employee performance

In achieving targets and meeting sustainability priorities, the group has revised and rolled out a process for improving the performance and growth of its people. Senior management within the subsidiary companies and businesses have incorporated the process into their operations, with 458 managers undergoing training during 2011. Performance discussions are held with employees annually to recognise achievement of goals, address areas for development and define learning required to improve productivity and career growth.

Staff complements

The number of group employees (permanent and temporary) worldwide decreased from 6 286 at 31 December 2010 to 6 089 at the end of December 2011. The reduction was primarily due to the group exiting certain Freight Services businesses and undergoing restructuring initiatives.

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

Country	**2011**	2010	% Change
South Africa	**4 619**	5 055	9
Rest of Africa	**1 203**	926	(23)
Asia	**185**	47	(75)
Europe	**64**	245	283
North America	**2**	1	(50)
South America	**15**	12	(20)
Australasia	**1**	–	(100)
Total	**6 089**	6 286	3

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

Group relationship	Permanent staff (RSA citizens)	Permanent staff (non-RSA citizens)	Contract staff (RSA citizens)	Contract staff (non-RSA citizens)	Grand total
Total subsidiaries	2 939	456	466	153	4 014
Total joint ventures	959	45	162	57	1 223
Total associated companies	59	768	1	24	852
Total Grindrod group	3 957	1 269	629	234	6 089

Employee relations

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

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

Continued efforts to streamline businesses resulted in a limited number of restructuring initiatives. Leadership was able to minimise retrenchments and the after effects of low morale, by engaging with staff and shop stewards in identifying solutions to support the business.

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

Unionisation levels within the South African based companies was 38,5% (34% in 2010) in line with general industry trends. In terms of the recognition agreements between Grindrod and organised labour, each union or combination thereof requires a representation threshold of 50% within the bargaining unit in order to bargain within that particular unit.

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

Bargaining council	Abbreviation	Members
National Bargaining Council for the Road Freight Industry	NBCRFI	606
Metal and Engineering Industry Bargaining Council of South Africa	MEIBCSA	546
Syndicate of Maputo coal terminal employees	MCT	83
Motor Ferry Industry Bargaining Council of South Africa	MFIBCSA	397

In supporting ongoing relations, supervisor and middle management are continuously trained and supported by division based HR experts in building communication platforms, managing employee issues, addressing performance challenges and administering progressive discipline.

B-BBEE and employment equity

Transformation continues to play an important role in Grindrod Limited with the ownership element having been verified in the past year. The effect of this was reflected via the flow through principle to the Freight Services division. Grindrod (South Africa) (Pty) Limited and Grindrod Ships Agencies in particular made progress not only in the ownership element but on their scorecards as a whole. This achievement is made all the more significant considering that the groups were rated on the more stringent Transport Sector Generic Scorecard: Maritime and Services Industry Sub-sector. The targets originally set for Grindrod (South Africa) (Pty) Limited have been achieved and the group continues to refine its B-BBEE initiatives in an on-going effort to contribute meaningfully to the South African economy.

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

Over the period December 2010 to 2011 there has been a significant improvement in the average B-BBEE levels from level 4 to level 3. The rating scale is based on a range of 1 to 8, with 1 being the most desirable score.

Within the group there has been a shift from self-assessment towards formal assessment, a positive sign of the various companies' move towards supporting B-BBEE imperatives. The group retains the services of AQRate, as an independent body to assist with the verification of each of the companies within the Grindrod group.

In 2012 focus will be on improving the group's B-BBEE standing, particularly where companies and divisions fall below the target rating of 4, while simultaneously maintaining the high rating of 1 where companies and divisions have achieved this distinction.

Grindrod encourages B-BBEE efforts outside its own organisation. Enterprise development will be one of the key initiatives in 2012, where the group will explore opportunities to offer assistance to fledgling businesses in an effort to help them grow and establish themselves in a competitive market. There has also been increased focus on B-BBEE scorecards in the selection of preferred service providers.

Employment equity

All group companies are implementing the employment equity policy. This business imperative is monitored by employment equity forums, including the group human capital committee. The group will continue to attract, retain and develop talent from the designated groups in line with the available employment opportunities, even though scarcity of industry skills remains a challenge.

The South African based operations' overall composition of the designated groups as a percentage of the workforce stood at 82% (2010: 88%) and, in particular, black representation stood at 73% (2010: 88%).

Demographic profile for South African based companies

2011	Male			Female						Foreign nationals		
Occupational levels	African	Coloured	Indian	African	Coloured	Indian	White	Total designated	White male	Male	Female	Total
Top management	–	–	–	–	–	1	–	**–**	11	–	–	**11**
Senior management	6	1	14	2	–	1	5	**29**	75	3	–	**107**
Middle management	16	15	55	3	4	30	65	**188**	147	4	–	**339**
Skilled	772	111	240	91	54	148	237	**1 653**	333	20	3	**2 009**
Semi-skilled	763	96	113	95	51	63	82	**1 263**	71	5	2	**1 341**
Least skilled	218	14	5	59	2	1	–	**299**	3	19	1	**322**
Total	**1 775**	**237**	**427**	**250**	**111**	**243**	**389**	**3 432**	**640**	**51**	**6**	**4 129**
Temporary/contract	158	17	23	78	10	10	24	**330**	159	–	1	**490**
Grand total	1 933	254	460	328	121	253	413	**3 762**	799	51	7	**4 619**
Percentage	41,8	5,5	10,0	7,1	2,6	5,5	8,9	**81,4**	17,3	1,1	0,2	**100**
2010 Total	2 482	373	418	321	178	284	383	4 439	558	23	5	5 025
Percentage	49,4	7,4	8,3	6,4	3,5	5,7	7,6	88,3	11,1	0,5	0,1	100

Skills development

Amidst the uncertain economic conditions, the board and executives recognised and recommitted to developing and retaining skills as the engine of productivity and to position the group for growth. Training spend, both on formal training, professional development and on the job coaching was R9,8 million (2010: R9,5 million).

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

Course programme	Total attendees	% Designated	% Black designated	% Female designated
Computer Skills	171	87	61,7	46,2
Management and support	327	79,3	66,2	53,1
Mobile hoist/driver	1 031	93,4	79,3	11,4
Regulatory	1 234	83,3	65,3	24,3
Adult basic education and training	17	100	100	47
Shipping	673	81,8	58,5	57,3
Continual professional development	435	87,7	70,5	32,4
Workplace effectiveness	2 585	82,7	67,3	53,4
Total	6 473	86,9	71,1	40,63

A total of 6 473 (2010: 2 711) training interventions were attended by employees, critical to growing the business and developing their skills. Of these learners, 87% (2010: 83%) composed of designated employees. The group is working on further improvements to be realised in skills development, particularly black and female designated staff.

Grindrod continues to develop the pipeline of maritime skills through Unicorn's Training School which offers South African Maritime Safety Authority ("SAMSA") accredited, internationally recognised training to individuals, Port Authorities and international shipping organisations. During 2011, 2 029 (2010: 1 678) seafarers completed courses at the training school. This number included, amongst others, local and international categories of officers, ratings, cadets, auxiliary crew for cruise liners and yachtsmen.

Grindrod's Cadet Training Programme is an industry leader in producing designated and female officers. The cadet academy continues the heritage started in 1970 through training 24 cadets (2010: 23), of which 12 were black and three female. The training programme is extremely successful with a 100% success rate from recruitment to cadets obtaining their first licence. The programme is a significant investment in skills with the cost of training an engineering cadet at R345 000 and a deck cadet at R215 000.

Human rights

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

Employee wellness

In a highly competitive and rapidly changing work environment, where stress has become a routine part of doing business, employees' personal and occupational issues often translate into impaired work performance. Unchecked, these issues can negatively impact the entire work environment, resulting in absenteeism, staff turnover, low morale and escalated costs. Maintaining the wellbeing of employees is therefore critical to the delivery of high quality services and the achievement of organisational objectives.

The introduction of an employee wellness programme ("EWP") has been well received and the utilisation thereof indicates that the programme is being well accessed by Grindrod employees, managers and dependents of employees, with an overall engagement rate of 26% in 2011. The EWP has provided services to both mitigate potential behaviour risk factors, in addition to enhancing the productivity of the employee by assisting with professional counselling interventions. The EWP offers a wide range of services including counselling, practical "Life Management" services and the important management tool which aims towards improving the quality of workplace relationships.

Wellness days have been held where a range of tests were conducted, including glucose, blood pressure and body mass index. The presence of on-site clinics staffed by external professional service providers has also assisted in the aspect of employee wellness.

HIV/AIDS

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

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

HIV/AIDS related initiatives amounting to R1,3 million spend were implemented in 2011. These included continued contribution to corporate fundraising initiatives such as the National AIDS Bannerthon, National AIDS Day awareness campaigns and testing and during the year ongoing counselling, training/awareness and testing.

This shall remain an area of focus within the workplace with numerous initiatives being continued in 2012.

Occupational health and safety

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

Safety policy statement

Grindrod undertakes to:

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

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

Total occupational, health and safety investment during 2011 was R19,6 million (2010: R13,1 million), an increase of 48,9%.

Shipping

The division once again maintained its excellent record, reporting only three medical treatment cases and two lost time incidents for the year.

Key performance indicators		2011	2010	2009	2008
Health and safety spend	(Rand)	**4 380 000**	2 100 989	2 325 071	5 576 817
Medical treatment cases		**3**	4	2	3
Lost time incidents		**2**	1	–	1
Fatalities		**–**	–	–	–
Lost time injury frequency rate (per million man hours)		**1,21**	0,8	–	0,9

Freight Services

Regrettably the number of medical treatment cases continued to increase despite considerable additional investment in improving safety measures. Although fatalities were reduced to one for the year, this is still one too many.

Key performance indicators		2011	2010	2009	2008
Health and safety spend	(Rand)	**15 181 666**	11 034 955	4 366 734	3 282 453
Medical treatment cases		**85**	68	24	79
Lost time incidents		**74**	72	52	29
Fatalities		**1**	2	5	3
Lost time injury frequency rate (per million man hours)		**5,53**	5,83	7,03	Not reported

SOCIAL AND ECONOMIC DEVELOPMENT

Introduction

"Any successful business has a relationship with the society in which it operates and a duty to that society's betterment. Not only because future opportunity and prosperity depends on the focus of investment today, but also quite simply, because of the enormous difference our humblest efforts make in the lives they touch."

Alan Olivier, group chief executive officer.

The group continued to expand its social and economic development programmes ("SED") with a focus on education and in many instances, working in the same communities and institutions in the areas of company operations, to create a sustainable position.

The group spent R4,1 million on corporate social and economic development programmes in 2011 (R2,5 million in 2010). This increased spend in a challenging economic period, demonstrates the commitment of the group to contribute to the upliftment of disadvantaged communities.

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

The board directive for SED spend is that it continues to focus on education. There has been more attention to creating programmes which have a sustainable impact and therefore require more intervention by management than simply providing once-off donations or grants. In this regard several relationships have been developed with educational institutions to strengthen the governance process.

A social and ethics committee has been appointed with non-executive director involvement. The committee is responsible for group sustainability matters, including overseeing the group's SED initiatives.

Employee engagement

Over the past year the group has progressed in terms of involving a broader base of employees in the group's SED initiatives. Employee engagement was encouraged in a number of ways including:

- allowing employees time during normal working hours to be involved in various community programmes;
- involvement in training and motivational sessions at schools where the group is involved; and
- communication of the group's corporate social programmes at employee induction events.

Focus areas

During the year the following capital projects were completed:

- new kitchen and classroom repair project at Mbasela Primary School at Inanda in partnership with Project Build Trust;
- a donation of container classroom to the Pinetown Rotary Club for use in the KwaNdengezi (Marianhill) area;
- construction of toilets at Amaoti III School in the Amaoti township north of Durban; and
- renovation of a science laboratory, consumer study laboratory and purchase of equipment for the King Shaka High School in Umlazi under the auspices of Adopt-a-School Foundation.

Other educational initiatives included:

- provision of school bursaries to black scholars attending various high schools in KwaZulu-Natal;
- bursaries to children of employees with a leaning towards the previously disadvantaged;
- support of READ education trust;
- support of various educational institutions which included the Nokuphila School for disadvantaged children, The Browns' School, St Francis College, Thomas More Trust, Tshuletsa Academy (Pre-learnerships) and Youngsters Youth Development;
- financial support of teenage orphan children under the supervision of I Care; and
- support of Pondo Pedal, which provides assistance to underprivileged schools in the Transkei.

Community, welfare and health

The group supports a number of various charities and also responded to various emergency requests.

During the year group employees again participated in the low cost housing project facilitated by Habitat for Humanity in the outer Durban area.

Included in this budget has been financial sponsorship of various HIV/AIDS programmes. The social impact in the instance of employees is dealt with in the integrated human capital report.

Business development

An example of the group's commitment to small business development is in the road transportation division where there is an owner-driver/sub-contractor managed programme. Currently there are approximately 160 drivers on this programme country-wide. The drivers own their trucks and Grindrod Intermodal supports these sub-contractors by means of:

- sourcing transport business on their behalf;
- providing trailers and insurance; and
- processing invoices and offering credit terms in respect of their diesel requirements.

Grindrod Intermodal has also embarked on a project whereby trucks are sourced and rental agreements with sub-contractors are entered into facilitating the growth of the fleet and providing individuals with the opportunity of owning their own business. To date there are 10 rental agreements in place.

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

SOCIAL AND ECONOMIC DEVELOPMENT (continued)

Science laboratory at the King Shaka High School in Umlazi, adopted by Grindrod.

Grindrod staff participated in Nelson Mandela's birthday celebration by making sandwiches for the learners at Addington Primary School in Durban.

Grindrod continues to co-sponsor and participate in the KwaZulu-Natal Growth Coalition, which is a public-private partnership aimed at accelerating economic development in the province.

Future focus

In 2012 focus will be placed in the following areas:

- further communication of SED programmes to ensure external stakeholders' understanding of the group's strategy;
- closer monitoring and guidance to business units to ensure alignment and spend within the key focus areas of the SED strategy and targeted spend;
- sustain and grow the engagement and involvement of employees in SED programmes;
- expand the programmes into other African countries within which the group operates, an example being Mozambique;
- continue to work in disadvantaged schools with the objective of improving the facilities within which teachers and pupils have to function; and
- developing a clear SED policy which will be placed on the company website.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE

2011 Highlights

People working with a plan to drive performance

Grindrod's Environmental and Climate Change Policy was adopted by the board in 2010. It contains the guiding principles and measurable and auditable objectives and targets for improving integrated performance in this area of the business. The policy applies to all group subsidiaries around the world over which the company has operational control.

A copy of the policy can be found on the company website, www.grindrod.co.za.

Governance

- The group environmental and climate change committee which co-ordinates group-wide implementation of the Grindrod group Environmental and Climate Change Policy functioned well. Both meetings were attended by the group Chief Executive Officer.
- Appointment of a new social and ethics committee by the board responsible for overseeing environmental and climate change management.
- Appointment of a new senior level HSE manager within the Shipping division.

Systems and plans

These include:

- implementation of the ISO 14001 Environmental Management System in the Shipping and Freight Services divisions is now 90% complete and on track to have all designated businesses certified by the end of 2012. These two divisions contribute 96% of the group's environmental footprint (by emissions);
- adoption of the Freight Services divisional Climate Change Strategy and Implementation Plan, aimed at driving improvements in understanding and reducing its carbon footprint; and
- second independent limited assurance audit by Deloitte, broadened this year to include all scope 1 and 2 emissions for all four divisions within the group. The limited assurance statement is set out on page 77. The auditor's detailed recommendations are being incorporated into the work programme for 2012.

Performance

- Achieved "Best Practice" result for environmental performance in the 2011 JSE SRI assessment.
- Shipping achieved zero significant oil spills (more than one barrel of oil) for the sixth consecutive year.
- A reduction in absolute year-on-year tonnage of waste sent to landfill and progress towards 2015 target of 10% recycling of all general solid waste (6,6% achieved).
- A 15% improvement in ship-based GHG emissions efficiency year-on-year (5% improvement target surpassed). SOx and NOx emissions improvement targets per 1 000 nautical mile (NM) were also surpassed. Normalised electricity usage for comparable South African land-based operational sites improved significantly (64%) year-on-year (5% improvement target surpassed).

Grindrod's global footprint

The group's environmental impacts and how this is being measured, managed and reported

"Grindrod acknowledges that its various operations impact or potentially impact on the environment and it is therefore the company's policy to conserve natural resources, maximise eco-efficiency, reduce waste and climate change impacts and prevent pollution throughout Grindrod's operations. Grindrod believes that sustainable business practice makes good business sense and that the best interests of business and the environment are inseparable."

Alan Olivier, Chief Executive Officer

As a diversified global transport, logistics and financial services provider, material environmental and climate change impacts are centred around:

- GHG emissions from the combustion of non-renewable petroleum-based fuels in ships, vehicles and locomotive engines. This is by far the group's single biggest operational environmental impact comprising 90% of Grindrod's global carbon footprint;
- GHG emissions from the use of electricity in buildings and offices (7% of carbon footprint);
- water consumption and the disposal of waste-water, particularly in land-based vehicle and equipment cleaning operations. Ship based water use is of less concern as on-board desalination plants provide more than 90% of ships' water needs;
- the potential for accidental oil and fuel spills by ships at sea and by our growing fleet of vehicles and locomotives on land, and the resultant impacts on marine and terrestrial eco-systems; and
- impacts on natural habitats/eco-systems and biodiversity related construction and operation of infrastructure e.g. the new Maputo coal terminal expansion.

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

In setting its organisational boundary for reporting GHG or carbon emissions, and by implication all other environmental key performance indicators ("KPI"), Grindrod has for the last two years adopted the operational control approach in setting its organisational boundary for reporting environmental, as defined by the international GHG Protocol, so as to track progress with meeting the quantified objectives and targets of the Group Environmental and Climate Change Policy.

During the year Grindrod completed a comprehensive review, subsequently audited by Deloitte, of the application of this methodology, including the objective and auditable criteria for inclusions and exclusions.

A detailed description of Grindrod's application of this methodology can be found on the company's website, www.grindrod.co.za.

In line with the GHG Protocol's definition of operational control, Grindrod has disclosed 100% of emissions from entities it does have operational control over and 0% of emissions for entities where, regardless of equity shareholding, Grindrod does not have "full authority to introduce and implement its operating policies".

In line with Principle 7 of the UN Global Compact, to which Grindrod now subscribes, the company has adopted a precautionary or conservative approach to its application of the above operational control methodology. The review did not require any material restatement of KPIs for 2010.

Measurement and reporting of environmental KPIs are guided by:

- the GRI environmental indicator guidelines (including the pilot sector supplement for the logistics and transportation industry);
- the global Carbon Disclosure Project;
- the JSE's SRI Index environmental reporting requirements; and
- best practice via an annual benchmarking of peer group companies in the global shipping and transport industries.

Structure and staffing

Grindrod people supported and rewarded to do the right thing.

Grindrod recognises that its environmental and climate change response is only as good as the commitment of its people. Grindrod has a stated policy directive of promoting environmental awareness and responsibility among employees, supporting people in key roles and developing a culture of eco-efficiency and ecological responsibility throughout the organisation.

Key roles and responsibilities for environmental and climate change management are well organised and clearly defined.

Executives and personnel at the "coal face" have been designated at site, business and ship level to monitor environmental key performance indicators and drive change, typically as part of the ISO 14001 environmental management systems ("EMSs");

During the year in review, both the Shipping and Freight Services divisions made progress with the development of monitoring and reporting systems to facilitate improved monthly reporting and closer management scrutiny of KPIs.

The board is updated on a quarterly basis on progress with environmental management within the group. Looking forward there will be more rigorous reporting and disclosure to the new social and ethics committee.

Ongoing environmental training and awareness occurs at all levels of the group in the form of intelligence briefs and email correspondence, committee meeting notes and minutes, as well as formalised on-site or on-ship EMS training and awareness.

Stakeholder engagement is an important element of Grindrod's environmental and climate change strategy and response.

Environmental performance

Overview of progress made in 2011 with achieving environmental and climate change objectives and targets.

Improving measurement and reporting

All ships controlled by Grindrod now report environmental KPIs on a monthly basis to a newly appointed Shipping division SHEQ manager.

Freight Services continues to develop a division-wide intranet HSE Reporting Portal and companies started reporting environmental data on a monthly basis in terms of a new reporting protocol.

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

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

Accuracy was improved by checking reported data for 2011 against comparable 2010 data and any significant variances were queried. Data extrapolations were made only where sufficient measured data points were available.

Complying with the law

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

Grindrod has an established policy, where feasible exceeding applicable environmental and industry regulatory requirements to which the company subscribes.

All vessels operated by the Shipping division hold Documents of Compliance issued by the relevant maritime authorities in terms of IMO legislation and were once again fully compliant with:

- MARPOL, both with respect to solid and liquid waste and Annex VI that deals with air pollution from ships; and
- low sulphur fuel requirements for designated shipping areas (e.g. parts of the EU).

Land and ship-based ISO 14001 environmental management systems (refer to the section on page 89) require ongoing review of legal compliance and include relevant legal registers that detail compliance requirements with relevant acts, regulations and by-laws.

All new land-based developments are required to comply in full with environmental impact assessment ("EIA") regulations and approval conditions. The company's planned coal port terminal development in Mozambique will comply in full with all country and local environmental planning provisions.

Managing systematically

The estimated coverage by formalised business, ship or site-level environmental management systems ("EMS") within the group is 80% (in terms of group environmental footprint coverage):

- *five of the 24 sites that Freight Services has designated as requiring formal EMSs are now certified to ISO 14001, and the remainder will be certification ready by mid-2012; and*
- *Unicorn Shipping maintained the ISO 14001 certification received in 2010, covering all ships and shore-based crewing services. IVS bulk carriers maintained their ISO 14001 certification status.*

Progress was made with meeting the objective of having formalised EMSs based on ISO 14001 at all major land-based sites within the Freight Services division and on all ships over which the company has operational control, within the Shipping division by the end of 2012.

All ships are subject to regular SHEQ audits by the company's major oil customers, underwriters, certification and other bodies. Technical superintendents within the group also conduct stringent internal SHEQ audits on a half yearly basis.

Protecting marine biodiversity

Shipping achieved a record of zero significant oil spills (more than one barrel of oil) for the sixth consecutive year.

The Shipping division continued to maintain measures and management systems to prevent marine pollution and negative impacts on marine biodiversity in terms of its policy of "Zero material pollution of the World's marine eco-systems". These include:

- a policy of not transporting any hazardous waste;
- continued non-use of Tributyltin ("TBT") or lead containing anti-fouling paint;
- ballast management plans that comply with IMO requirements on all ships to minimise the potential impacts related to ballast water (spreading invasive marine organisms between eco-systems); and
- a growing number of ships under Grindrod's control, carry the "Clean Ship" class notation, indicating a higher level of environmental impact control and include requirements stipulating how to control and limit operational air emissions and sea discharges. This notation also requires an environmental approach to installed equipment and arrangements on board. All Unicorn "River Class" vessels (i.e. Berg, Breede, Kowie, Kei and Umgeni) now have Clean Ship notation and are subject to additional scrutiny when audited.

In strict compliance with MARPOL:

- ships' wastewater (galley wastewater, domestic/toilet and bilge water) is discharged directly into the sea while vessels are under way;
- solid waste and waste oils are separated on board and where possible incinerated, waste that may contain heavy metals is not incinerated on-board;
- biodegradable waste (food waste etc.) is disposed of at sea away from ports or coastal areas; and
- garbage logs (for solid waste) and safe disposal receipts for any solid waste landed at certified landfill sites are maintained.

Collision risk is mitigated by ensuring the use of robustly constructed ships and effective navigation systems to avoid impacts:

- 100% of products and chemical tankers have double hull constructions and/or are constructed with materials designed to minimise corrosion and to promote robustness and longevity;
- ships that are not double hulled have cargo tanks divided into sections and bund containment is fitted on all deck areas; and
- on-board navigation and safety equipment that is the best available.

The higher absolute volumes of untreated effluent (domestic) and processed effluent (sewage) disposed of at sea in accordance with MARPOL (refer the table "Detailed environmental footprint – Shipping") reported for the year compared to 2010 were as a result of more complete reporting and an increase in ships falling within the reporting boundary, as opposed to any on-board operational changes.

Minimising biodiversity impacts on land

Freight Services finalised and approved five environmental standards describing the minimum requirements that business units are required to comply with. These standards cover energy management and GHG emissions; waste management; prevention of soil and groundwater contamination, water consumption and wastewater management; and air pollution.

Grindrod continued to strive towards its ongoing goal of "Zero material pollution of terrestrial eco-systems" through the maintenance of rigorous management systems, ongoing training and awareness and the completion of environmental risk audits of sites.

The following environmental pollution incidents occurred within the Freight Services division. In all cases appropriate remediation action was taken and no fines or sanctions were imposed from authorities:

- eight fuel spills caused by driver errors in operating delivery lines (e.g. opening incorrect lines, or overfilling) occurred within the Fuelogic controlled businesses in 2011. The total volume of fuel lost by the incidents was 5 517 litres. In all cases spills were contained and appropriate remedial action taken;
- a spill of approximately 5 000 litres of engine oil occurred on bare ground during transfer of oil from the quayside to a truck at the Maputo coal terminal facility in Mozambique. The neighbouring facility was responsible for the spill, although it impacted on Grindrod-operated property. A contracted company removed the contaminated soil and disposed of it as hazardous waste;

- a routine inspection by the provincial Department for Environmental Affairs and Rural Development at the Richards Bay terminal found that run-off from a coal stockpile posed a contamination risk to groundwater and the adjacent wetland. The Department issued a requirement that all run-off from stockpiles be diverted to a sediment tank to allow for particles to settle, prior to discharge. This has subsequently been put in place; and
- the Richards Bay terminal received an unusually dry shipment of crude sulphur resulting in the area surrounding the receiving warehouse being covered in a thin layer of sulphur dust. When the problem became apparent, use of conveyor belts ceased and the product was moved by road transport to the warehouse. The area was cleaned, product was removed and disposed of as hazardous waste. In future, all sulphur from this source will be checked for moisture content, and where it is less that 1%, the cargo will be moved via road transport rather than conveyor belts.

Incident simulation events are now undertaken annually by Fuelogic. The 2011 mock emergency involved a large fuel tanker and tested internal, as well as emergency service provider, emergency response processes, including spill response. The surrounding community was also involved in the exercise. Driver training at Fuelogic is provided annually to drivers, contract management, and supervisory staff, as part of an accredited training programme.

Conserving water

The majority of Grindrod's land-based operations are based in Southern Africa, a dry region with water conservation being imperative. Grindrod's objective in 2010 was to reduce normalised water consumption and wastewater effluent within the group by 10% by the end of 2012.

Total group water usage for 2011 was 180 824 kilolitres, significantly lower than the 199 315 kilolitres in 2010. Normalised water consumption for the year was 30 kilolitres per full time equivalent ("FTE") compared to 48 in 2010 (a 60% improvement). However, this reduction was more as a result of improved reporting than operational savings. Most – 89% (94% in 2010) – of this water footprint was generated by the Freight Services division which uses large amounts of water to wash machinery, conveyor belts, containers and vehicles at some sites.

Stand-out initiatives that did or will save water include:

- construction of water reservoirs at the Navitrade facility in Richards Bay to capture storm water run-off for use in dust suppression;
- development of a new wash bay at the RRL Pretoria West facility, which reuses water;
- re-use of water for dust suppression at the Walvis Bay terminal commenced at the end of 2011; and
- a few businesses installed water-saving shower heads in staff ablutions.

Two Freight Services facilities experienced burst water pipes during 2011, which resulted in a loss of approximately 2 190 kilolitres of water.

Grindrod Shipping's water footprint is much lower. The higher water usage reported by Shipping (water taken on-board when in port) for 2011 compared to 2010 (see table "Detailed environmental footprint – Shipping") was as a result of an increase in ships falling within the reporting boundary, as opposed to any on-board operational changes. Most ships under Grindrod's control have on-board desalination systems to generate sufficient fresh water up to 20 kilolitres per day (only approximately 8 kilolitres is required per day), and non-water-based vacuum-operated sewerage treatment plants, which also minimise discharge of effluent/wastewater at sea.

Reducing waste

Grindrod's policy objective is to reduce the impacts of its operations on landfill with a target of recycling 10% of all general solid waste produced by the end of 2012.

Recycling efforts resulted in 6,6% of general solid waste being recycled (10% target by 2012), down from the previous years' 20%. However, a few large one-off consignments of scrap metal were recycled in 2010 contributing to the high recycling rate in this year.

Total solid and liquid (hazardous and non-hazardous) waste reported in 2011 was 7 471 tonnes, marginally lower than the 7 564 tonnes generated in 2010.

Approximately 278 tonnes of scrap vehicle tyres could not be recycled in 2011 because of the lack of facilities in South Africa. This is a project that will receive attention in 2012.

No material disposals of end-of-life ships or vehicles occurred during the year in review.

The higher volumes of ship-generated waste (see table "Detailed environmental footprint – Shipping") reported for the year compared to 2010 is as a result of an increase in ships falling within the reporting boundary, as opposed to any on-board operational changes.

Energy efficiency, reducing air pollution and greenhouse gas emissions

Year-on-year performance in terms of energy usage, emissions and normalised efficiency is summarised in the KPI data tables on pages 92 to 95. Total fuel usage (both on land and by ships) and electricity consumption increased marginally, largely due to business expansion and the inclusion of newly acquired ships. Correspondingly, total air pollution (tonnes SOx and NOx emissions), total GHG emissions (tonnes CO_2-e) and total energy usage (GJoules) also increased year-on-year.

However, GHG emissions intensity (gCO_2-e per Rand revenue) remained steady (10,1 compared to 9,8 in 2010) as did energy intensity (MJoules per Rand revenue) (0,13, compared to 0,12 in 2010).

Mobile combustion of petroleum-based fuels in ships, vehicles, locomotives and site-based equipment such as front-end loaders and forklifts and the resulting CO_2 emissions, comprised 88% of Grindrod's total energy, GHG emissions and air pollution footprint (86% in 2010).

Fuel is a major cost item for both marine and land-based operations within Grindrod and staff are incentivised to look for and implement fuel (energy) savings and efficiencies. These efforts go hand in hand with reducing normalised GHG emissions and air pollution levels. During the year:

- shipping exceeded targets of 5% improvements in ship-based GHG, SOx and NOx emissions efficiency; and
- land-based vehicle fuel and emissions efficiency remained relatively unchanged year-on-year.

Using 2010 as the baseline, Grindrod has resolved to reduce normalised GHG emissions from both its ships (CO_2-e per tonne NM) and its transport fleet (CO_2-e per km) by 5% over the next five years (i.e. by 2015). The first target was achieved in 2011 with a significant (15%) improvement in ships' GHG emissions efficiency year-on-year (see Shipping KPI summary table below). However, land-based vehicle emissions efficiency remained relatively unchanged (refer Freight Services data summary table). This measure has been refined to allow vehicle class and fuel type comparisons year-on-year.

Sulphur oxide (SOx) and nitrogen oxide (NOx) emissions are the two key pollutants resulting from the burning of fossil fuels and are used as the KPI for air pollution by Grindrod. Grindrod does not have any significant stationary/site-based sources of air pollution. The company has set corresponding targets (to the above GHG emissions efficiency targets) of reducing land-based SOx and NOx emissions per kilometre travelled by 5%, and ship-based SOx and NOx emissions per NM (nautical miles) travelled by 5% – by 2015 (from the 2010 baseline).

For land-based mobile vehicle emissions year-on-year SOx and NOx emissions (tonnes) per 1 000 kilometre travelled remained static (see Freight Services KPI data summary table below). As with GHG emissions this measure has been refined to allow vehicle class and fuel type comparisons going forward.

Total ship-based SOx and NOx emissions rose as a result of the larger pool of vessels falling into the reporting scope. However, SOx per 1 000 NM dropped from 4,69 to 3,11 year-on-year (a 50,7% improvement) and NOX per 1 000 NM dropped from 7,82 to 6,89 year-on-year (a 13,4% improvement) – exceeding the target of a 5% improvement.

10% (up from 8% in 2010) of all marine fuel combusted globally in 2011 was low sulphur fuel oil ("LSFO").

Greater market availability of cleaner fuels will likely drive reductions in SOx and NOx emissions from land-based vehicles in South Africa. Similarly, the Shipping division is starting to benefit from the introduction of clean air legislation and the resulting market availability of lower sulphur fuel oil in a number of shipping jurisdictions, notably some EU waters.

The two key divisions stepped up efforts during the year to implement energy efficiency, air emissions and pollution reduction measures, most of which will be felt in 2012 and beyond.

Freight Services:

- Regulating driver speed and routing to reduce consumption and maximise fuel efficiency. GLA and Fuelogic have in-house satellite tracking, which reports on driver behaviour, idling, harsh acceleration events, and speeding. These companies see clear correlations between addressing driver behaviour, and the reduction in fuel consumption and GHG emissions.
- Regular maintenance and servicing of Fuelogic fleet vehicles (vehicles are serviced every six weeks, or 15 000 kilometres, whichever comes first) to optimise engine efficiency and reduce unnecessary exhaust emissions.
- Grindrod Logistics Automotive is phasing out older, less efficient trucks (10 were replaced in 2011). Old truck fuel efficiency was 48,5 litres per 100 kilometres, whereas new truck fuel efficiency is 40,5 litres per 100 kilometres. Furthermore, the new trucks only require servicing every 40 000 kilometres, implying less impact to the environment.
- Intermodal and Bay Stevedores have started to utilise a fuel filtration system, which removes contaminants from fuel, resulting in more efficient use as well as lower particulate emissions. Intermodal and Bay Stevedores is expecting a 6% reduction in fuel consumption and 20% reduction in NOx and SOx emissions for each machine and vehicle to which the system is applied. Intermodal has a roll-out plan for 101 machines and 100 trucks during 2012.

This year Freight Services also finalised and approved their divisional Climate Change Strategy and Implementation Plan, which describes this division's approach to climate change and how they plan to achieve compliance to the Group's Environmental and Climate Change Policy. The strategy consists of nine core objectives and the implementation plan describes how these objectives are to be met.

Shipping:
Three trial ships have been fitted with Propeller Boss Cap Fins ("PBCF"), a device that when fitted to the ships' propeller, controls the flow behind the propeller and reduces drag. Encouragingly these ships have shown a 2% – 3% improvement in fuel efficiency. New builds are being fitted with these devices and trials are continuing:

- optimising vessels' main engines for the most efficient fuel consumption at 85% maximum continuous rating;
- fitting diesel tune systems to optimise main engine performance and reduce fuel consumption and emissions (two ships fitted to date);
- fitting vessels with power management systems that automatically match the electrical output to the demand in order to save energy, fuel and produce fewer emissions; and
- fitting dedicated low-sulphur fuel oil tanks to vessels (three ships fitted to date).

Electricity efficiency initiatives are discussed in the next section.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE
(continued)

Eco-design features at Bluff Road warehousing

Greener buildings

Even though electricity usage and its associated GHG emissions only comprises 7% of Grindrod's total carbon footprint, the company has set objectives and targets to reduce normalised usage by 5% by 2015, with 2010 as the base year.

Total electricity consumption rose slightly (0,9%) from 2010 to 2011 (refer to the summary KPI table on page 92). However, normalised electricity usage for comparable South African land-based operational sites improved significantly (by 64%) from 2,58 kWh/man-hour in 2010 to 1,57 kWh/man-hour – surpassing the above target. This improvement was as a result of a range of management measures and building retrofits implemented in the year.

Notably, the new warehousing and offices for the Intermodal business, completed this year in Durban, included a range of green design principles.

Significant progress was made with making Durban buildings more eco-efficient.

The company is a member of the Green Building Council of South Africa, and applies environmental design principles to the development and renovation of its buildings.

Influence is also extended to tenants as much as possible and environmental management requirements form a component of all new lease agreements.

Grindrod's long-term carbon reductions strategy

Grindrod's long-term carbon reductions strategy is to reduce normalised land-based and ship-based GHG emissions by 20% by 2030 from the 2010 baseline.

While the short to medium-term objectives and targets focus on driving operational efficiencies wherever we can (as outlined in the sections above), we believe that longer-term reductions in GHG emissions related to transport activities will come more from technological and market changes.

Over the next 10 to 20 years Freight Services therefore plans to phase out inefficient petrol and diesel burning vehicles as and when new and alternative (including hybrid) engine technologies become available. Likewise, Grindrod Shipping will favour new ship builds that incorporate innovative design and new engine technologies as and when they become available. These might include the use of modern sails, alternative fuels (e.g. LPG and LNG) and super-efficient ship designs.

Climate change risks and opportunities

The management efforts covered in the preceding sections are working together to reduce immediate climate change risks. Grindrod also carries comprehensive risk insurance covering environmental aspects of all operations and assets. Global Protection and Indemnity Club cover of US$1 billion is maintained separately for each ship, and comprehensively covers accidents or collisions resulting in oil pollution and resultant environmental liabilities imposed by international convention, national legislation or common law.

However, Grindrod acknowledges that future climate change related risks, over which it has little control, may impact the business in new and unforeseen ways. These could include:

Physical environmental impacts on transport operations

An increase in severity and frequency of tropical cyclones, adverse sea conditions, tsunamis and other extreme weather events that scientists say will occur as a direct result of human-induced global climate change could disrupt operations, result in inflated insurance premiums, result in potential loss of assets and/or loss of business.

Carbon taxes

The South African Government has proposed further carbon taxes which, when introduced would impact operational costs, particularly for the South African-based Freight Services transport fleet.

Air pollution limits

Shipping has started experiencing the impacts related to jurisdictional tightening of air pollution limits (e.g. the EU's stricter SOx emission limits). Further changes globally could incur additional unforeseen capital expenditure and higher running costs.

International agreements

If South Africa and other countries where the group's assets are registered, commit to aggressive country carbon emissions reduction targets and these countries pass on primary responsibility for achieving these, then this could pose business risks to Grindrod, given the fuel-intensive nature of the group's transport business.

Conversely, there are climate change related opportunities that have been identified and being pursued by Grindrod. These include:

Participating in carbon trading

The Trading division has started investigating opportunities related to trading carbon.

Marketing the carbon benefits of shipping

The transporting of materials and products by ships, particularly over longer distances around the globe, is the most eco-efficient way of doing so (on a CO_2-e per tonne distance measure compared to land and air transport options). Grindrod's young, modern, fuel-efficient fleet is well positioned to seize opportunities in the changing global transport market.

Developing environmentally friendly technologies

In line with its adoption of Principle 9 of the UN Global Compact, Grindrod will begin to become more active in this area. Innovations in ship and vehicle fuel efficiency (like the initial trials with fuel savings propellers mentioned above) will likely dominate the company's interest in this area.

Key environmental indicators for the group with performance trends over three years are presented in the tables and graphs, followed by detailed summaries for the Shipping and Freight Services divisions. The two divisions together comprise 95+% of Grindrod's environmental footprint (96% of total GHG emissions, 99% of waste and 95% of water consumption). Data for the other divisions is incorporated into group totals.

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE
(continued)

Environmental KPI

Consolidated Grindrod group footprint trends over three years

NR – not recorded/reported

Key performance indicators	2011	2010	2009
Water and wastewater (kilolitres)			
Water usage	**180 824**	199 315	195 555
Land-based water utilisation (kilolitres) (% contribution)			
Domestic office use discharged to municipal sewer	**70 995 (41,7%)**	75 994 (39,5%)	–
Domestic/office use – not to municipal sewer (e.g. soak away)	**12 670 (7,4%)**	183 (0,1%)	–
Washing vehicles and equipment discharged to municipal sewer	**44 673 (26,2%)**	61 152 (31,8%)	–
Washing vehicles and equipment – discharged to ground/storm water	**12 392 (7,3%)**	28 146 (14,6%)	–
Dust suppression – to atmosphere or storm water system	**29 584 (17,4%)**	20 409 (10,6%)	–
Other	**0 (0%)**	6 464 (3,4%)	–
Solid and liquid waste (tonnes)			
Total solid and liquid waste generated	**7 471**	7 564	7 156
Solid and liquid waste – to landfill	**6 912**	5 971	7 050
MARPOL Category 1-6 waste – disposed of at sea or incinerated at sea in accordance with MARPOL	**435**	71	10
Total land-based non-hazardous solid waste recycled	**70,4 of 1 068 (6,6%)**	481 of 3 058 (15,7%)**	NR
Energy, fuel and air emissions:			
Total electricity usage (kWh)	**23 699 498**	23 483 422	16 248 260
Electricity efficiency (kWh per man-hour) at operational sites	**1,57**	2,58	NR
Land-based diesel (kilolitres)	**30 795**	27 909	20 063
Land-based petrol (kilolitres)	**552**	533	250
LPG (tonnes)	**38**	1,8	NR
Land-based heavy oil (kilolitres)	**0**	16	NR
Air pollution - SOx emitted (tonnes)	**2 370**	2 778	234
Air pollution - NOx emitted (tonnes)	**6 378**	3 618	41
Scope 1 and 2 GHG emissions (tonnes CO_2-e) *	**364 764**	280 731	355 345
Total GHG emissions including Scope 3 (tonnes CO_2-e) *	**374 925**	294 446	363 394
GHG emissions Intensity (gCO_2-e per Rand revenue)	**10,1**	9,8	12,1
Total energy usage Scope 1 and 2 (GJ)	**4 761 335**	3 454 654	NR
Energy intensity (MJ per Rand revenue)	**0,13**	0,12	NR

Note: 2009 figures are not directly comparable as an equity share approach was used in this year.

* *See breakdown on the following page.*

** *2010 solid waste recycling figures have been restated as 646 tonnes of used tyres were not recycled as reported.*

Grindrod group GHG emissions

Three-year trends by GHG protocol scope and by division

All figures in metric tonnes CO_2-e
NR – not recorded/reported

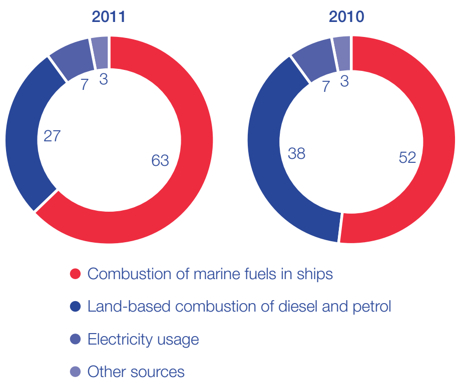
		Group totals			2011 Divisional analysis			
		2011	2010	2009	**Freight Services**	**Shipping**	**Trading**	**Financial Services and Group**
Scope 1	Combustion of fuel in ships where company has operational control	**231 078**	145 879	265 969		**223 216**	**7 862**	
	Company owned and/or operated vehicles, mobile equipment and locomotives	**97 223**	105 307	75 048	**97 156**	**35**	**31**	**1**
	Combustion in stationary fuel-burning equipment (generators and boilers)	**327**	589	34	**326**			**1**
	HFC Refrigerant gases	**11 810**	9 787	331	**6 345**	**5 465**		
Scope 1 Subtotal		**340 438**	261 561	341 382	**103 827**	**228 716**	**7 893**	**2**
Scope 2	**Purchased electricity**	**24 326**	19 170	13 963	**20 869**		**323**	**3 134**
Scope 3 and other	Purchased electricity – rented out to third parties	**585**	712	NR				**585**
	Business air travel	**1 899**	6 323	NR			**389**	**1 510**
	Business travel – car rental	**34**	16	NR		**1**	**2**	**31**
	HCFCs and other non-Kyoto gases	**140**	289	NR	**76**			**64**
	Waste sent to landfill	**7 503**	6 375	NR	**6 701**	**769**	**20**	**13**
Scope 3 and other subtotal		**10 161**	13 715	8 049	**6 777**	**770**	**411**	**2 203**
Totals	metric tonnes of CO_2-e	**374 925**	294 446	363 394	**131 473**	**229 486**	**8 627**	**5 339**
	Percentage Contribution				**35,2**	**61,1**	**2,3**	**1,4**
	GHG emissions intensity (gCO_2-e per Rand revenue)	**10,07**	9,75	NR	**44,5**	**54,7**	**0,3**	**18,8**

Notes:

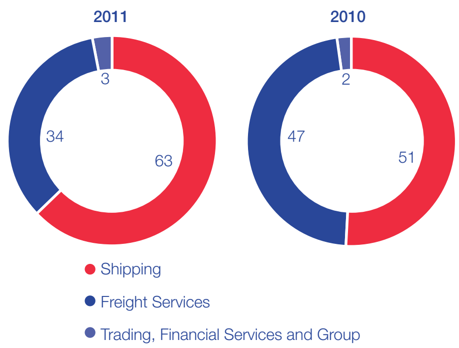
1. *2009 figures are not directly comparable as an equity share approach was used in this year.*
2. *2009 Scope 1 emissions from ships and vehicles have been restated, using the IMO conversion factors for ships emissions, and the more accurate calorific value conversion factors for land-based fuel combustion.*

ENVIRONMENTAL AND CLIMATE CHANGE PERFORMANCE
(continued)

Grindrod's carbon footprint Scope 1 and 2 (%)



Divisional carbon footprint (%)



Detailed environmental footprint - Shipping

NR – not recorded/reported

Key performance indicators	2011	2010	2009
Water and wastewater (kilolitres)			
Water usage not including water generated on-board at sea	**10 510**	6 967	NR
Untreated effluent (domestic) – disposed of at sea in accordance with MARPOL	**17 442**	7 193	1 390
Treated effluent – disposed of at sea in accordance with MARPOL	**6 368**	3 572	4 799
Land-based (office) water and wastewater is negligible and is reported as part of group figures.			
Solid waste (tonnes)			
Total solid waste	**1 134**	226	296
MARPOL category 1-6 waste – to licensed landfill sites	**699**	155	269
MARPOL category 1-6 waste – disposed of at sea or incinerated at sea in accordance with MARPOL	**435**	71	10
Energy, fuel and air emissions:			
Total electricity usage (kWh) (included in group total figures)			
Marine Diesel Oil (MDO) consumed (tonnes)	**4 579**	3 173	3 214
Heavy Sulphur Fuel Oil (HSFO) consumed (tonnes)	**65 856**	41 205	–
Intermediate Fuel Oil consumed (tonnes)	**–**	–	61 035
Low Sulphur Fuel Oil (LSFO) consumed (tonnes)	**7 582**	3 778	NR
Diesel usage in land-based vehicles (kilolitres)	**4,4**	7,1	As part of group total
Petrol usage in land-based vehicles (kilolitres)	**8,8**	8,7	As part of group total
Air pollution – SOx emitted (tonnes)	**2 340**	1 649	214
Air pollution – NOx emitted (tonnes)	**5 263**	3 352	41
SOx (tonnes) per 1 000 NM	**3,11**	4,69	NR
NOx (tonnes) per 1 000 NM	**6,89**	7,82	NR
Average per-ship CO_2 emissions efficiency (as per IMO guidelines) (gCO_2-e per tonne-NM)	**9,08**	10,44	9,09
Range per-ship CO_2 emissions efficiency (gCO_2 per tonne-NM)	**2,13 – 34,76**	3,12 – 27,52	5,48 – 30,86

Environmental footprint - Freight Services

NR – not recorded/reported

Key performance indicators	2011	2010	2009
Water and wastewater (kilolitres)			
Water usage	**160 430**	184 272	182 589
Where this water was utilised (and where it ended up):			
Domestic office use discharged to municipal sewer	**61 111 (38%)**	67 918 (37%)	NR
Domestic/office use – not to municipal sewer (e.g. soak away)	**12 670 (8%)**	183 (0,1%)	NR
Washing vehicles and equipment discharged to municipal sewer	**44 673 (28%)**	61 152 (33%)	NR
Washing vehicles and equipment - discharged to ground/storm water	**12 392 (8%)**	28 146 (15%)	NR
Dust suppression - to atmosphere or storm water system	**29 584 (18%)**	20 409 (11%)	NR
Other	**–**	6 464 (4%)	NR
Solid and liquid waste:			
Total solid waste (tonnes)	**3 369**	7 318	6 810
Total liquid waste (kilolitres)	**2 930**	included in above	included in above
Solid waste to landfill (tonnes)	**3 303**	5 800	6 734
Liquid waste to landfill (kilolitres)	**2 877**	included in above	included in above
Non hazardous solid waste recycled (tonnes) (% of total)	**64 of 1 029 (6,2%)**	1 518 (21%)	76
Hazardous liquid waste recycled (tonnes) (% of total)	**53 of 2 930 (2%)**	NR	NR
Energy, fuel and air emissions			
Total electricity usage (kWh)	**20 261 570**	20 553 196	14 869 673
Total land-based diesel (kilolitres)	**30 790**	27 900	20 062
Total land-based petrol (kilolitres)	**530**	511	196
Total LPG (tonnes)	**38**	1,79	NR
Vehicle emissions efficiency (kg CO_2 per km)	**1,47 (diesel trucks)** **0,35 (diesel other)** **0,28 (petrol vehicles)**	1,45 (diesel trucks) NR (diesel other) 0,22 (petrol vehicles)	NR
Air pollution – Total SOx (tonnes)	**29,35**	28,41	20,26
Air pollution – Total NOx (tonnes)	**1 115**	906	NR
SOx (tonnes) per 1 000 km	**0,44 (diesel trucks)** **0,11 (diesel other)** **0,09 (petrol vehicles)**	0,44 (diesel trucks) NR (diesel other) 0,08 (petrol vehicles)	NR
NOx (tonnes) per 1 000 km	**16,87 (diesel trucks)** **4,01 (diesel other)** **3,28 (petrol vehicles)**	16,60 (diesel trucks) NR (diesel other) 3,21 (petrol vehicles)	NR

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of the company 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, the AC 500 standards issued by the Accounting Practices Board and in the manner required by the South African Companies Act, 2008.

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 financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements and losses. 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 the 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 abridged annual financial statements, which have been prepared using information required by IAS 34: *Interim Financial Reporting,* set out on pages 98 to 105 are an extract of the audited consolidated annual financial statements. These consolidated annual financial statements are electronically available on the group's website at www.grindrod.co.za.

The group's independent external auditors, Deloitte & Touche have confirmed that the abridged annual financial statements are derived from the consolidated annual financial statements and their unmodified report appears on page 97.

The abridged annual financial statements were approved by the board of directors and are signed on their behalf by:

IAJ Clark
Chairman

AK Olivier
Chief executive officer

PREPARER OF FINANCIAL STATEMENTS

These abridged annual financial statements have been prepared under the supervision of A G Waller, CA(SA).

A G Waller
Group Financial Director

28 February 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GRINDROD LIMITED

The accompanying abridged annual financial statements set out on pages 98 to 105 and on pages 68 to 69, 71, 73 to 76 which comprise the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated income statement, consolidated statement of comprehensive income, condensed statement of cash flows and consolidated statement of changes in equity for the year then ended and related abridged consolidated notes, are derived from the audited consolidated annual financial statements of Grindrod Limited for the year ended 31 December 2011. We expressed an unmodified audit opinion on those consolidated annual financial statements in our report dated 28 February 2012. Those consolidated annual financial statements and the abridged annual financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The abridged annual financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa. Reading the abridged annual financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of Grindrod Limited.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the abridged annual financial statements in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS), and the AC 500 standards as issued by the Accounting Practices Board and the information as required by the International Accounting Standard (IAS) 34 – *Interim Financial Reporting.*

Auditor's responsibility

Our responsibility is to express an opinion on the abridged annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements.*

Opinion

In our opinion, the abridged annual financial statements derived from audited annual financial statements of Grindrod Limited for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34 – Interim Financial Reporting.

Deloitte & Touche
Per R Ebrahim
Partner

Durban
28 February 2012

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

National executive: GG Gelink *(Chief executive)*, AE Swiegers *(Chief operating officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk advisory and legal services)*, NB Kader *(Tax)*, L Geeringh *(Consulting)*, L Bam *(Corporate finance)*, JK Mazzacco *(Human resources)*, CR Beukman *(Finance)*, TJ Brown *(Chairman of the board)*, MJ Comber *(Deputy chairman of the board)*.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 31 December 2011*

	31 December Audited 2011 R000	31 December Audited 2010* R000
Ships, property, terminals, vehicles and equipment	**5 267 565**	4 564 226
Investment property	**22 096**	–
Intangible assets	**547 931**	648 729
Investments in associates	**266 081**	243 915
Investments in joint ventures	**719 528**	801 724
Deferred taxation	**89 472**	162 379
Other investments and derivative financial assets	**129 478**	92 066
Recoverables on cancelled ships	**380 566**	–
Total non-current assets	**7 422 717**	6 513 039
Loans and advances to bank customers	**2 073 903**	1 709 796
Liquid assets and short-term negotiable securities	**190 259**	129 365
Short-term loans	**771 658**	519 818
Bank balances and cash	**2 979 172**	1 149 857
Other current assets	**3 525 376**	3 869 555
Non-current assets held for sale	**3 467 286**	–
Total assets	**20 430 371**	13 891 430
Shareholders' equity	**9 216 769**	5 856 861
Non-controlling interests	**94 336**	113 854
Total equity	**9 311 105**	5 970 715
Deferred taxation	**124 796**	117 349
Provision for post-retirement medical aid	**52 336**	49 628
Interest-bearing borrowings	**2 226 575**	1 314 553
Other non-current liabilities	**33 669**	31 137
Non-current liabilities	**2 437 376**	1 512 667
Deposits from bank customers	**2 910 945**	2 016 137
Current interest-bearing borrowings	**2 147 704**	2 013 420
Other liabilities	**1 206 290**	2 378 491
Non-current liabilities associated with assets held for sale	**2 416 951**	–
Total equity and liabilities	**20 430 371**	13 891 430
Net worth per ordinary share – at book value (cents)	**1 454**	1 122
Net debt:equity ratio	**0,10:1**	0,31:1
Capital expenditure	**1 166 228**	1 784 914
Capital commitments	**472 423**	1 182 245
Authorised by directors and contracted for	**247 016**	843 184
Due within one year	**199 190**	693 294
Due thereafter	**47 826**	149 890
Authorised by directors not yet contracted for	**225 407**	339 061

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

		Change %	31 December Audited 2011 R000	31 December Audited 2010* R000
Revenue		22	**35 885 258**	29 390 576
Earnings before interest, taxation, depreciation and amortisation		(15)	**1 005 537**	1 182 649
Depreciation and amortisation			**(362 979)**	(295 314)
Operating profit before interest and taxation		(28)	**642 558**	887 335
Non-trading items			**60 152**	13 448
Interest received			**169 709**	128 042
Interest paid			**(218 647)**	(179 038)
Profit before share of associate and joint venture companies' profit			**653 772**	849 787
Share of associate companies' profit after taxation			**4 291**	39 908
Share of joint venture companies' profit after taxation			**114 024**	69 569
Profit before taxation		(20)	**772 087**	959 264
Taxation		(54)	**(175 363)**	(114 189)
Profit for the year			**596 724**	845 075
Attributable to				
Ordinary shareholders		(32)	**530 905**	780 252
Preference shareholders			**53 271**	58 594
Owners of the parent			**584 176**	838 846
Non-controlling interests			**12 548**	6 229
			596 724	845 075
Exchange rates (R/US$)				
Opening exchange rate			**6,62**	7,37
Closing exchange rate			**8,11**	6,62
Average exchange rate			**7,27**	7,34
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders			**530 905**	780 252
Adjusted for:			**(54 543)**	(17 951)
IAS 38 Impairment of Goodwill			**9 168**	39 165
IAS 38 Reversal of Impairment of Intangible Asset in respect of Charters			**–**	(2 903)
IAS 38 Impairment of Other Investment			**5 849**	–
IAS 16 Reversal of Impairment of Ships, Plant and Equipment			**(18 067)**	(19 989)
IFRS 3 Net Profit on Disposal of Investments			**(48 180)**	(11 104)
IAS 16 Net Profit on Sale of Plant and Equipment			**(8 922)**	(1 761)
IAS 21 FCTR Adjustment on Disposal of Investment			**–**	(16 856)
Total taxation effects of adjustments			**5 609**	(4 503)
Headline earnings			**476 362**	762 301
Ordinary share performance				
Number of shares in issue less treasury shares	(000's)		**589 536**	455 803
Weighted average number of shares on which earnings per share are based	(000's)		**478 234**	454 591
Diluted weighted average number of shares on which diluted earnings per share are based	(000's)		**479 192**	455 912
Earnings per share	(cents)			
Basic		(35)	**111,0**	171,6
Diluted		(35)	**110,8**	171,1
Headline earnings per share	(cents)			
Basic		(41)	**99,6**	167,7
Diluted		(41)	**99,4**	167,2
Dividends per share	(cents)	(46)	**29,5**	54,0
Interim			**17,5**	27,0
Final			**12,0**	27,0
Dividend cover			**3,8**	3,2

** Restated due to the early adoption of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements, IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *for the year ended 31 December 2011*

	31 December Audited 2011 R000	31 December Audited 2010 R000
Profit for the year	**596 724**	845 075
Other comprehensive income		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	**901 974**	(417 966)
Realisation of foreign operations disposed of in the year	**–**	(16 856)
	901 974	(434 822)
Cash flow hedges		
Recycled through profit/loss during the year	**161 735**	(92 356)
Reclassification adjustments for amounts recognised in profit	**–**	108 912
Reclassification adjustments for amounts recognised in assets	**(2 070)**	60
	159 665	16 616
Total comprehensive income for the year	**1 658 363**	426 869
Total comprehensive income attributable to:		
Owners of the parent	**1 648 400**	419 554
Non-controlling interests	**9 963**	7 315
	1 658 363	426 869

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	31 December Audited 2011 R000	31 December Audited 2010* R000
Operating profit before working capital changes	**1 069 342**	1 316 495
Working capital changes	**(1 264 377)**	(300 935)
Cash (utilised in)/generated from operations	**(195 035)**	1 015 560
Net interest paid	**(125 180)**	(50 996)
Net dividends paid	**(230 115)**	(299 608)
Taxation paid	**(63 004)**	(183 625)
	(613 334)	481 331
Net bank advances to customers and other short-term negotiables	**453 489**	8 257
Net cash flows (utilised in)/generated from operating activities before ships sales and purchases	**(159 845)**	489 588
Net proceeds on disposal of ships and locomotives	**–**	124 053
Capital expenditure on ships and locomotives	**(842 831)**	(1 134 740)
Net cash flows utilised in operating activities	**(1 002 676)**	(521 099)
Acquisition of property, terminals, vehicles and equipment and investments	**(320 494)**	(639 704)
Proceeds from disposal of property, terminals, vehicles and equipment and investments	**80 872**	67 082
Proceeds from repayment of share capital by joint venture	**262 235**	–
Intangible assets acquired	**(2 903)**	(10 471)
Disposal of investment in subsidiary	**–**	(2 650)
Loans advanced to joint venture and associate companies	**(13 249)**	(20 161)
Net cash flows generated from/(utilised in) investing activities	**6 461**	(605 904)
Net proceeds from issue of ordinary share capital	**1 983 803**	8 693
Proceeds from disposal of treasury shares	**1 945**	6 768
Non-controlling interest investment in subsidiary	**–**	10 000
Long-term interest-bearing debt raised	**1 548 382**	1 104 194
Payment of capital portion of long-term interest-bearing debt	**(708 718)**	(377 886)
Short-term interest-bearing debt issued	**(220 196)**	(439 509)
Short-term interest-bearing debt raised	**399 326**	306 135
Net cash flows from financing activities	**3 004 542**	618 395
Net increase/(decrease) in cash and cash equivalents	**2 008 327**	(508 608)
Cash and equivalents at beginning of the year	**903 846**	1 454 814
Difference arising on translation	**(11 123)**	(42 360)
Cash and cash equivalents at end of the year	**2 901 050**	903 846

** Restated due to the early adoption of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Ordinary share capital R000	Preference share capital R000	Share premium R000	Equity com-pensation reserve R000
Balance at 31 December 2009	9	2	13 209	35 771
Share options exercised			8 693	
Share-based payments				1 529
Treasury shares sold			6 769	
Non-controlling interest acquired				
Non-controlling interest disposed				
Profit for the year				
Other comprehensive income				
Total comprehensive income				
Ordinary dividends paid				
Preference dividends paid				
Balance at 31 December 2010	9	2	28 671	37 300
Share options exercised			2 612	
Share-based payments				647
Share issue	3		1 999 997	
Share issue expenses			(18 810)	
Treasury shares sold			1 945	
Non-controlling interest acquired				
Profit for the year				
Other comprehensive income				
Total comprehensive income	–	–	–	–
Ordinary dividends paid				
Preference dividends paid				
Balance at 31 December 2011	**12**	**2**	**2 014 415**	**37 947**

Foreign currency translation reserve R000	Business combination reserve R000	Hedging reserve R000	Accumulated profit R000	Interest of owners of the parent R000	Non-controlling interests R000	Interest of all shareholders R000
275 646		(169 521)	5 582 864	5 737 980	98 146	5 836 126
				8 693		8 693
				1 529		1 529
				6 769		6 769
				–	10 000	10 000
				–	(1 494)	(1 494)
			838 846	838 846	6 229	845 075
(436 107)		16 815		(419 292)	1 086	(418 206)
(436 107)	–	16 815	838 846	419 554	7 315	426 869
			(259 070)	(259 070)	(113)	(259 183)
			(58 594)	(58 594)		(58 594)
(160 461)	–	(152 706)	6 104 046	5 856 861	113 854	5 970 715
				2 612		**2 612**
				647		**647**
				2 000 000		**2 000 000**
				(18 810)		**(18 810)**
				1 945		**1 945**
	(18 718)			**(18 718)**	(26 277)	**(44 995)**
			584 176	**584 176**	12 548	**596 724**
904 559		159 665		**1 064 224**	(2 585)	**1 061 639**
904 559	–	159 665	584 176	**1 648 400**	9 963	**1 658 363**
			(202 897)	**(202 897)**	(3 204)	**(206 101)**
			(53 271)	**(53 271)**		**(53 271)**
744 098	**(18 718)**	**6 959**	**6 432 054**	**9 216 769**	**94 336**	**9 311 105**

SEGMENTAL ANALYSIS

for the year ended 31 December 2011

	31 December Audited 2011 R000	31 December Audited 2010* R000
Revenue		
Freight Services	**2 905 067**	2 390 348
Trading	**29 189 365**	22 795 502
Shipping	**3 596 835**	4 009 869
Financial Services	**193 558**	192 531
Group	**433**	2 326
	35 885 258	29 390 576
Earnings before interest, taxation, depreciation and amortisation		
Freight Services	**571 559**	419 064
Trading	**165 634**	173 152
Shipping	**188 144**	497 343
Financial Services	**81 512**	90 240
Group	**(1 312)**	2 850
	1 005 537	1 182 649
Operating profit before interest and taxation		
Freight Services	**382 342**	241 806
Trading	**154 510**	164 654
Shipping	**29 867**	392 208
Financial Services	**80 462**	88 997
Group	**(4 623)**	(330)
	642 558	887 335
Share of associate companies' profit after taxation		
Freight Services	**4 291**	39 908
	4 291	39 908
Share of joint venture companies' profit after taxation		
Freight Services	**66 638**	65 586
Trading	**32 973**	1 228
Shipping	**14 413**	2 755
	114 024	69 569
Attributable income to ordinary shareholders		
Freight Services	**317 831**	262 080
Trading	**143 989**	120 074
Shipping	**6 801**	362 220
Financial Services	**58 398**	44 952
Group	**3 886**	(9 074)
	530 905	780 252

** Restated due to the early adoption of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements, IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.*

BUSINESS COMBINATIONS

Acquisition of subsidiaries

During the year the group acquired the following additional interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired	Purchase consideration R000
Spinnaker Shipping and Logistics (Pty) Limited	Logistics	50	1 January 2011	458
Nelesco 681 (Pty) Limited	Investment	100	31 March 2011	855
Terminal De Carvo da Matola Limitada (Mozambique)	Terminals	5	31 December 2011	19 263
Empangeni Milling (Pty) Limited	Milling	80	1 October 2011	3 600

Reason for acquisitions
The primary reason for the business acquisitions was to acquire outstanding non-controlling interests in the Terminals division to consolidate Grindrod's position and to expand Grindrod's presence into new markets and geographical areas in the Trading businesses.

Impact of the acquisitions on the results of the group
From the dates of their acquisition, the acquired businesses contributed attributable profit of R5 451 000.

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

Net assets acquired	Acquirees' carrying amount before combination at fair value R000
Property, plant and equipment	22 838
Intangible assets	1 000
Working capital	(28 923)
Cash and bank	(2 164)
Non-controlling interests	26 277
Long-term liabilities	(14 976)
Business combination reserve	17 685
Deferred taxation	1 957
Total	23 694
Goodwill and intangible assets arising on acquisition	482
	24 176
Contingent purchase consideration	(2 683)
	21 493

The goodwill arising on the acquisition of these businesses is attributable to the anticipated profitability of these businesses and synergies expected.

Disposal of subsidiaries

During the year the group disposed of the following interest:

Company disposed	Nature of business	Percentage disposed	Interest disposed	Disposal consideration R000
Grindrod Perishable Cargo Agents	Cargo agents	100	30 June 2011	51 750

Reason for disposal
The primary reason for the disposal was to rationalise operations in terms of the group's long-term goals.

Net assets disposed	Fair value R000
Property, plant and equipment	6 507
Working capital	4 843
Cash and bank	10 157
Goodwill and intangible assets disposed	1 717
Deferred taxation	5 796
Total	29 020
Profit on disposal	22 730
	51 750

CONTINGENT ASSETS/LIABILITIES

The total contingent liabilities incurred by the group arising from interests in joint ventures is Rnil (2010: R37 044 000).

The group engaged with legal counsel to institute a claim against a related party for breach of the shareholders' agreement. At reporting date, the impact of this claim was uncertain.

LEASES AND SHIP CHARTERS

	31 December Audited 2011 R000	31 December Audited 2010* R000
Operating leases and ship charters		
Income	**659 412**	909 351
Expenditure	**7 027 202**	8 528 014
Finance lease liabilities	**56 817**	486 556

* *Restated due to the early adoption of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.*

SHARE ANALYSIS OF ORDINARY SHAREHOLDERS

at 31 December 2011

Issued share capital	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
SHAREHOLDER SPREAD				
1 – 5 000 shares	3 914	28,65	2 270 723	0,38
5 001 – 10 000 shares	7 551	55,27	28 206 509	4,71
10 001 – 50 000 shares	1 801	13,18	49 417 806	8,25
50 001 – 100 000 shares	330	2,42	101 175 520	16,90
100 001 shares and over	67	0,49	417 644 756	69,76
	13 663	100,00	598 715 314	100,00
Non-public shareholders				
Directors	6	0,04	10 131 147	1,69
Treasury stock	1	0,01	9 179 348	1,53
Remgro Limited	1	0,01	127 662 895	21,32
Public shareholders	13 655	99,94	451 741 924	75,45
	13 663	100,00	598 715 314	100,00
INVESTOR PROFILE				
Banks	69	0,51	30 981 773	5,17
Clearing houses	2	0,01	45 542	0,01
Close corporations	206	1,51	2 701 214	0,45
Endowment funds	76	0,56	1 723 901	0,29
Individuals	10 451	76,49	86 449 457	14,44
Insurance companies	54	0,40	22 381 898	3,74
Investment companies	36	0,26	6 846 711	1,14
Medical schemes	17	0,12	800 652	0,13
Mutual funds	175	1,28	85 836 652	14,34
Nominees and trusts	1 949	14,26	31 507 788	5,26
Other corporations	75	0,55	328 894	0,05
Private companies	317	2,32	104 021 852	17,37
Public companies	20	0,15	127 964 075	21,37
Retirement funds	216	1,58	97 124 905	16,22
	13 663	100,00	598 715 314	100,00
GEOGRAPHICAL BREAKDOWN				
South Africa	13 368	97,84	541 487 888	90,44
United States of America and Canada	63	0,46	36 224 127	6,05
United Kingdom	59	0,43	10 821 085	1,81
Rest of Europe	34	0,25	6 136 462	1,02
Rest of the World	139	1,02	4 045 752	0,68
	13 663	100,00	598 715 314	100,00
MAJOR SHAREHOLDERS				
Remgro Limited			127 662 895	21,32
Grindrod Investments (Pty) Limited (Grindrod Family)			88 916 857	14,85
Government Employees Pension Fund			61 643 384	10,30
			278 223 136	46,47
TOP 10 FUND MANAGERS				
Public Investment Corporation			43 459 981	7,26
Coronation Fund Managers			33 535 543	5,60
Investec Asset Management			23 403 779	3,91
Foord Asset Management			17 597 342	2,94
Stanlib Asset Management			15 208 251	2,54
Dimensional Fund Advisors			13 868 165	2,32
AllianceBernstein			7 582 101	1,27
PSG Alphen Asset Management			6 134 160	1,02
RMB Asset Management			5 892 247	0,98
Metropolitan Asset Management			5 356 132	0,89
			172 037 701	28,73

SHARE ANALYSIS OF CUMULATIVE, NON-REDEEMABLE, NON-PARTICIPATING, NON-CONVERTIBLE PREFERENCE SHARES

at 31 December 2011

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
SHAREHOLDER SPREAD				
1 – 5 000 shares	2 271	89,54	3 224 884	43,58
5 001 – 10 000 shares	163	6,43	1 219 778	16,48
10 001 – 50 000 shares	92	3,63	1 787 434	24,15
50 001 – 100 000 shares	6	0,24	452 632	6,12
100 001 shares and over	4	0,16	715 272	9,67
	2 536	100,00	7 400 000	100,00
Non-public shareholders				
Directors	2	0,08	220 931	2,99
Public shareholders	2 534	99,92	7 179 069	97,01
	2 536	100,00	7 400 000	100,00
INVESTOR PROFILE				
Banks	1	0,04	2 087	0,03
Close corporations	33	1,30	85 149	1,15
Endowment funds	12	0,47	26 865	0,36
Individuals	1 751	69,05	3 677 774	49,70
Insurance companies	2	0,08	77 994	1,05
Investment companies	4	0,16	9 967	0,13
Medical aid schemes	1	0,04	9 046	0,12
Mutual funds	13	0,51	535 155	7,23
Nominees and trusts	605	23,86	1 856 690	25,09
Other corporations	11	0,43	35 892	0,49
Private companies	99	3,90	896 123	12,11
Public companies	3	0,12	185 390	2,51
Retirement funds	1	0,04	1 868	0,03
	2 536	100,00	7 400 000	100,00
GEOGRAPHICAL BREAKDOWN				
South Africa	2 519	99,33	7 353 693	99,37
United States of America and Canada	2	0,08	2 942	0,04
United Kingdom	5	0,20	33 234	0,45
Rest of Europe	3	0,12	4 092	0,06
Rest of the World	7	0,27	6 039	0,08
	2 536	100,00	7 400 000	100,00

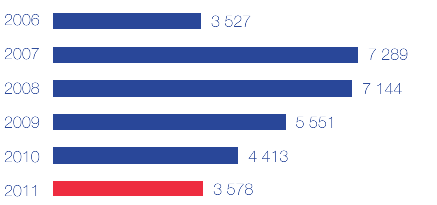
Grindrod share performance, ALSI Index and Industrial Transportation Index

SHARE PERFORMANCE

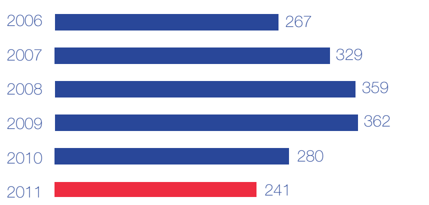
for the year ended 31 December 2011

		2011		2010		2009		2008		2007		2006	
		Ordinary	**Preference**	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Market price per share													
Opening	(cents)	**1 895**	**10 375**	1 778	9 700	1 530	8 600	2 300	10 900	1 560	10 959	1 300	11 650
Year-end	(cents)	**1 400**	**9 720**	1 895	10 375	1 778	9 700	1 530	8 600	2 342	10 300	2 578	10 300
Highest	(cents)	**1 939**	**10 400**	1 910	10 700	1 870	9 900	2 886	10 900	2 740	11 000	1 570	11 599
Lowest	(cents)	**1 250**	**9 050**	1 350	9 400	1 115	8 600	943	8 600	2 143	9 502	1 000	10 500
Number of shares	(000)	**589 536**	**7 400**	455 802	7 400	454 203	7 400	450 252	7 400	455 509	7 500	453 939	7 500
– in issue	(000)	**598 715**	**7 400**	464 981	7 400	463 382	7 400	478 476	7 500	474 956	7 500	473 386	7 500
– treasury	(000)	**(9 179)**	**–**	(9 179)	–	(9 179)	–	(28 224)	(100)	(19 447)	–	(19 447)	–
Number of transactions recorded	(000)	**79 713**	**1 891**	82 968	2 942	95 473	1 505	98 692	1 381	55 642	1 599	40 099	2 165
Number of shares traded	(000)	**240 887**	**1 616**	279 898	901	361 749	1 132	358 554	1 616	329 078	1 898	267 150	2 818
Volume of shares traded as a percentage of total issued shares	(%)	**40,2**	**21,8**	60,2	12,2	78,1	15,3	74,9	21,5	69,3	25,3	56,4	37,6
Value of shares traded	(R000)	**3 577 810**	**153 251**	4 413 777	90 580	5 551 232	104 702	7 144 093	156 833	7 289 001	193 031	3 527 355	314 132
Market capitalisation	(R000)	**8 382 014**	**719 280**	8 811 408	767 750	8 238 932	717 800	7 320 700	645 000	11 123 500	772 500	7 310 500	873 700
PE ratio	(%)	**12,6**		11,1		9,2		3,2		8,9		11,7	
Dividend yield	(%)	**2,1**		2,8		3,4		8,9		3,3		2,6	
Earnings yield	(%)	**7,9**		9,6		10,9		31,1		11,3		8,6	

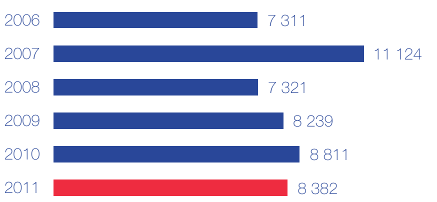
Value of ordinary shares traded (Rm)



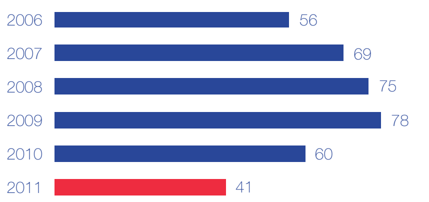
Volume of ordinary shares traded (million)



Market capitalisation of ordinary shares (Rm)



Volumes traded/total issued ordinary shares (%)



NOTICE OF MEETING

Notice is hereby given that a meeting of the holders of preference shares of Grindrod Limited ("the company") and, immediately thereafter, the forty-fifth annual general meeting of shareholders of the company will be held in the boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001 at 14:00 on Wednesday, 30 May 2012, for the following purposes:

Meeting of holders of preference shares

1. **Special resolution 1 – Alteration of Articles 3, 8A and 30 of the Memorandum of Incorporation**
   That the alteration of Articles 3, 8A and 30 of the Memorandum of Incorporation of the company, by virtue of the replacement of the Memorandum of Incorporation of the company by the new Memorandum of Incorporation which is included as Appendix 1 (in the event that special resolution 1 of the company, below, is passed), be and is hereby approved.

Annual general meeting of the company

1. ORDINARY RESOLUTIONS

1.1 Ordinary resolution 1 – Approval of annual financial statements

To receive, consider and approve the audited financial statements for the year ended 31 December 2011, including the reports of the audit committee, the directors and the auditors.

The abridged annual financial statements for 2011 are set out on pages 96 to 105 of the document of which this notice forms part. The complete 2011 integrated annual report containing the audited annual financial statements and the relevant reports for such year is available on the company's website: www.grindrod.co.za.

1.2 Ordinary resolution 2 – Re-election of directors retiring by rotation

To re-elect retiring directors in accordance with the Memorandum of Incorporation. Motions for the re-election of Messrs IAJ Clark, MR Faku, MJ Hankinson, DA Polkinghorne and SDM Zungu will be moved individually.

1.3 Ordinary resolution 3 – Confirm the appointment of Mr MH Visser

To confirm the appointment of Mr MH Visser as a non-executive director effective 31 October 2011.

1.4 Ordinary resolution 4 – Confirm the appointment of Mr JJ Durand

To confirm the appointment of Mr JJ Durand as an alternate director to Mr MH Visser effective 31 October 2011.

1.5 Ordinary resolution 5 – Confirm the appointment of Mr MR Wade

To confirm the appointment of Mr MR Wade as an executive director effective 16 November 2011.

1.6 Ordinary resolution 6 – Re-election of audit committee members

To re-elect Messrs IM Groves, WD Geach and MJ Hankinson as independent non-executive members of the audit committee.

1.7 Ordinary resolution 7 – Re-appointment of independent auditors and designated audit partner

To re-appoint Deloitte & Touche as independent auditors and Ms R Ebrahim as designated audit partner to hold office until the next annual general meeting.

1.8 Ordinary resolution 8 – Directors' authority to issue shares reserved for the share option scheme

To continue to place the unissued ordinary shares in the capital of the company reserved for the purpose of the company's share option scheme, comprising 2 900 000 ordinary shares in total, 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.

1.9 Ordinary resolution 9 – Ratification of executive directors' remuneration

That the remuneration of the executive directors for the year ended 31 December 2011, as set out on page 71 of the document, which this notice forms part of, be ratified and confirmed.

2. SPECIAL RESOLUTIONS

2.1 Special resolution 1 – Replacement of Memorandum of Incorporation

That, subject to the passing of Special resolution 1 of the holders of preference shares above, the Memorandum of Incorporation of the company be and is hereby replaced by the new Memorandum of Incorporation which is included as Appendix 1.

2.2 Special resolution 2 – Adoption of Forfeitable Share Plan

That the Grindrod Limited Forfeitable Share Plan ("FSP") be and is hereby adopted.

A summary of the salient features of the FSP is included as Appendix 2. The rules of the FSP will be available for two weeks prior to the date of the annual general meeting at the registered office of the company, being Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001.

2.3 Special resolution 3 – General authority to provide financial assistance for subscription of securities

That the directors of the company be authorised, as a general approval, to authorise the company to provide "financial assistance" (as defined in section 44(1) of the Companies Act, No 71 of 2008, as amended ("the Act")) by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a "related" or "inter-related" (as defined in section 2 of the Act) company, or for the purchase of any securities of the company or a related or inter-related company, as required from time to time for the purposes of the FSP, subject to the requirements of:

- the Act, in particular section 44 thereof;
- the JSE Listings Requirements; and
- any other applicable laws that may exist from time to time.

2.4 Special resolution 4 – General authority to provide financial assistance to certain categories of persons

That the directors of the company be authorised, as a general approval, to authorise the company to provide direct or indirect "financial assistance" (as defined in section 45(1) of the Act):

(a) to any "related" or "inter-related" (as defined in section 2 of the Act) company or corporation, as required from time to time; and/or

(b) to any director or prescribed officer of the company or of a related or inter-related company, or to any member of a related or inter-related corporation, or to any person related to any such company, corporation, director, prescribed officer or member, as required from time to time for the purposes of the FSP;

subject to the requirements of:

- the Act, in particular section 45 thereof;
- the JSE Listings Requirements; and
- any other applicable laws that may exist from time to time.

2.5 Special resolution 5 – Approval of fees payable to non-executive directors

That the fees payable to the non-executive directors for the year 1 July 2012 to 30 June 2013, as set out below, be approved:

Present	Present R	Proposed R
Board		
Chairman	450 000	495 000
Non-executive director	190 000	209 000
Audit committee		
Chairman	90 000	110 000
Member	55 000	65 000
Remuneration/ nomination committee		
Chairman	65 000	80 000
Member	45 000	52 000
Social and ethics committee *		
Chairman	n/a	75 000
Member	n/a	45 000

* *Payment of fees commenced on 1 March 2012 at the proposed level.*

2.6 Special resolution 6 – Renewal of general authority to repurchase ordinary shares

That the directors of the company be and are hereby authorised, by way of a general approval, to repurchase on behalf of the company, ordinary shares of 0,002 cents each ("ordinary shares") issued by the company, in terms of section 48 read with section 46 of the Act and in terms of the JSE Listings Requirements being that:

- any such repurchase of ordinary shares shall be implemented on the open market of the JSE;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- an announcement will be published for every 3% of the ordinary shares in issue, in aggregate, repurchased by the company, containing full details of such acquisitions in accordance with section 5.79 of the JSE Listings Requirements;
- in terms of this general approval, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 20% of the company's issued share capital of that class, at the time that approval is granted 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; and
- unless prior notice is given in terms of the JSE Listings Requirements, the company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements.

3. NON-BINDING ADVISORY VOTE

3.1 Approval of group remuneration policy

That the group remuneration policy, set out on page 70 of the document of which this notice forms part, be and is hereby approved by way of a non-binding vote.

And to transact any other business that may be transacted at an annual general meeting.

INFORMATION AND EXPLANATION OF RESOLUTIONS

1. Voting

1.1 The percentage of voting rights that will be required for the adoption of each special resolution to be adopted is the support of at least 75% of the voting rights exercised on the resolution.

1.2 The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of at least 50% of the voting rights exercised on the resolution.

2. Explanation of resolutions

Explanatory material (as contemplated in Section 65(4)(b) of the Act) in respect of the proposed resolutions is set out in the Explanation Schedule attached hereto.

3. Information related to JSE Listings Requirement 11.26 can be found in the 2011 integrated annual report on the page numbers below:

	Page number
Directors and management	12
Material change	23
Directors' interest in securities	76
Responsibility statement	96
Litigation statement	106
Major shareholders	107
Share capital of the company (Refer to note 19 of the annual financial statements)	

4. Record date

The record date that has been set by the board for the purpose of determining which shareholders are entitled to receive notice of, participate in and vote at the meeting is 25 May 2012.

5. Preference shareholders

Preference shareholders are entitled to receive copies of correspondence related to all shareholder meetings. It is to be noted that in respect of the annual general meeting to be held on Wednesday, 30 May 2012, preference shareholders are entitled to attend the meeting and to vote together with ordinary shareholders in respect of the special resolution relating to a general authority to repurchase shares.

6. Proxies

A member registered as such (either as the holder of shares in certificated form and whose name is reflected in the register of company members, or as the holder of shares in dematerialised form and whose name is reflected in a sub-register maintained by a CSDP) is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead should he/she be unable to attend the annual general meeting, but wishes to be represented thereat.

A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the Transfer Secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) at least 48 hours before the commencement of the meeting. Shareholders who have dematerialised their shares in Grindrod Limited 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.

7. Identification

Section 63(1) of the Act requires meeting participants to provide the person presiding the meeting with satisfactory identification.

8. Electronic participation by shareholders

Shareholders may participate (but not vote) electronically in the meeting of the holders of preference shares and in the annual general meeting. Shareholders wishing to participate in the meeting(s) electronically should contact the company secretary on craigr@grindrod.co.za or +27 31 365 9116 not less than 5 (five) business days prior to the meeting(s). Access to the meeting(s) by way of electronic participation will be at the shareholder's expense. Only persons physically present at the meeting(s) or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the board

CAS Robertson
Company secretary

Durban
2 April 2012

EXPLANATION SCHEDULE

Meeting of holders of preference shares

1. **Special resolution 1 – Alteration of Articles 3, 8A and 30 of the Memorandum of Incorporation**

   In terms of article 8A.2.1.3 of the existing Memorandum of Incorporation of the company, the prior consent of the holders of at least three-quarters of the preference shares represented either in person or by proxy at a meeting of the preference shareholders is required to alter the provisions of Articles 3, 8A and 30.

   The effect of this resolution and special resolution 1 of the annual general meeting of the company, being passed, will be that the existing Memorandum of Incorporation of the company, which predates the Companies Act, No 71 of 2008, as amended ("the Act"), will be replaced by the new Memorandum of Incorporation of the company, which is consistent with the Act.

Annual general meeting

1. ORDINARY RESOLUTIONS

1.1 Ordinary resolution 1 – Approval of annual financial statements

The directors are required by law to present the full audited financial statements for the year ended 31 December 2011 to the meeting, which was made available on the company's website, of which this notice of meeting forms part. The directors are also required by law to present the audit committee report and the reports of the directors and the auditors of the company to the meeting.

1.2 Ordinary resolution 2 – Re-election of directors retiring by rotation

In accordance with article 59 of the Memorandum of Incorporation, Messrs IAJ Clark, MR Faku, MJ Hankinson, DA Polkinghorne and SDM Zungu retire by rotation and being eligible, offer themselves for re-election. The credentials of these directors are provided on pages 13 and 15 of the 2011 integrated annual report.

The remuneration/nomination committee of the company has conducted an assessment of the performance of each of the retiring candidates and the board accepted the results of that assessment. Accordingly, the board recommends their re-election to shareholders.

1.3 Ordinary resolutions 3, 4 and 5 – Confirm the appointments of Messrs MH Visser, JJ Durand and MR Wade

The purpose of these resolutions is to confirm the appointment of Mr MH Visser as a non-executive director effective 31 October 2011, the appointment of Mr JJ Durand as an alternate director to Mr MH Visser effective 31 October 2011 and the appointment of Mr MR Wade as an executive director effective 16 November 2011 of the company.

1.4 Ordinary resolution 6 – Re-election of audit committee members

Resolution 6 provides for the re-election of Messrs IM Groves, WD Geach and MJ Hankinson as non-executive members of the audit committee.

The Act requires that, at each annual general meeting, the shareholders elect the members of an audit committee. The remuneration/nomination committee reviewed the suitability and qualifications of each director as members of the audit committee and considers that each of them has adequate relevant financial knowledge and experience to fulfil their duties as members of the audit committee and that they meet the requirements of section 94(4) of the Act.

1.5 Ordinary resolution 7 – Re-appointment of independent auditors and designated audit partner

The Act requires that, at each annual general meeting, the shareholders appoint auditors who will remain in office until the next annual general meeting. The directors, having accepted the recommendation of the audit committee, propose that Deloitte & Touche and Ms R Ebrahim as designated audit partner be appointed as the independent auditors.

1.6 Ordinary resolution 8 – Directors' authority to issue shares reserved for the share option scheme

The effect of this resolution is to place the unissued ordinary shares in the capital of the company reserved for the purposes of the company's share option scheme under the control of the directors, pursuant to the provisions of the existing Memorandum of Incorporation of the company.

1.7 Ordinary resolution 9 – Ratification of executive directors' remuneration

The purpose of this resolution is for the company in general meeting to approve the remuneration payable to directors of the company, in accordance with the existing Memorandum of Incorporation of the company.

2. SPECIAL RESOLUTIONS

2.1 Special resolution 1 – Replacement of Memorandum of Incorporation

The reason for special resolution 1 will be to ensure consistency with the provisions of the Act. The effect of this resolution will be the substitution of the existing Memorandum of Incorporation of the company, which predates the Act, with the new Memorandum of Incorporation, which is consistent with the Act.

2.2 Special resolution 2 – Adoption of Forfeitable Share Plan ("FSP")

The company currently has a closed Share Option Scheme ("SOS"), which is winding down and a Share Price Linked Performance Scheme ("SPLPS"). The SPLPS will only render value to participants if the share price increases between the grant date and vesting date. Due to the company share price not having increased over the past few years, it has been noted that the SPLPS is not adequate to address retention. In order to address this, the company intends to adopt an FSP. The FSP is intended to be used only for ad hoc retention or strategic recruitment purposes at executive level and key appointments.

Under the FSP, participants will become owners of the forfeitable shares from the award date and will immediately benefit from dividends and have shareholder voting rights, thus providing direct alignment between participants and shareholders. The rules of the FSP will be drafted flexibly to allow for settlement of forfeitable shares by way of a market purchase of shares, the issuing of shares or using treasury shares. The intention is to acquire the shares for the scheme in the market and therefore the scheme will not cause any dilution. The number of forfeitable shares which may at any one time be held by an individual will be limited to 1 million and the total award under the scheme at any one time will be limited to 6 million shares. The participant is not required to pay for the acquisition of shares and it is only at the end of the vesting period that the participant is free to deal in the shares.

The effect of this resolution would be the adoption and implementation of the FSP. A copy of the rules of the FSP can be inspected at Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001 by arrangement with the Company Secretary, Mr CAS Robertson.

2.3 Special resolution 3 – General authority to provide financial assistance for subscription of securities

The reason for special resolution 3 will be to ensure compliance with the requirements of section 44 of the Act. The effect of this resolution will be a general approval, authorising the board to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, as required from time to time for the purposes of the FSP, for a period of two years, subject to the requirements of the Act, the JSE Listings Requirements and other applicable laws.

2.4 Special resolution 4 – General authority to provide financial assistance to certain categories of persons

The reason for special resolution 4 will be to ensure compliance with the requirements of section 45 of the Act. The effect of this resolution will be a general approval, authorising the board to provide financial assistance:

(a) to any related or inter-related company or corporation, as required from time to time, for a period of two years, subject to the requirements of the Act, the JSE Listings Requirements and other applicable laws; and/or

(b) to any director or prescribed officer of the company or of a related or inter-related company, or to any member of a related or inter-related corporation, or to any person related to any such company, corporation, director, prescribed officer or member, as required from time to time for the purposes of the FSP, for a period of two years, subject to the requirements of the Act, the JSE Listings Requirements and other applicable laws.

2.5 Special resolution 5 – Approval of fees payable to non-executive directors

The Act requires shareholders to approve the fees paid to directors for their services as directors.

The reason for special resolution 5 will be to ensure compliance with section 66(9) of the Act which requires that the remuneration of directors may be paid only in accordance with a special resolution approved by the shareholders within the previous two years.

It is recorded that Mr MJ Hankinson has been appointed as the chairman of the social and ethics committee and that Mr MR Faku has also been appointed as a member of the committee.

2.6 Special resolution 6 – Renewal of general authority to repurchase ordinary shares

The reason for and the effect of special resolution 6 is that the general approval for the company to acquire its own ordinary shares which was renewed by special resolution at the annual general meeting held on 25 May 2011 will lapse at this annual general meeting and special resolution 6 will renew that authority. The authority contemplated in special resolution 6 will remain in effect until the next succeeding annual general meeting, but in any event will not extend beyond 15 months from the date of the special resolution.

The directors, after considering the maximum number of shares which may be repurchased and the price at which such repurchases may take place pursuant to the general repurchase approval, are of the opinion that:

- the company and the group will be able to pay its debts in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards ("IFRS"), will be in excess of the consolidated liabilities of the company and the group after the repurchase for a period of 12 months after the date of the notice of the annual general meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of notice of the annual general meeting; and
- the working capital available to the company and the group will be adequate for the purposes of the business of the company and the group for the period of 12 months after the date of notice of the annual general meeting.

3. NON-BINDING ADVISORY VOTE:

3.1 Approval of group remuneration policy

This is a recommended practice in terms of the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (together King III) and in line with sound corporate governance.

Appendix 1

Draft memorandum of incorporation

REPUBLIC OF SOUTH AFRICA
THE COMPANIES ACT, No 71 of 2008
MEMORANDUM OF INCORPORATION OF A PUBLIC COMPANY
Name of company: GRINDROD LIMITED
Registration number: 1966/009846/06

Definitions and interpretation

In this Memorandum of Incorporation, including Annexure "A" hereto, unless the context otherwise requires:

(a) "the Act" means the Companies Act, No 71 of 2008, as amended from time to time. Reference to the Act shall, if the Act is replaced by any other statute, be construed as a reference to the statute or statutes from time to time in force relating to companies. Reference to any provision of the Act shall be construed as a reference to such provision as modified or re-enacted by any statute for the time being in force;

(b) "advertisement" means any method of advertising or publishing information to the shareholders of the Company or to the public that is acceptable to the JSE;

(c) "the Board" means the board of directors of the Company, as it may be constituted from time to time;

(d) "books of account" means any documents, accounts, books, writing, records or other information that a company is required to keep in terms of the Act or any other public regulation;

(e) "Business Day" means any day other than a Saturday, Sunday or officially designated public holiday in the Republic of South Africa;

(f) "the Company" means Grindrod Limited, Registration no. 1966/009846/06, the company that has adopted and is governed by, this Memorandum of Incorporation;

(g) "in writing" or "written" means and includes words printed, auto-graphed, represented or produced in any mode in a visible form and further includes a data message being information generated, sent, received or stored by electronic, optical or similar means including, but not limited to, electronic mail;

(h) "JSE" means the JSE Limited, Registration no. 2005/022939/06;

(i) "Memorandum of Incorporation" means this document, being the Memorandum of Incorporation of the Company, including the Schedules annexed hereto;

(j) "notice" includes circulars, abridged and full annual financial statements, quarterly and interim reports, listing particulars, dividend and interest notices and proxy forms;

(k) "person" includes a juristic person as defined in the Act;

(l) "prescribed officer" means anyone who exercised general executive control over and management of the whole, or significant portion, of the business and activities of the Company; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or significant portion, of the business and activities of the Company;

(m) "registered address" in relation to a shareholder means an electronic mail address, fax number, physical or postal address notified by a shareholder to the Company in terms of Article 3.1(1) hereof;

(n) "Remuneration/Nomination Committee" means the remuneration/nomination committee of the Board, appointed in accordance with the Act;

(o) "Rules" means any necessary or incidental rules relating to the governance of the Company in respect of matters that are not addressed in the Act or this Memorandum of Incorporation;

(p) words that are defined in the Act bear the same meaning in this Memorandum of Incorporation as in the Act;

(q) words importing one gender shall include the other gender; and

(r) the provisions contained in the schedule annexed hereto marked "A" form part of this Memorandum of Incorporation.

Adoption of memorandum of incorporation

This Memorandum of Incorporation was adopted by the Company on 30 May 2012. The former Memorandum of Incorporation of the Company (being its "Memorandum of

Association" and "Articles of Association" adopted in terms of the Companies Act 61 of 1973, as amended) was repealed in its entirety and simultaneously replaced by this Memorandum of Incorporation, in accordance with the Act, by special resolution of the shareholders of the Company.

ARTICLE 1 – INCORPORATION AND NATURE OF THE COMPANY

1.1 Incorporation [s8 and 15 of the Act]

(1) The Company is incorporated as a public company in the Republic of South Africa.

(2) The Company is incorporated in accordance with and governed by:

(a) the unalterable provisions of the Act; and

(b) the alterable provisions of the Act, subject to the limitations, extensions, variations or substitutions set out in this Memorandum of Incorporation; and

(c) the provisions of this Memorandum of Incorporation.

1.2 Powers of the Company [s15 and 19 of the Act]

(1) Subject to Articles 1.3(2) and 2.1(2)(c) below and item 2.2.2.13 of Annexure "A" to this Memorandum of Incorporation, the Company is not subject to any restrictive conditions nor to any prohibitions regarding the amendment of the provisions of this Memorandum of Incorporation other than those contained in the Act.

(2) The purposes and powers of the Company are not subject to any restrictions, limitations or qualifications other than those contained in the Act, save that the Company shall not have the power to claim a lien on any of its securities and subject to Article 2.3(1) below.
[JSE Sch 10: 10.12]

1.3 Memorandum of Incorporation and Rules
[s15, 16 and 17 of the Act]

(1) Subject to the Act, Articles 1.3(2) and 2.1(2)(c) below and item 2.2.2.13 of Annexure "A" hereto, this Memorandum of Incorporation shall only be amended by an order of court or a special resolution of the shareholders of the Company. For the avoidance of doubt, amendment includes, but is not limited to, the creation of any class of shares; the variation of any preferences, rights, limitations or other share terms attaching to any class of shares; the conversion of one class of shares into one or more other classes; the increase of number of securities; the consolidation of securities; the sub-division of securities; a change of the name of the Company; and a conversion of shares from par value to no par value. [JSE Sch 10: 10.5(d)]

(2) If a proposed amendment to this Memorandum of Incorporation relates to the variation of any preferences, rights, limitations or other terms attaching to the preference shares (including, but not limited to, the creation of further securities ranking in priority to, or *pari passu* with, the preference shares), such amendment shall not be implemented without the sanction of a special resolution of the holders of such preference shares passed at a separate meeting of such holders or passed by such shareholders in writing. [JSE Sch 10: 10.5(e) and (f)]

(3) The Company shall publish a notice of any alteration of this Memorandum of Incorporation by delivering a copy of the alteration to a registered address of each shareholder.

(4) The Board shall not have the authority to make Rules for the Company. [JSE Sch 10: 10.4]

ARTICLE 2 – SECURITIES OF THE COMPANY

2.1 General

(1) Notwithstanding section 40(5) of the Act, securities of the Company for which listing on the JSE are sought shall be fully paid up and freely transferable, unless otherwise required by statute. [JSE Sch 10: 10.2(a)]

(2) The following corporate actions may be taken only in accordance with the JSE Listing Requirements:

(a) the issue of shares for cash and options and convertible securities granted or issued for cash;

(b) the repurchase of the Company's securities; and

(c) the alteration of share capital, authorised shares and rights attaching to any class of shares.
[JSE Sch 10: 10.9]

(3) The Company shall not pay commission exceeding 10% to any person in consideration for their subscribing or agreeing to subscribe, whether absolutely or conditionally, for any securities of the Company. [JSE Sch 10: 10.14]

2.2 Shares [s36, 49, 51, 52 and 53 of the Act]

(1) The Company is authorised to issue no more than the maximum number of ordinary shares and preference shares set out in Annexure "A" to this Memorandum of Incorporation, subject to the preferences, rights, limitations and other terms associated with each class as set out in such annexure.

(2) Notwithstanding sections 37(6) and 37(7) of the Act, the preferences, rights, limitations or other terms associated with any class of shares of the Company shall not vary in response to any objectively ascertainable external fact or facts. A proposal to shareholders of any resolution which would authorise such a variation is prohibited. [JSE Sch 10: 10.5(g)]

(3) The authority of the Board to increase or decrease the number of authorised shares of any class; to reclassify any shares that have been authorised but are not issued; to classify any unclassified shares that have been authorised but are not issued; and to determine the preferences, rights, limitations or other terms of any class of shares that are not issued and which preferences, rights limitations or other terms are not specified in this Memorandum of Incorporation, is subject to Articles 1.3(1), 1.3(2) and 2.1(2(c) above and item 2.2.2.13 of Annexure "A" hereto.

(4) Any equity shares for the time being unissued (whether forming part of the original or any increased capital) shall, before issue, be first offered to all the existing holders of equity shares, as nearly as circumstances permit pro rata in proportion to their shareholdings, unless such shares are issued for the purpose of the acquisition of assets. Notwithstanding the above, the shareholders of the Company may authorise the Board to issue unissued shares and/or to grant options to subscribe for unissued shares as the Board in its discretion thinks fit, provided that any such transaction shall be subject to the JSE Listing Requirements and approval of the JSE. No shareholder of the Company shall have any other pre-emptive right to be offered, and to subscribe to, additional shares of the Company. [JSE Sch 10: 10.1]

(5) Shares of the Company are to be issued in either dematerialised or certificated form, as the Board may determine.

(6) The certificates or other evidence of title of shares of the Company, the transfer of such shares and all matters concerning share transactions shall be in accordance with the requirements of the JSE, any other recognised stock exchange on which the shares of the Company may be listed from time to time and/or any other regulatory authority controlling the issue and transfer of securities. The Company shall have the power to conform with such requirements, including the power to settle all share transactions totally electronically or otherwise as may be so approved from time to time.

(7) Any authority to sign a transfer deed, granted by a holder of shares for the purpose of transferring shares, that may be lodged at any of the Company's transfer offices, shall, as between the Company and the grantor of such authority, be deemed to continue and remain in full force and effect. The Company may allow such authority to be acted upon until express notice in writing of the revocation of such authority is lodged at the same transfer office. Even after the lodgement of a notice of revocation of authority, the Company may give effect to any instruments signed under the authority and certified by any officer of the Company as being in order before the lodgement of such notice. [JSE Sch 10: 10.2(b)]

2.3 Debt instruments [s43 of the Act]

(1) The granting of special privileges to holders of debt instruments, such as attending and voting at shareholders meetings and the appointment of directors, is prohibited. [JSE Sch 10: 10.10]

(2) Secured or unsecured debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued. Any debentures, debenture stock, bond or other securities may be issued at a discount, premium or otherwise.

ARTICLE 3 – SHAREHOLDERS

3.1 Notices

(1) Each holder of registered shares (or his agent) shall notify the Company in writing of an electronic mail address, a fax number, and a physical or postal address, each of which shall be deemed to be his registered address within the meaning of this Memorandum of Incorporation, and he shall be deemed to have waived his right to be served with any notice from the Company until he provides the Company with at least one of the above. [JSE Sch 10: 10.18]

(2) The signature to any notice given by the Company may be written, printed, partly written and partly printed or may be an advanced electronic signature (as contemplated in section 1 of the Electronic Communications and Transactions Act 25 of 2002, as amended).

(3) Subject to the provisions of the Act and the JSE Listings Requirements, any notice required to be given by the Company to shareholders, or any of them, and not expressly provided for in this Memorandum of Incorporation, shall be sufficiently given if given by advertisement. Any notice given by advertisement shall be deemed to have been served on the first day that such advertisement is published.

3.2 Proxies, powers of attorney and representatives
[s58 of the Act]

(1) The holder of a letter of representation in terms of which such holder is appointed by a shareholder that is a juristic person to be the representative of such juristic person, shall be entitled to vote if duly authorised under that letter of representation to attend and take part in any meeting or proceeding of the Company, whether or not he is himself a shareholder in the Company.

(2) A shareholder (or his agent) shall deliver to the Company a copy of the instrument appointing a proxy, general or special power of attorney, or a letter of representation before the person named therein may exercise the shareholder's rights at a shareholders meeting. Any instrument appointing a proxy (and the power of attorney, if any, under which it is signed, or a notarially certified copy thereof),general or special power of attorney, or letter of representation, shall be delivered to the registered address of the Company not less than 48 hours before the time for the holding of the meeting at which the person named in such instrument, power or letter purports to attend or vote, failing which the instrument, power or letter shall be treated as invalid for the purpose of attending or voting at that meeting.

(3) A vote in accordance with the terms of an instrument of proxy, a power of attorney or a letter of representation shall be valid notwithstanding the previous death of the principal (if applicable); revocation of the proxy, power or letter of representation; or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer shall have been received at the registered address of the Company or by the chairman of the meeting before the vote is given.

(4) An instrument appointing a proxy, general or special power of attorney, or letter of representation shall be in any form approved by the Board. The Board may, in its discretion, permit the acceptance of such instruments, powers or letters transmitted by shareholders of the Company by electronic mail, according to such directions as may be issued by the Board.

3.3 Record date for exercise of shareholder rights [s59 of the Act]

The record date for all transactions shall be as set out in the JSE Listing Requirements. [JSE Sch 10: 10.15]

ARTICLE 4 – SHAREHOLDERS MEETINGS

4.1 General [s60 and 61 of the Act]

(1) The date and time of any shareholders meeting shall be determined by the Board.

(2) The chairman of the Board or, in his absence, the lead independent non-executive director (if any) shall be entitled to take the chair at every shareholders meeting. If there is no chairman of the Board or lead independent non-executive director, or if at any meeting he is not present within 10 minutes after the time appointed for holding the meeting or is unwilling to act, the other directors may choose a chairman of the meeting and, in default of their doing so, the shareholders present shall choose one of the directors to be the chairman and, if no director present be willing to take the chair, shall choose one of their number to be the chairman.

(3) Notwithstanding anything to the contrary contained in the Act or this Memorandum of Incorporation, all shareholder meetings that are called for in terms of the JSE Listings Requirements shall be held in person and shall not be held by means of a written resolution. [JSE Sch 10: 10.11(c)]

4.2 Notice of shareholders meetings [s62 of the Act; and Regulation 7]

(1) Notice of each shareholders meeting shall be delivered to each person entitled to vote at such meeting who has elected to receive such documents. [JSE Sch 10: 10.11(e)]

(2) A notice shall be given or served by the Company upon any shareholder by any method permitted by the Act including, but not limited to –

(a) fax to the shareholder's fax number registered address;

(b) delivery by registered post to the shareholder's physical or postal registered address;

(c) subject to any requirements of the JSE, by electronic mail; provided that such shareholder has consented thereto in writing and has specified an electronic mail registered address; and

(d) subject to any requirements of the JSE, by posting the notice on the Company's website; provided the shareholder has consented thereto in writing and that, simultaneously with or as soon as possible after such posting of the notice, the Company notifies the shareholder at his electronic mail registered address that the Company has posted the notice on its website.

(3) The accidental omission to give notice of any meeting to any shareholder shall not invalidate any resolution passed at such meeting.

(4) Notice of each shareholders meeting shall be sent to the Manager (Issuer Regulations) of the JSE at the same time as notice of the meeting is sent to the shareholders of the Company. Such notice shall also be announced through the official news service of the JSE. [JSE Sch 10: 10.11(f)]

(5) All notices may, with respect to any registered shares to which persons are jointly entitled, be given to whichever of such persons is named first on the register and notice so given shall be sufficient notice to all the holders of such shares.

(6) Any notice or document given or served by the Company upon any shareholder in pursuance of this Memorandum of Incorporation shall, notwithstanding that such shareholder was then deceased, and whether or not the Company has notice of his decease, be deemed to have been duly served in respect of any registered shares, whether held solely or jointly with other persons by such shareholder, until some other person is registered in his stead as the joint holder thereof and such service shall, for all purposes under this Memorandum of Incorporation, be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators, and all persons (if any) jointly interested with him or her in any such shares.

(7) Every person who, by operation of law, transfer or other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which, previously to his name and address being entered in the register, shall have been given to the person from whom he derives his title to such share.

4.3 Quorum for shareholders meetings [s61 and 64 of the Act]

(1) The quorum requirement for a shareholders meeting to begin, and for any matter to be decided at that meeting, is sufficient persons present at the meeting (in person or by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting or the matter at hand, as the case may be; provided that there shall not be a quorum unless there are at least three shareholders so present at such meeting. [JSE Sch 10: 10.11(h)]

(2) Notwithstanding anything to the contrary contained in the Act, once a quorum for the meeting has been established, all the shareholders forming the quorum must be present at every matter that is considered at the meeting.

(3) A shareholder of the Company which is a juristic person as defined in the Act and is present at a shareholders meeting by an authorised representative shall be deemed to be present at that meeting.

4.4 Adjournment of shareholders meetings
[s64 of the Act]

(1) The chairman of a shareholders meeting may, with the consent of the meeting and if so directed by the meeting, adjourn the meeting from time to time and from place to place.

(2) No business shall be transacted at any adjourned shareholders meeting of the Company other than business left unfinished at the meeting from which the adjournment took place.

4.5 Votes of shareholders

(1) A resolution put to the vote of any shareholders meeting shall be decided on poll taken in such manner as the chairman of the meeting directs. The result of the poll shall be deemed to be a resolution of the meeting.

(2) Subject to the Act and any special terms or restrictions as to voting upon which any shares may be issued (in this regard, refer to Annexure "A" hereto), upon a poll every shareholder present or represented by proxy shall have one vote for every share held by him.

(3) The parent or guardian of a minor, the curator bonis of a shareholder and any person becoming entitled to shares in consequence of the death or insolvency of a shareholder, may vote at any shareholders meeting as if he were the registered holder of the shares, provided that at least 48 hours before the time of holding the meeting (or adjourned meeting, as the case may be) at which the person proposes to vote, he shall satisfy the Board of the character in respect of which he proposes to act, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.

(4) Where there are joint registered holders of any share, or several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share. If more than one of such joint holders, or executors or administrators, be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.

4.6 Shareholders resolutions [s20, 65 and 164 of the Act]

(1) For an ordinary resolution to be adopted by the shareholders of the Company, it must be supported by the holders of more than 50% of the voting rights exercised on the resolution.

(2) For a special resolution to be adopted by the shareholders of the Company, it must be supported by the holders of at least 75% of the voting rights exercised on the resolution. [JSE Sch 10: 10.11(a)]

(3) A special resolution adopted by the shareholders of the Company is not required for a matter to be determined by the Company, save for:

(a) those matters set out in the Act; and

(b) if the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution, divide among the shareholders in specie any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the shareholders as the liquidators, with the like sanction, shall think fit and, if thought expedient, any such division may be otherwise than in accordance with the legal rights of the shareholders of the Company, and in particular, any class may be given preferential or special rights, or may be excluded altogether or in part; but in case any division otherwise than in accordance with the legal rights of the shareholders shall be decided on, the provisions of the Act governing dissenting shareholders appraisal rights shall apply.

(4) The proposal to shareholders of any resolution in terms of sections 20(2) and 20(6) of the Act is prohibited in the event that such a resolution would lead to the ratification of an act that is contrary to the JSE Listings Requirements, unless otherwise agreed with the JSE. [JSE Sch 10: 10.3]

ARTICLE 5 – DIRECTORS AND OFFICERS OF THE COMPANY

5.1 Composition of the Board
[s66, 68, 70 and 71 of the Act]

(1) The Company shall have not less than eight directors. Subject to the Act and the JSE Listing Requirements, the shareholders of the Company may from time to time increase or decrease such minimum number of directors. [JSE Sch 10: 10.16(a)]

(2) If the number of directors falls below the minimum set out above, the remaining directors shall as soon as possible, and in any event not later than three months from the date that the number of directors falls below the minimum, fill the vacancies on a temporary basis or call a shareholders meeting for the purpose of filling the vacancies. The failure by the Company to have the minimum number of directors during such three month period does not limit or negate the authority of the Board or invalidate anything done by the Board or the Company. After the expiry of the three month period, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling shareholders meetings. [JSE Sch 10: 10.16(d)]

(3) Subject to the provisions of the Act, holders of the Company's securities who are entitled to exercise voting rights may at any time appoint any persons to the office of director and may remove from office any or all of the directors.

(4) The election of directors of the Company shall take place at the annual general meeting of the Company or at any other shareholders meeting, but shall not be done by written resolution. The Board or the Remuneration/Nomination

Committee of the Board shall recommend the eligibility of directors or potential directors, taking into account any past performance and contribution. [JSE Sch 10: 10.16(b) and (g)]

(5) Any appointment by the Board of a director to fill a vacancy on the Board, or as an addition to the Board, shall be subject to confirmation by the shareholders at the next annual general meeting or other shareholders meeting, which approval shall not be given by written resolution. [JSE Sch 10: 10.16(b) and (c)]

(6) Each director shall have the power to appoint another person to act as an alternate director in his place, and at his discretion to remove such alternate and appoint another in his place, provided that the appointment of such alternate director shall be approved of by the Board, and provided further that any such appointment shall be confirmed at the next following annual general meeting, which approval shall not be given by written resolution. An alternate director whilst acting in the place of the director appointing him, shall exercise and discharge all the duties and functions of the director he represents as if he were a director and not as agent of the director appointing him. An alternate director shall look for his remuneration (if any) to the director appointing him and not to the Company unless the Company be instructed in writing by the director to pay any portion of his remuneration to such alternate director. The appointment of an alternate director shall be cancelled, and the alternate shall cease to hold office whenever the director who appointed him shall cease to be a director, or shall give notice in writing to the Company secretary that the alternate director representing him shall have ceased to do so. If a director retires at a general meeting of the Company and is re-elected at the same meeting he shall not, for the purpose of this Article, be deemed to have ceased to be a director. [JSE Sch 10: 10.16(b)]

(7) The periods of service of executive directors shall be governed by their employment contracts; provided that no life directorships shall be permitted.

(8) At each annual general meeting of the Company or other shareholders meeting on an annual basis (and not by written resolution), one third of the non-executive directors for the time being or, if their number is not divisible by three, the number nearest to one third but not less than one third, shall retire from office. The non-executive directors to retire in each year shall be those who shall have been longest in office since their last election, but as between persons who were elected on the same day, those to retire shall, unless otherwise agreed amongst themselves, be determined by lot. [JSE Sch 10: 10.16(g)]

(9) In the event that the charter of the Board requires it, non-executive directors shall retire earlier than the date determined in accordance with Article 5.1(8) above, provided that such requirement shall apply equally to all non-executive directors.

(10) A retiring non-executive director may be re-elected to the office of director. No person not being a retiring non-executive director may be elected to the office of director at any shareholders meeting unless he or a shareholder intending to propose him has, at least 35 business days before the meeting, left at the registered office of the Company a notice in writing, duly signed, signifying his candidature for office or the intention of such shareholder to propose him. [JSE Sch 10: 10.16(h)]

(11) If at any meeting at which an election of directors ought to take place, the places of the vacating directors are not filled up, the meeting shall stand adjourned until the same day in the next week, at the same time and place, or if that day is a public holiday, then the next succeeding day which is not a public holiday, and if at such adjourned meeting the places of the vacating directors are not filled up, the vacating directors, or such of them as have not had their places filled up, shall be deemed to have been re-elected at such adjourned meeting.

(12) Subject to the provisions of the Act, the office of a director shall ipso facto be vacated if he:

(a) ceases to be a director by virtue of any of the provisions of the Act or becomes prohibited from being a director by reason of an order made under the Act;

(b) becomes insolvent, suspends payment generally or compounds with his creditors;

(c) becomes lunatic or of unsound mind;

(d) absents himself from three consecutive meetings of the Board, except on the Company's business, without special leave of absence from the Board and is not represented at any such meetings by an alternate director, and the Board resolves that his office be vacated;

(e) resigns or retires from office; or

(f) is removed from office by an ordinary resolution of the ordinary shareholders.

5.2 Authority of the Board [s66 of the Act]

(1) Subject to Articles 1.3(4) and 2.2(3) above, the authority of the Board to manage and direct the business and affairs of the Company is not limited or restricted by this Memorandum of Incorporation.

(2) All acts done at any meeting of the Board or of a committee of Board, or by any person acting as a director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such director or persons acting as aforesaid or that they or any of them were ineligible or disqualified to act as a director, be valid as if every such person had been duly appointed, eligible and qualified to be a director.

5.3 Board Meetings [s73 and 74 of the Act]

(1) The directors shall elect a chairman of the Board and a lead independent non-executive director, annually, at the first Board meeting following the annual general meeting of the Company. If the chairman is not available at any Board meeting, the lead independent non-executive director shall assume the chair. If at any Board meeting neither of them is present within 10 minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting. The chairman of the meeting shall have a casting vote, save that if, at any time, the quorum of directors is two and only two directors are present at a meeting, then the chairman shall not have a casting vote. [JSE Sch 10: 10.16(i)]

(2) A decision that could be voted on at a meeting of the Board may instead be adopted by written consent of a majority of the directors, given in person, or by electronic communication, provided that each director shall have received notice of the matter to be decided. Such resolution inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of the Board. Any such resolution may consist of several documents and shall be deemed to have been passed on the date on which it was signed by the last director who signed it, unless a statement to the contrary is contained in the resolution. [JSE Sch 10: 10.16(j)]

5.4 Directors' Compensation [s66 of the Act]

(1) Unless the Company by special resolution determines otherwise, the executive directors, who are remunerated for their services as employees of the Company, shall not be paid directors fees. The remuneration of the executive directors for their services as employees of the Company shall be determined by the Board upon the recommendation of its Remuneration/Nomination Committee. Such Committee shall approve the terms of the contracts of employment of executive directors before such contracts are concluded with the Company.

(2) A director may be employed in any other capacity in the Company; or as a director or employee of a company controlled by, or itself a subsidiary of, the Company. Any such appointment and remuneration shall be determined by a disinterested quorum of directors. [JSE Sch 10: 10.16(e)]

(3) The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Board or of committees thereof. If any director is required to perform extra services or to reside abroad, or shall be specifically occupied about the Company's business, such director shall be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to, or in substitution for, any other remuneration. [JSE Sch 10: 10.16(f)]

ARTICLE 6 – DIVIDENDS AND PAYMENTS TO SHAREHOLDERS [s46 of the Act]

(1) Subject to the provisions of the Act and any JSE requirements, the Board or the shareholders of the Company shall be entitled to declare dividends after the Board has applied the solvency and liquidity test set out in the Act and has reasonably concluded that the Company will satisfy such test immediately after paying the proposed dividend; provided that no larger dividend shall be declared by the shareholders of the Company than is recommended by the Board, but a smaller dividend may be so declared. [JSE Sch 10: 10.11(g) and 10.17(a)]

(2) Each dividend shall be declared payable to shareholders registered as such on a date subsequent to the date of declaration of the dividend or the date of confirmation of the dividend, whichever is the later. This date shall be known as the dividend date. [JSE Sch 10: 10.17(b)]

(3) The Board may deduct from the dividends payable to any shareholder all such claims or sums of money which may be due from time to time to the Company on account of any debt.

(4) The Board may from time to time determine that dividends owing to the shareholders amounting to less than such amount as is determined by the Board will not be paid, unless otherwise requested in writing by the shareholder, but will be suppressed and retained in the Company's unclaimed dividend account. Once any shareholder's accumulated suppressed dividends exceeds the amount so determined, such dividends will be paid to the shareholder.

(5) No dividend shall bear interest against the Company.

(6) All monies due to shareholders shall be held in trust by the Company indefinitely until it is lawfully claimed by the relevant shareholders, subject to the laws of prescription. [JSE Sch 10: 10.17(c)]

(7) All payments to securities holders shall be made in accordance with the JSE Listings Requirements. [JSE Sch 10: 10.8]

ARTICLE 7 – CHANGE OF LAWS

The provisions of this Memorandum of Incorporation have been drafted and adopted with the intention of complying with the Act and the requirements of the JSE. In the event that, at any time, the Act or the JSE requirements impose a less onerous obligation on the Company than provided for herein, such less onerous obligation shall be applicable to the Company notwithstanding the relevant provision of this Memorandum of Incorporation; provided that, at all times, the Company shall comply with both the Act and the requirements of the JSE.

Annexure "A"

Authorised shares

The Company is authorised to issue the following shares:

1 **"ordinary shares"**

1.1 Maximum number of ordinary shares: 2 750 000 000 (two billion seven hundred and fifty million).

1.2 The following terms shall attach to the ordinary shares of 0.002 cent each in the share capital of the Company:

1.2.1 Each ordinary share is identical to every other ordinary share and ranks *pari passu* with the other ordinary shares in respect of all rights including, but not limited to, with regards to:

1.2.1.1 voting on any matter to be decided by a vote of shareholders of the Company;

1.2.1.2 participating in any distribution of profit to the shareholders; and

1.2.1.3 sharing in the distribution of the Company's residual value upon the dissolution of the Company;

1.2.2 Every holder of an ordinary share shall have one vote in respect of each share that he or she holds and shall be entitled to vote at every shareholders meeting or annual general meeting of the Company in person or by proxy. [JSE Sch 10: 10.5(a) and (b)]

2 **"preference shares"**

2.1 Maximum number of preference shares: 20 000 000 (twenty million).

2.2 The following terms shall attach to the cumulative, non-redeemable, non-participating, non-convertible preference shares of 0.031 cent each in the share capital of the Company:

2.2.1 For purposes of this item 2.2:

2.2.1.1 "issue price" means the actual issue price of each preference share, being the par value of the preference share plus the premium at which the preference share is allotted and issued;

2.2.1.2 "deemed value" means the deemed value of each preference share for purposes of calculation of the preference dividend during each dividend period, being the sum of:

2.2.1.2.1 an amount of R100.00 (one hundred Rand), notwithstanding the actual issue price of the preference share which may vary because of a difference in the premium at which the preference shares may be issued from time to time; plus

2.2.1.2.2 for any portion of that dividend period during which any arrear dividends remain unpaid in respect of that preference share, the amount of such arrear dividends;

2.2.1.3 "arrear dividend" means any preference dividend (or any portion thereof) payable in respect of a dividend period which, for any reason whatsoever, including the fact that the full amount thereof may not have been declared pursuant to item 2.2.2.15 below, is not paid by the expiry of the 120th day after the expiry of such dividend period, and remains unpaid;

2.2.1.4 "dividend period" means the period from the day following a preference dividend date until and including the next preference dividend date; provided that the first dividend period in respect of each tranche of preference shares issued, shall mean the period from the preference dividend date immediately preceding the winding-up of the Company up to and the date of return to the preference shareholder of the issue price and all arrear dividends in accordance with item 2.2.2.2 below;

2.2.1.5 "Income Tax Act" means the Income Tax Act, No. 58 of 1962, as amended;

2.2.1.6 "prime rate" means the publicly quoted basic rate of interest (per cent, per annum) compounded monthly in arrears, calculated on a 365 (three hundred and sixty five) day year (irrespective of whether or not the year is a leap year) from time to time quoted by FirstRand Bank Limited (or its successor) as being its prime overdraft rate, as certified by any manager of FirstRand Bank Limited (or its successor) whose appointment, authority and/or designation need not be proved, which certificate shall be prima facie proof of the contents thereof;

2.2.1.7 "preference dividend" means a cumulative, non-participating preference dividend calculated in accordance with this item 2.2;

2.2.1.8 "preference dividend date" means 31 December and 30 June of each year;

2.2.1.9 "preference dividend payment date" means the date upon which any preference dividend payable will, if declared, be payable; provided that this item 2.2.1.9 shall not detract from the rights of the preference shareholders in terms of item 2.2.2.2 below to receive all preference dividends and arrear dividends prior to any payment of dividends to holders of any other class of shares not ranking prior to or *pari passu* with the preference shares;

2.2.1.10 "preference dividend rate" means the rate referred to in item 2.2.2.4 below; and

2.2.1.11 "preference shares" means the cumulative, non-redeemable, non-participating, non-convertible preference shares of 0.031 cent each in the share capital of the Company.

2.2.2 The following are the rights, privileges, restrictions and conditions, which attach to the preference shares and shall apply, notwithstanding anything to the contrary contained elsewhere in this Memorandum of Incorporation:

2.2.2.1 The issue price for each tranche of preference shares to be issued will be determined by the directors prior to the allotment thereof.

2.2.2.2 Each preference share is identical to every other preference share and ranks *pari passu* with the other preference shares in respect of all rights including, but not limited to, with regard to dividends and repayment of capital on the winding-up of the Company, and shall rank prior to the ordinary shares and any other class of shares of the Company that do not rank prior to or *pari passu* with the preference shares. Each preference share shall confer upon its holder the right of a return of capital on the winding-up of the Company of an amount equal to the sum of: (i) all arrear dividends in respect of that preference share, plus (ii) the preference dividend payable in respect of the last dividend period, plus (iii) an amount equal to the aggregate of the nominal value and premiums received by the Company in respect of all preference shares issued, divided by the number of preference shares issued.

2.2.2.3 Each preference share shall confer upon the holder thereof the right to receive out of the profits of the Company which it determines to distribute, the preference dividend calculated in terms of item 2.2.2.5 below, in priority to any payment of dividends or other distribution to the holders of any other class of shares in the share capital of the Company not ranking prior to or *pari passu* with the preference shares.

2.2.2.4 In respect of each tranche of preference shares issued, the preference dividend rate will be equal to a percentage of the prime rate determined by the directors at the time the Company offers to issue the preference shares concerned; provided that, notwithstanding any such determination, while there are any arrear dividends that remain unpaid, the preference dividend rate in respect of all preference shares will increase to 100% of the prime rate until there are no arrear dividends that remain unpaid.

2.2.2.5 The preference dividend payable per preference share in respect of each dividend period shall be calculated by:

2.2.2.5.1 multiplying the deemed value of that preference share by the preference dividend rate (determined on a 365-day year, irrespective of whether the year is a leap year or not), which shall be applied on a daily basis in arrear, for that dividend period;

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

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

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

2.2.2.6 The preference dividends shall:

2.2.2.6.1 if declared, accrue on the date on which they are declared;

2.2.2.6.2 if declared, be payable by no later than the preference dividend payment date.

2.2.2.7 Any arrear dividend shall accumulate until the date of payment thereof and be paid by the Company in preference to payments to any other class of shares in the share capital of the Company not ranking prior to or *pari passu* with the preference shares.

2.2.2.8 Save as set out in items 2.2.2.2, 2.2.2.3 and 2.2.2.7 above, the preference shares shall not be entitled to any further participation in the profits or assets of the Company nor, on a winding-up, to any surplus assets of the Company.

2.2.2.9 The holders of the preference shares shall be entitled to receive notice of, and to be present, either in person or by proxy, at any meeting of the shareholders of the Company, but they shall not be entitled to vote at any such meeting, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

2.2.2.9.1 any preference dividend or any part thereof has become an arrear dividend; or

2.2.2.9.2 a resolution of the Company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders thereof, including, but not limited to, a resolution for the winding-up of the Company or for the reduction of its capital. [JSE Sch 10: 10.5(e) and (h)]

2.2.2.10 In the circumstances set out in 2.2.2.9 above, a preference shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the preference shares held by him bears to the aggregate amount of the nominal value of all shares issued by the Company; provided that if at a shareholders meeting the aggregate votes exercisable by all the preference shareholders present or represented at the meeting exceed 25% less one vote of the total votes exercisable by all shareholders present or represented at that meeting, a preference shareholder shall be entitled to the aforesaid proportion of the total votes at that meeting in respect of one-quarter only of his preference shares and, in respect of the other three-quarters, such lower proportion as will result in the total number of votes exercisable by all the preference shareholders being reduced to 25% less one vote of the aggregate votes exercisable at the meeting concerned. [JSE Sch 10: 10.5(c)]

2.2.2.11 At a meeting of the holders of the preference shares, the provisions of this Memorandum of Incorporation relating to meetings of ordinary shareholders shall apply, *mutatis mutandis*, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of this Memorandum of Incorporation relating to adjourned shareholders meetings shall apply, *mutatis mutandis*.

2.2.2.12 If there is an amendment or amendments to the Income Tax Act which results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the Company, provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the Company or any preference shareholder, the percentage of the prime rate referred to in item 2.2.2.4 above will be increased by the Company. Such increase will be limited to the extent that the Company incurs a reduced cost in servicing the preference shares, which cost savings it would not have obtained but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the Company incurring reduced costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the after-tax returns of any preference shareholder on its holding of preference shares, no amendment shall be made to the percentage of prime rate contemplated in item 2.2.2.4 above. The Company shall require its auditors to verify whether it is obliged to increase the preference dividend in accordance with this item 2.2.2.12 and, if so, the amount of the increase. The auditors in deciding on such increase shall act as experts and not as arbitrators or quasi-arbitrators and their decision shall, in the absence of manifest error, be final and binding on the Company and all preference shareholders. The costs of such auditors shall be borne and paid by the Company.

2.2.2.13 The prior consent of the holders of at least three-quarters of the preference shares represented either in person or by proxy at a meeting of the preference shareholders shall be required to alter the provisions of this item 2.2 and Article 1.3(2) of this Memorandum of Incorporation.

2.2.2.14 Any question relating to the termination of the listing of the preference shares on any stock exchange shall be deemed to constitute a modification of rights of the preference shares to which the provisions of Articles 1.3(1), 1.3(2) and 2.1(2)(c) shall apply.

2.2.2.15 Notwithstanding anything to the contrary contained in this item 2.2, the Company shall not be obliged to declare any preference dividend, but any failure by the Company to pay the preference dividend (whether declared or not) by the expiry of the 120th day after the expiry of the dividend period in respect of which it is calculated in terms of item 2.2.2.5 above, will result in the application of item 2.2.1.2.2, item 2.2.1.3 and the proviso to item 2.2.2.4.

Appendix 2

Summary of the salient features of the Forfeitable Share Plan ("FSP")

Terms capitalised below bear the same meanings as those terms contained in the rules of the FSP. The rules of the FSP are available for inspection as detailed in the Notice of Meeting to which this summary is annexed.

Introduction

The company intends to introduce a FSP which will be operated in conjunction with the Share Price Linked Performance Scheme ("SPLPS"). Due to the fact that the company's share price has not increased over the past few years, participants have realised little value under the Option Plan and the company is therefore experiencing a retention risk in this area. In addition, the company has certain projects underway which are aimed at growing the company over the long-term and to this end the company needs to offer executives an incentive to stay with the company. Due to the recent economic downturn, many South African companies are facing similar retention risks. A number of companies have addressed this risk by implementing a share plan to address retention or to make annual awards under their existing plans subject to tenure only. The company is also experiencing difficulty in offering competitive long-term incentive awards when attracting new executives or key employees. The FSP will be used to make ad-hoc allocations as and when the need arises to address retention or recruitment issues. Annual awards will continue to be made under the SPLPS although these will be reduced by a similar number of options where the executive received an ad-hoc allocation under the FSP.

Under the FSP, participants will become owners of the Forfeitable Shares from the Settlement Date and will immediately benefit from dividends and have shareholder voting rights, thus providing direct alignment between participants and shareholders. [14.1(e)]

Salient features of the FSP

1. The remuneration committee may, at its discretion, on an ad-hoc basis, call upon the employer companies to make recommendations to the remuneration committee as to which of their respective employees they wish to retain the service of or attract the services of, by making an award of Forfeitable Shares. Initially the executives and other key employees will be allowed to participate in the FSP. However, the remuneration committee can, in its discretion, include any person holding permanent salaried employment or office with any employer company, but excluding any non-executive director of the company. 14.1(a)
2. Awards made on an ad-hoc basis will be used to address retention issues or recruitment requirements and will only be subject to continued employment ("Vesting Condition"). The rationale behind the granting of these awards is to address retention risks currently faced by the company. 14.1(f)
3. The number of Forfeitable Shares subject to an award made to an employee will primarily be based on the employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks. [14.1(f)]
4. The remuneration committee will set appropriate vesting periods for each award. Initially the vesting period will be over 3, 4 and 5 years for each third of the award respectively, measured from the award date.
5. The rules of the FSP will be flexible in order to allow for settlement in any of the following manners:
   - (i) by way of a market purchase of shares;
   - (ii) use of treasury shares; or
   - (iii) issue of shares.

   The company intends to settle awards by way of a market purchase of shares which will not cause any dilution to shareholders, however, the exact method will be determined by the remuneration committee in advance of any particular award.
6. In order to facilitate the administration of any forfeiture of awards, the Forfeitable Shares will be held by an Escrow Agent on behalf of the employee.
7. The maximum number of shares which may at any one time be allocated under the FSP shall not exceed 6 million shares. The maximum number of shares which may be held by an individual may not exceed 1 million shares. Shares allocated under the FSP, which are not subsequently settled to an employee as a result of the forfeiture thereof, will be excluded in calculating the company limit.
8. The employee will give no consideration for the making, settlement or vesting of an award. [14.1(d)]
9. Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will be classified as bad leavers and will forfeit all unvested awards.
10. Employees terminating employment due to death, retirement, retrenchment, ill-health, disability, injury or the sale of the employer company will be classified as good leavers and a portion of the award will vest on the date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the Vesting Period. The remainder of the award will lapse. [14.1(h)]

11. In the event of a change of control, a portion of the award will vest. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the Vesting Period. The portion of the award that does not vest on the change of control date will, except on the termination of the FSP, continue to be subject to the terms of the Award Letter relating thereto unless the remuneration committee determines that the terms of the Award Letter relating thereto are no longer appropriate. In this case the remuneration committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more other companies provided the participants are no worse off. [14.1(g) and 14.3(a)]

12. In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, liquidation etc., participants shall continue to participate in the FSP. The remuneration committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards. Where the remuneration committee regards an adjustment as necessary, auditors, acting as experts and not as arbitrators and whose decision shall be final and binding on all persons affected thereby, shall confirm to the company in writing that these are calculated on a non-prejudicial basis. The auditors shall confirm in writing to the JSE whether those adjustments were calculated in accordance with the rules of the FSP. Any adjustments made will be reported in the company's annual financial statements in the year during which the adjustments are made. [14.3(b), (c), (d) and (e)]

FORM OF PROXY

GRINDROD LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1966/009846/06)
(Share code: GND and GNDP ISIN: ZAE000072328 and ZAE000071106)
("the company")

This form of proxy is only for use by certificated shareholders and dematerialised shareholders with own name registration.

For use at the meeting of the holders of preference shares of the company and the annual general meeting of shareholders of the company to be held in the Boardroom, 1st Floor, Quadrant House, 115 Margaret Mncadi Avenue, Durban, 4001 at 14:00 on Wednesday, 30 May 2012 ("the annual general meeting")

I/We (FULL NAMES IN BLOCK LETTERS) ______________________________

of (ADDRESS) ______________________________

being the registered holder/s of ________ ordinary shares ________ preference shares in the capital of the company hereby appoint:

1. of or failing him/her, ________ of ________
2. of or failing him/her, ________ of ________
3. the chairman of the annual general meeting, ________

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the meeting of the holders of preference shares of the company and/or the annual general meeting and at any adjournment thereof, as follows:

Meeting of holders of preference shares				
Resolution		**In favour of**	**Against**	**Abstain**
1	Alteration of Articles 3, 8A and 30 of the Memorandum of Incorporation			

Annual general meeting				
Resolutions				
1.1	Approval of the annual financial statements			
1.2	Re-election of directors retiring by rotation			
1.2.1	Mr IAJ Clark			
1.2.2	Mr MR Faku			
1.2.3	Mr MJ Hankinson			
1.2.4	Mr DA Polkinghorne			
1.2.5	Mr SDM Zungu			
1.3	Confirm the appointment of Mr MH Visser			
1.4	Confirm the appointment of Mr JJ Durand (as an alternate)			
1.5	Confirm the appointment of Mr MR Wade			
1.6	Re-election of audit committee members			
1.6.1	Mr IM Groves (Chairman)			
1.6.2	Mr WD Geach			
1.6.3	Mr MJ Hankinson			
1.7	Re-appointment of independent auditors and designated audit partner			
1.8	Directors' authority to issue shares reserved for the share option scheme			
1.9	Ratification of executive directors' remuneration			
2.1	Replacement of Memorandum of Incorporation			
2.2	Adoption of Forfeitable Share Plan			
2.3	General authority to provide financial assistance for subscription of securities			
2.4	General authority to provide financial assistance to certain categories of persons			
2.5	Approval of fees payable to non-executive directors			
2.6	Renewal of general authority to repurchase ordinary shares			
3.1	Approval of group remuneration policy			

(Indicate instruction by making an "X" in the space provided.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit. 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 ________ 2012

Signature/s ______________________________

REGISTERED OFFICE
Quadrant House
115 Margaret Mncadi Avenue
Durban, 4001
(PO Box 1, Durban, 4000)

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

NOTES

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

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

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. Any deletion, alteration or correction to this form of proxy must be initialled by the signatory/ies.

4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.

5. Forms of proxy must be lodged at, or posted to, the registered office of the Transfer Secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 14:00 on Monday, 28 May 2012.

6. The completion and lodging of this form of proxy will not preclude the shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

7. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these notes.

8. A form of proxy shall be deemed to include the rights to demand or join in demanding a poll.

9. Shareholders, who have either dematerialised their company shareholdings (such that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs), are not company members as defined. Such shareholders who wish to attend the company's annual general meeting should arrange with their CSDPs or brokers for the necessary authority to attend the annual general meeting. Such shareholders who are unable, or do not wish, to attend the annual general meeting, but wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions in sufficient time to enable the CSDPs or brokers to lodge forms of proxy or appoint a representative for the meeting.

ince.motiv

CORPORATE INFORMATION

GRINDROD LIMITED
Registration number 1966/009846/06

Company secretary
CAS Robertson FCIS

Registered office and business address
Quadrant House
115 Margaret Mncadi Avenue
Durban
4001

Postal address
PO Box 1
Durban
4000

Telephone +27 31 304 1451
Facsimile +27 31 305 2848
E-mail grindrod@grindrod.co.za
Website www.grindrod.co.za

Investor relations
E-mail investorrelations@grindrod.co.za

GROUP AUDITORS
Deloitte & Touche

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

Postal address
PO Box 61051
Marshalltown
2107

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

MAIN BANKERS TO THE GROUP
Local
ABSA Bank
FirstRand Bank
Investec Bank
Nedbank
The Standard Bank of South Africa

Foreign
Bank of America Merrill Lynch
Barclays
BNP Paribas
Crédit Agricole Corporate and Investment Bank
China Construction Bank
Rand Asia
ABN AMRO
Hong Kong & Shanghai Banking Corporation
Royal Bank of Scotland
Société Générale
Standard Chartered Bank
Standard Bank Mauritius
Standard Bank Mozambique
The Bank of Tokyo-Mitsubishi UFJ
Millennium BIM Mozambique
Mitsui & Co. Financial Services (Asia)
DVB Group Merchant Bank (Asia)

SPONSORS
Grindrod Bank Limited
First Floor, Building 3, North Wing, Commerce Square
39 Rivonia Road
Sandhurst
Sandton
2196

Postal address
PO Box 78011
Sandton
2146

Telephone +27 11 459 1860
Facsimile +27 11 459 1872

TERMS AND EXPRESSIONS

BACKHAUL
Routes which are against the standard flow of traffic, i.e. loading in a port situated in what is usually a discharge area and discharging in a port situated in what is usually a loading area.

BALLAST
The period of time during which a ship performs a voyage without cargo on board.

BALTIC CAPESIZE INDEX (BCI)
The BCI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard 172 000 dwt vessel and maximum 10 years of age. The index is also published on the basis of a time charter return, and is used to determine the value of the trading routes and settlement prices for FFAs.

BALTIC DRY INDEX (BDI)
The BDI is published every London working day by the Baltic Exchange, who collate information for handysize, supramax, panamax and capesize vessels to create this lead freight market indicator.

BALTIC HANDYSIZE INDEX (BHSI)
The BHSI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard 28 000 dwt vessel with 30 mt cranes and maximum 15 years of age. The index is also published on the basis of a time charter return and is used to determine the value of the trading routes and settlement prices for FFAs.

BALTIC PANAMAX INDEX (BPI)
The BPI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard 74 000 dwt vessel and maximum seven years of age. This index is also published on the basis of a time charter return and is used to determine the value of trading routes and settlement prices for FFAs.

BALTIC SUPRAMAX INDEX (BSI)
The BSI is published every London working day by the Baltic Exchange, who have collated information on fixtures for a number of routes in relation to a standard Tess 52 type vessel. This vessel is 52 454 dwt, with 4 x 30 mt cranes and grabs and maximum 10 years of age. This index is also published on the basis of a time charter return and is used to determine the value of trading routes and settlement prices for FFAs.

BAREBOAT CHARTER
Charter for an agreed period of time during which the shipowner provides only the ship while the charterer provides the crew together with all stores and bunkers and pays all vessel operating costs.

BARGING
Transfer of cargo between a ship and the shore using a barge.

BEAM
The greatest width of a vessel.

BREAKBULK
Dry, loose cargo.

BULK CARRIER
Ship designed to carry dry, loose cargoes in bulk.

BUNKER(S)
Fuel, consisting of fuel oil and diesel, burned in the vessel's engines.

BUNKER TANKER
A small tanker used to refuel ships with bunkers.

CAPESIZE BULK CARRIER
Drybulk carrier with a capacity of about 130 000 to 200 000 dwt which, due to its size, must transit when loaded, the Atlantic to the Pacific via Cape Horn or the Cape of Good Hope and is typically used for long voyages in the coal and iron ore trades.

CHARTER-HIRE
The revenue earned by a vessel pursuant to a bareboat charter or a time charter (see Freight for voyage charter revenue).

CHARTERER
A person, firm or company hiring a vessel for the carriage of goods or other purposes.

CHARTERPARTY
Document containing all the terms and conditions of the contract between the owner of a vessel and a charterer for the use of a vessel, signed by both parties or their agents, for the hire of a ship or the space in a ship.

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

COMMERCIAL MANAGEMENT
Management of those aspects of ship owning and operation that relate to obtaining economic value from the vessel, which includes ship financing, sale and purchase, chartering or vessel, employment, voyage execution, insurance and claims handling, accounting and corporate administration.

CONTAINERSHIP
Ship designed to carry containerised cargo.

CONTRACT OF AFFREIGHTMENT (COA)
Similar to a voyage charter, but covers two or more shipments over an agreed period of time (this could be over a number of months or years) and no particular vessel is specified.

DEADWEIGHT TONNE (DWT)
Deadweight tonnes, the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc, at a specified draft.

DEMURRAGE
An agreed amount payable to the shipowner by the charterer when the agreed time allowed for loading or unloading cargo has been exceeded through no fault of the owner.

DOUBLE HULL
A ship which has an inner and an outer hull. The distance between these two can be up to 2 metres. Such construction increases the safety during a possible grounding or collision and in this way leakage may be avoided.

DRAFT
Vertical distance between the waterline and the bottom of the vessel's keel (i.e. the depth of the ship in the water).

DRYDOCKING
The removal of a vessel from the water for inspection, maintenance and/or repair of parts that are normally submerged.

FLAG STATE
The country where the vessel is registered.

FORWARD FREIGHT AGREEMENT (FFA)
A derivative instrument that is a means of hedging exposure to freight market risk through the purchase or sale of specified time charter rates for forward positions. Settlement is in cash, against a daily market index published by the Baltic Exchange.

FREIGHT
The revenue earned by a vessel pursuant to a voyage charter or a contract of affreightment.

FRONT HAUL
Routes which follow the typical flow of the transportation of cargoes from the main loading areas to the main discharging areas.

HANDYSIZE BULK CARRIER
Drybulk carrier of about 10 000 to 40 000 dwt which is commonly equipped with cargo gear such as cranes. This type of vessel carries principally minor bulk cargoes and limited quantities of major bulk cargoes. It is well suited for transporting cargoes to ports that may have draft restrictions or are not equipped with gear for loading or discharging cargoes.

HANDYMAX BULK CARRIER
Drybulk carriers of about 40 000 to 60 000 dwt which is commonly equipped with cargo gear such as cranes. This type of vessel carries a wide variety of cargoes including major bulk and minor bulk cargoes.

IMO
International Maritime Organisation, the international United Nations advisory body on transport by sea.

ISM CODE
The international management code for the safe operation of ships and for pollution prevention adopted by the International Maritime Organisation.

JOINT SERVICES AGREEMENT
An organised group of shipowners and/or charterers where there is a pooling of resources for the purpose of the flexible and commercial operation of ships. A pool manager is responsible for the commercial operation of the joint service.

LINER SHIPPING OPERATIONS
Operators who trade ships according to a schedule between specified ports.

MAJOR BULK
Drybulk cargoes such as iron ore, coal and grain.

MARPOL
The international convention governing Marine Pollution Prevention. It is part of the IMO.

MINOR BULK
Drybulk cargoes such as forest products, iron and steel products, fertilisers, agricultural products, minerals and petcoke, bauxite and alumina, cement, other construction materials and salt.

NEWBUILDING
A vessel under construction or on order.

OFF-HIRE
Period during which a vessel is temporarily unable to operate under the terms of its charter, resulting in loss of income under the charter.

OPERATOR
A person/company who trades in ships and cargo.

P&I
Protection and indemnity insurance coverage taken by a shipowner or charterer against third party liabilities such as oil pollution, cargo damage, crew injury or loss of life, etc.

TERMS AND EXPRESSIONS (continued)

PANAMAX BULK CARRIER
Drybulk carrier of about 60 000 to 80 000 dwt with beam not exceeding 32,2 metres which permits it to transit, when fully loaded, through the Panama Canal. Panamax vessels are primarily used to transport major bulks, although they can be used to transport certain minor bulks such as fertilisers, ores, petcoke and salt.

PERIOD MARKET
The time charter market where a ship (or space on a ship) is chartered for a period of time (see Time Charter).

PETROCHEMICALS
Chemicals containing carbon, often referred to as petrochemicals when derived from hydrocarbon sources such as oil, gas and coal.

PRODUCTS TANKER
A tanker designed to carry refined petroleum products in bulk, on occasion in multiple tanks.

SPOT MARKET
The market for immediate chartering of a vessel, usually for a single cargo or short-term trading.

SPOT RATE
Freight rate for a voyage agreed on the basis of current market level.

SUPRAMAX BULK CARRIER
Drybulk carrier within the handymax sector of about 50 000 dwt to 60 000 dwt, which is usually grab fitted and carries a wide variety of cargoes including major bulk and minor bulk cargoes.

TAKE-OR-PAY AGREEMENT
A contractual agreement in which one party agrees to utilise specific capacity of another party's total available capacity or to pay the equivalent cost even if the contacted capacity is not utilised.

TECHNICAL MANAGEMENT
Management of those aspects of ship owning and operation that relate to the physical operation of a vessel, including the provision of crew, routine maintenance, repairs, drydocking, supplies of stores and spares, compliance with all applicable international regulations, safety and quality management, environment protection, newbuilding plan approval and newbuilding supervision and related technical and financial reporting.

TIME CHARTER
Charter for an agreed period of time where the shipowner is paid on a per day basis and is responsible for operating the vessel and paying the vessel operating costs while the charterer is responsible for paying the voyage costs and bears the risk of filling the vessel with cargo and any delays at port or during the voyage except where caused by a defect of the ship.

TIME CHARTER EQUIVALENT OR TCE
Freight and charter-hire less voyage costs incurred expressed as a daily rate over the duration of the voyage.

TONNAGE
A generic term referring to any kind of ocean-going cargo vessel or vessels.

TWENTY FOOT EQUIVALENT UNIT OR TEU
The standard length of a container and the measurement used to determine the container carrying capacity of a container ship.

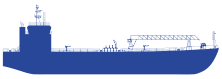
VESSEL OPERATING COSTS
These consist of crew expenses, insurance, spare parts, stores and lubricating oils, vessel repairs and surveys, commissions and other miscellaneous running costs.

VOYAGE CHARTER
Charter under which a shipowner is paid freight on the basis of transporting cargo from a load port to a discharge port and is responsible for paying both vessel operating costs and voyage costs.

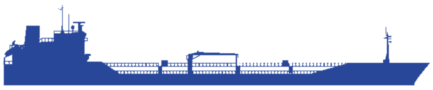
VOYAGE COSTS
Bunker costs, port charges and canal dues (or tolls) incurred during the course of a voyage.

ince.motiv

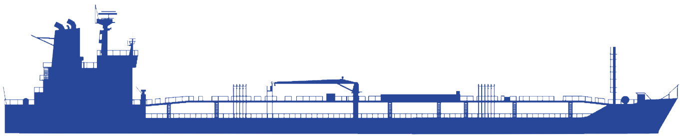
Products tankers



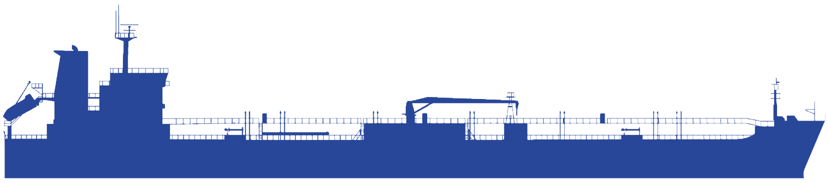
Bunker tanker
Cargoes shipped: marine bunker fuels



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

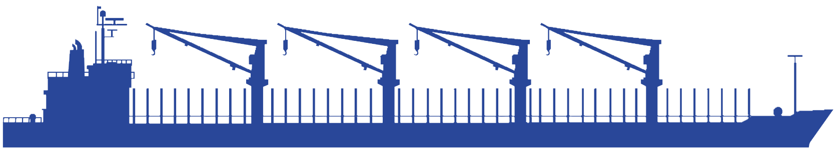


Chemical tanker
Cargoes shipped: industrial chemicals/bulk liquids



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

Drybulk carriers



Handysize bulk carrier
Cargoes shipped: agricultural/general bulk products/steel/logs/fertilisers

Panamax bulk carrier
Cargoes shipped: grain/coal/alumina

Capesize bulk carrier
Cargoes shipped: iron ore/coal

GRINDROD
LIMITED

www.grindrod.co.za