



# GRINDROD LIMITED



## AUDITED RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 31 December 2013



an integrated business



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# HIGHLIGHTS

The group continued to position itself for long-term growth through further investments and expanding its integrated source-to-destination logistics services, in both commodity spread and geographic reach.

- **Headline earnings per share up 16%** to 118,7 cents (2012: 102,6 cents)
- **Earnings per share up 40%** to 199,1 cents (2012: 141,8 cents)
- **Book net asset value per share up 20%** to 1 926 cents (2012: 1 609 cents)
- **Total ordinary dividend per share up 13%** to 37,1 cents per share (2012: 32,9 cents)
- **Revenue increased by 8,6%** to R32,1 billion inclusive of joint ventures and adjusted for Cockett (now a joint venture)
- **Freight Services profit from trading up 52%** to R576,7 million (2012: R378,4 million)
- **Shipping headline earnings up to R160,4 million** (2012: R6,0 million)
- **Financial Services attributable profit up 42%** to R92,2 million (2012: R65,1 million)



# SUMMARISED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Audited 31 December 2013 R000	Audited 31 December 2012* R000
<b>Revenue</b>	<b>15 662 026</b>	27 262 223
Earnings before interest, taxation, depreciation and amortisation	<b>886 690</b>	929 904
Depreciation and amortisation	<b>(463 112)</b>	(412 430)
Operating profit before interest and taxation	<b>423 578</b>	517 474
Non-trading items	<b>479 460</b>	199 689
Interest received	<b>129 961</b>	206 941
Interest paid	<b>(222 891)</b>	(227 398)
Profit before share of joint venture and associate companies' profit	<b>810 108</b>	696 706
Share of joint venture companies' profit after taxation	<b>545 132</b>	340 029
Share of associate companies' profit after taxation	<b>23 350</b>	9 385
Profit before taxation	<b>1 378 590</b>	1 046 120
Taxation	<b>(116 540)</b>	(140 828)
<b>Profit for the year</b>	<b>1 262 050</b>	905 292
Attributable to:		
Ordinary shareholders	<b>1 177 172</b>	836 745
Preference shareholders	<b>55 354</b>	57 297
Owners of the parent	<b>1 232 526</b>	894 042
Non-controlling interests	<b>29 524</b>	11 250
	<b>1 262 050</b>	905 292
Exchange rates (R/US\$)		
Opening exchange rate	<b>8,48</b>	8,11
Closing exchange rate	<b>10,55</b>	8,48
Average exchange rate	<b>9,67</b>	8,22



	<b>Audited 31 December 2013 R000</b>	Audited 31 December 2012* R000
<b>Reconciliation of headline earnings</b>		
Profit attributable to ordinary shareholders	<b>1 177 172</b>	836 745
Adjusted for:	<b>(475 356)</b>	(231 117)
Impairment of goodwill	<b>186 447</b>	21 045
Impairment of other investments	<b>64 530</b>	11 208
Impairment of ships, intangibles, plant and equipment	<b>58 992</b>	178 648
Net profit on disposal of investments**	<b>(87 655)</b>	(410 245)
Net loss on disposal of plant and equipment	<b>190</b>	2 023
Negative goodwill realised	<b>(3 937)</b>	–
Foreign currency translation reserve recycled on cessation of operations following restructure	<b>(698 028)</b>	(33 965)
Joint ventures:		
Negative goodwill realised	<b>(4 642)</b>	–
Impairment of ships, plant and equipment	<b>–</b>	20 305
Total taxation effects of adjustments	<b>8 747</b>	(20 136)
<b>Headline earnings</b>	<b>701 816</b>	605 628
<b>Ordinary share performance</b>		
Number of shares in issue less treasury shares (000s)	<b>591 586</b>	590 486
Weighted average number of shares (basic) (000s)	<b>591 109</b>	590 097
Diluted weighted average number of shares (000s)	<b>593 665</b>	592 728
Earnings per share:		
Basic (cents)	<b>199,1</b>	141,8
Diluted	<b>198,3</b>	141,2
Headline earnings per share:		
Basic (cents)	<b>118,7</b>	102,6
Diluted	<b>118,2</b>	102,2
Dividends per share:		
Interim (cents)	<b>20,0</b>	17,5
Final	<b>17,1</b>	15,4
Dividend cover (times)	<b>5,4</b>	4,3

\* Restated due to the application of IAS 19 Employee Benefits as amended. Net impact of R16,5 million on 2012 profit for the year.

\*\* Restated due to compliance with the Headline Earnings Circular 2/2013.



# SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Audited 31 December 2013 R000	Audited 31 December 2012* R000
<b>Profit for the year</b>	<b>1 262 050</b>	905 292
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	<b>1 618 579</b>	263 750
Cash flow hedges	<b>(1 038)</b>	(7 204)
Business combination (acquisition)/release	<b>(9 148)</b>	5 998
Fair value loss arising on available-for-sale instruments	<b>(25 029)</b>	(25 000)
Reclassification of available-for-sale financial instruments	<b>50 029</b>	-
<b>Items that will not be reclassified subsequently to profit and loss</b>		
Actuarial gains*	<b>8 579</b>	16 521
<b>Total comprehensive income for the year</b>	<b>2 904 022</b>	1 159 357
Total comprehensive income attributable to:		
Owners of the parent	<b>2 865 201</b>	1 145 519
Non-controlling interests	<b>38 821</b>	13 838
	<b>2 904 022</b>	1 159 357

\* Restated due to the application of IAS 19 Employee Benefits as amended.



# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Audited 31 December 2013 R000	Audited 31 December 2012 R000	Audited 31 December 2012 R000	Audited 31 December 2012 R000
Ships, property, terminals, vehicles and equipment	6 698 871	5 443 757		
Investment property	–	33 826		
Intangible assets	559 763	679 643		
Investments in joint ventures*	3 616 166	1 829 276		
Investments in associates	788 118	512 646		
Deferred taxation	99 772	107 435		
Other investments and derivative financial assets	493 161	325 888		
Recoverables on cancelled ships	236 440	379 050		
<b>Total non-current assets</b>	<b>12 492 291</b>	<b>9 311 521</b>		
Loans and advances to bank customers	3 674 567	3 188 454		
Liquid assets and short-term negotiable securities	1 044 432	626 378		
Short-term loans	–	518 819		
Bank balances and cash	6 076 314	4 226 367		
Other current assets*	2 718 056	3 928 347		
Non-current assets held for sale	2 416 467	273 615		
<b>Total assets</b>	<b>28 422 127</b>	<b>22 073 501</b>		
Shareholders' equity	12 036 428	10 114 356		
Non-controlling interests	96 239	126 533		
<b>Total equity</b>	<b>12 132 667</b>	<b>10 240 889</b>		
Interest-bearing borrowings	1 973 390	2 028 392		
Financial services funding instruments	1 082 986	813 947		
Deferred taxation	144 426	147 004		
Other non-current liabilities	110 810	108 037		
<b>Total non-current liabilities</b>	<b>3 311 612</b>	<b>3 097 380</b>		
Deposits from bank customers	8 014 890	4 661 346		
Current interest-bearing borrowings	1 127 074	1 987 398		
Financial services funding instruments	160 253	193 519		
Other liabilities	1 460 392	1 741 914		
Non-current liabilities associated with assets held for sale	2 215 239	151 055		
<b>Total equity and liabilities</b>	<b>28 422 127</b>	<b>22 073 501</b>		
<i>* Restated due to reclassification of joint venture intercompany balances.</i>				
Net worth per ordinary share – at book value (cents)	1 926	1 609		
Net debt:equity ratio	0,21:1	0,07:1		
Capital expenditure	2 020 953	1 209 563		
	Audited 31 December 2013 R000	Audited 31 December 2013 US\$000	Audited 31 December 2012 R000	Audited 31 December 2012 US\$000
Capital commitments	184 978	57 711	309 666	42 207
Authorised by directors and contracted for	116 640	25 427	64 419	15 180
Due within one year	116 140	23 590	64 419	15 180
Due thereafter	500	1 837	–	–
Authorised by directors not yet contracted for	68 338	32 284	245 247	27 027



# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2013

	<b>Audited 31 December 2013 R000</b>	Audited 31 December 2012 R000
Operating profit before working capital changes	<b>734 765</b>	890 190
Working capital changes*	<b>(86 937)</b>	534 265
Cash generated from operations	<b>647 828</b>	1 424 455
Net interest paid	<b>(92 930)</b>	(20 457)
Net dividends paid	<b>(173 870)</b>	(215 472)
Taxation paid	<b>(219 585)</b>	(101 985)
	<b>161 443</b>	1 086 541
Net bank advances from customers and other short-term negotiables	<b>2 465 696</b>	667 876
Net cash flows generated from operating activities before ship sales and purchases	<b>2 627 139</b>	1 754 417
Refund on ships under construction cancelled	<b>197 248</b>	16 846
Proceeds on disposal of ships	<b>306 061</b>	–
Capital expenditure on ships	<b>(406 251)</b>	(242 372)
Net cash flows generated from operating activities	<b>2 724 197</b>	1 528 891
Acquisition of investments, subsidiaries, property, terminals, vehicles and equipment	<b>(1 463 632)</b>	(949 300)
Acquisition of other investments	<b>(171 056)</b>	(95 046)
Proceeds from disposal of property, terminals, vehicles, equipment and investments	<b>160 889</b>	499 936
Intangible assets acquired	<b>(63 162)</b>	(17 891)
Proceeds from disposal of intangible assets	<b>175</b>	–
Loans advanced to/(from) joint ventures and associate companies*	<b>100 074</b>	(74 986)
Acquisition of additional investments in subsidiaries, joint ventures and associates	<b>(107 451)</b>	–
Net cash flows utilised in investing activities	<b>(1 544 163)</b>	(637 287)
Net proceeds from issue of ordinary share capital	<b>11 737</b>	7 839
Proceeds from disposal of treasury shares	<b>–</b>	2 989
Long-term interest-bearing debt raised	<b>811 560</b>	1 432 603
Payment of capital portion of long-term interest-bearing debt	<b>(720 807)</b>	(834 015)
Short-term interest-bearing debt raised/(repaid)*	<b>571 560</b>	(126 514)
Net cash flows generated from financing activities	<b>674 050</b>	482 902
Net increase in cash and cash equivalents	<b>1 854 084</b>	1 374 506
Cash and cash equivalents at beginning of the year	<b>4 250 250</b>	2 901 050
Difference arising on translation	<b>27 169</b>	(25 306)
<b>Cash and cash equivalents at end of the year</b>	<b>6 131 503</b>	4 250 250

\* Restated due to reclassification of joint venture intercompany balances.





# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Audited 31 December 2013 R000	Audited 31 December 2012 R000
<b>Share capital and share premium</b>	<b>2 036 992</b>	2 025 255
Balance at beginning of the year	2 025 255	2 014 427
Share options exercised	11 737	7 839
Treasury shares sold	–	2 989
<b>Preference share capital</b>	<b>2</b>	2
Balance at beginning of the year	2	2
<b>Equity compensation reserve</b>	<b>50 551</b>	42 126
Balance at beginning of the year	42 126	37 947
Share-based payments	8 425	4 179
<b>Foreign currency translation reserve</b>	<b>1 916 514</b>	1 005 260
Balance at beginning of the year	1 005 260	744 098
Foreign currency translation realised	(698 028)	–
Foreign currency translation adjustments	1 609 282	261 162
<b>Other non-distributable reserves</b>	<b>(23 151)</b>	(37 965)
Balance at beginning of the year	(37 965)	(11 759)
Fair value adjustment of available-for-sale financial instrument	(25 029)	(25 000)
Reclassification of available-for-sale investments	50 029	–
Cash flow hedge	(1 038)	(7 204)
Business combination release	(9 148)	5 998
<b>Movement in accumulated profit</b>	<b>8 055 520</b>	7 079 678
Balance at beginning of the year	7 079 678	6 432 054
Business disposals	–	(31 160)
Actuarial gains*	8 579	16 521
Profit for the year	1 232 526	894 042
Ordinary dividends paid	(209 909)	(174 482)
Preference dividends paid	(55 354)	(57 297)
<b>Total interest of shareholders of the company</b>	<b>12 036 428</b>	10 114 356
<b>Equity attributable to non-controlling interests of the company</b>	<b>96 239</b>	126 533
Balance at beginning of the year	126 533	94 336
Foreign currency translation adjustments	9 297	2 588
Business (disposals)/acquisitions	(54 502)	23 397
Non-controlling interest acquired	–	2 849
Profit for the period	29 524	11 250
Dividends paid	(14 613)	(7 887)
<b>Total equity attributable to shareholders of the company</b>	<b>12 132 667</b>	10 240 889

\* Restated due to application of IAS 19 Employee Benefits as amended.



# SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Audited 31 December 2013 R000	Audited 31 December 2012* R000
<b>Revenue</b>		
Freight Services	5 027 536	3 929 411
Trading	22 415 085	27 074 222
Shipping	4 319 093	4 009 832
Financial Services	370 790	252 686
Group	2 488	911
	<b>32 134 992</b>	35 267 062
Segmental adjustments**	<b>(16 472 966)</b>	(8 004 839)
	<b>15 662 026</b>	27 262 223
<b>Earnings before interest, taxation, depreciation and amortisation</b>		
Freight Services	1 169 332	770 044
Trading	(93 283)	258 660
Shipping	570 617	311 759
Financial Services	156 138	127 702
Group	(41 689)	(37 925)
	<b>1 761 115</b>	1 430 240
Segmental adjustments**	<b>(874 425)</b>	(500 336)
	<b>886 690</b>	929 904
<b>Operating profit/(loss) before interest and taxation</b>		
Freight Services	907 811	550 133
Trading	(109 522)	241 815
Shipping	235 564	68 523
Financial Services	154 456	126 380
Group	(45 518)	(41 557)
	<b>1 142 791</b>	945 294
Segmental adjustments**	<b>(719 213)</b>	(427 820)
	<b>423 578</b>	517 474
<b>Share of associate companies' profit/(loss) after taxation</b>		
Freight Services	12 948	10 200
Trading	10 402	(815)
	<b>23 350</b>	9 385
<b>Profit/(loss) attributable to ordinary shareholders</b>		
Freight Services	652 483	793 540
Trading	(322 626)	113 546
Shipping	760 845	(167 284)
Financial Services	92 254	65 145
Group	(5 784)	31 798
	<b>1 177 172</b>	836 745

\* Restated due to application of IAS 19 Employee Benefits as amended. Net impact of R16,5 million on 2012 profit for the year.

\*\* Joint venture earnings are reviewed together with subsidiaries by the key decision maker. Segmental adjustments relate to joint ventures necessary to reconcile to IFRS presentation.



## BUSINESS COMBINATIONS

FOR THE YEAR ENDED 31 DECEMBER 2013

### Acquisition of subsidiaries, joint ventures and associates

During the year, the group acquired the following interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2013	Purchase consideration R000
Oiltanking Grindrod Calulo (OTGC) Holdings Proprietary Limited	Liquid-bulk storage and trading	38	1 June	14 507
Grindrod Fuelogic Mozambique Limitada	Petrologistics	70	1 August	31 177
Property Index Tracker Managers Proprietary Limited	Financial services	100	26 August	4 191
Senwes Limited	Agricultural business	20	5 September	447 268
NWK Limited	Agricultural business	20	20 September	230 348
RACEC Group Limited	Engineering	75	1 November	27 557
United Refineries Limited	Toll crushing	51	31 December	26 375
<b>Total purchase consideration</b>				<b>781 423</b>

### Reasons for acquisitions

The primary reasons for the business acquisitions were to expand Grindrod's presence into new markets and geographical areas and to acquire outstanding non-controlling interests to consolidate Grindrod's position.

### Impact of the acquisitions on the results of the group

From the dates of their acquisition, the acquired businesses contributed attributable profit of R16,7 million.

Net assets acquired in the subsidiaries' transactions and the goodwill/intangible assets arising are as follows:

Net assets acquired	Acquirees' carrying amount before combination at fair value R000
Property, plant and equipment	86 578
Intangibles	16 205
Investments	27 635
Taxation	(5 695)
Working capital	(80 859)
Cash and bank	(20 328)
Non-controlling interest	25 269
Long-term liabilities	(39 523)
Deferred taxation	8 980
Total	18 262
Goodwill and intangible assets arising on acquisition	85 545
Cash acquired	20 328
Purchase consideration relating to associate	677 616
	<b>801 751</b>

The goodwill arising on the acquisition of these businesses is attributable to the anticipated profitability of these businesses and synergies expected.



**BUSINESS COMBINATIONS** *(continued)*  
FOR THE YEAR ENDED 31 DECEMBER 2013

**Disposal of subsidiaries, joint ventures and associates**

During the year, the group disposed of the following interests:

<b>Company disposed</b>	<b>Nature of business</b>	<b>Percentage disposed</b>	<b>Interest disposed 2013</b>	<b>Disposal consideration R000</b>
East Coast Maritime Proprietary Limited	Clearing and forwarding	50	1 March	1 933
King and Sons Namibia Proprietary Limited	Clearing and forwarding, ships agency and stevedoring	100	1 April	11 029
Grindrod Tank Terminals, a division of Grindrod South Africa Proprietary Limited	Liquid-bulk	100	1 June	92 897
Oreport Proprietary Limited	Trading	75	18 December	30 000
<b>Total disposal consideration</b>				<b>135 859</b>

**Reason for disposals**

The primary reason for the disposals was to introduce strategic partners or to rationalise operations to assist in the delivery of the group's long-term goals.

<b>Net assets disposed</b>	<b>Fair value R000</b>
Property, plant and equipment	10 620
Intangibles	20
Interest in joint venture companies	(24 220)
Investments	5 403
Taxation	(605)
Working capital	31 453
Cash and bank	26 451
Long-term liabilities	(13 501)
Short-term borrowings	(1 992)
Deferred taxation	14 576
Total	48 205
Profit on disposal	87 654
	<b>135 859</b>



## CONTINGENT ASSETS/LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R7 941 355 000 (2012: R6 422 946 000), of which R4 629 690 000 (2012: R3 104 728 000) had been utilised at year-end.

The company guaranteed charter-hire payments and other guarantees of subsidiaries amounting to R1 194 376 000 (2012: R1 524 356 000). The charter-hire payments are due by the subsidiaries in varying amounts from 2014 to 2022.

On the establishment of a joint venture through contribution of businesses, both joint venture parties have agreed to compensate one another should targets not be achieved. At reporting date, the achievability of these targets was undetermined.

## LEASES AND SHIP CHARTERS

FOR THE YEAR ENDED 31 DECEMBER 2013

	<b>Audited 31 December 2013 R000</b>	Audited 31 December 2012 R000
<b>Operating leases and ship charters</b>		
Income	<b>486 911</b>	736 267
Expenditure	<b>3 788 193</b>	2 652 727
<b>Finance lease liabilities</b>	<b>54 478</b>	75 861

## PREPARER OF SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

These summarised consolidated annual financial statements have been prepared under the supervision of AG Waller, CA(SA).

**AG Waller**

*Group Financial Director*

25 February 2014

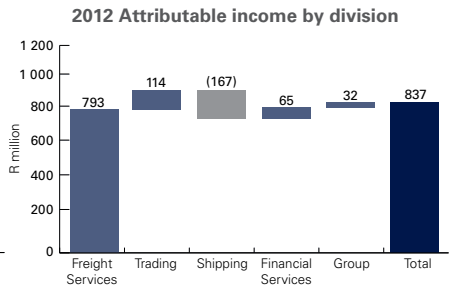
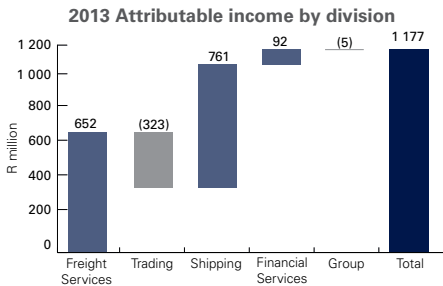


# BUSINESS REVIEW

## Overview

In line with its vision to create sustainable returns and long-term value for its stakeholders, Grindrod continued to make meaningful progress in 2013 in optimising its skills and assets by improving and expanding its integrated logistics supply chains along key commodity corridors.

Capital projects were successfully executed, asset utilisation and operational efficiencies were improved and partnerships were further strengthened to achieve growth and deliver business objectives, within a strictly monitored risk-mitigation framework.

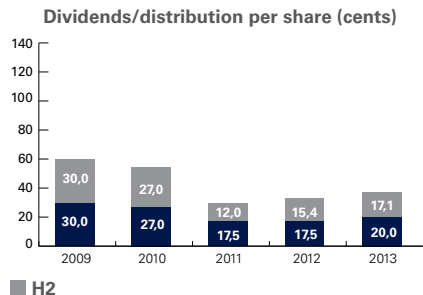
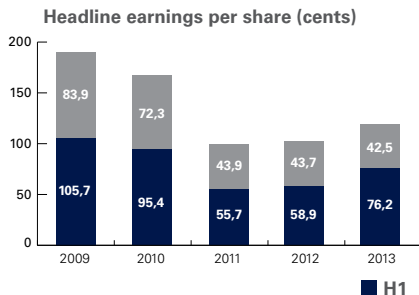


Headline earnings increased by 15,9 per cent to R701,8 million (2012: restated R605,6 million). Headline earnings per share increased by 15,7 per cent to 118,7 cents (2012: 102,6 cents). Freight Services and Financial Services continued to perform strongly and despite depressed markets, Shipping performed well. Trading was negatively affected by poor results in the agricultural sector due to reduced trading volume and profitability brought about by increased competition, volatility and backwardation of markets.

Earnings increased by 40,7 per cent to R1 177,2 million for the year (2012: restated R836,7 million). In 2013, attributable profit included, inter alia, profit of R698,0 million realised on foreign currency translation reserves offset partially by a goodwill impairment in the agricultural business of R186,4 million. Adjustments to attributable profit in 2012 included, inter alia, income of R414,9 million from the sale of 35 per cent of the Matola coal terminal and R173,3 million for impairments of vessels.

Earnings per share is calculated on a weighted average of 591 million shares, up from 590 million in 2012.

Ordinary dividends for the year totalled 37,1 cents per share (2012: 32,9 cents per share).



With total assets of R28,4 billion (2012: R22,1 billion) and debt:equity at 21 per cent (2012: seven per cent), the group's financial position remains sound. Book net asset value per share is R19,26 (2012: R16,09).



## Capital expenditure and commitments

R million	Capital expenditure 2013	Capital commitments				Split as follows	
		2014	2015	2016+	Total	Approved not contracted	Approved and contracted
<b>Freight Services</b>	<b>982</b>	<b>560</b>	<b>42</b>	<b>207</b>	<b>809</b>	<b>416</b>	<b>393</b>
Ports and Terminals	309	200	13	–	213	84	129
Rail	231	178	29	207	414	263	151
Intermodal	194	182	–	–	182	69	113
Other logistics	248	–	–	–	–	–	–
<b>Trading</b>	<b>774</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Agricultural commodities	763	–	–	–	–	–	–
Industrial raw minerals	11	–	–	–	–	–	–
<b>Shipping</b>	<b>923</b>	<b>106</b>	<b>559</b>	<b>177</b>	<b>842</b>	<b>176</b>	<b>666</b>
Dry-bulk	449	106	559	177	842	176	666
Tankers	474	–	–	–	–	–	–
<b>Financial Services Group</b>	<b>136</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>53</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>11</b>	<b>–</b>
	<b>2 868</b>	<b>669</b>	<b>605</b>	<b>388</b>	<b>1 662</b>	<b>603</b>	<b>1 059</b>
Split as follows:							
Subsidiaries	2 020	431	46	227	704	359	345
Joint ventures	848	238	559	161	958	244	714

Total subsidiary capital expenditure and investments was R2,0 billion (2012: R1,3 billion), of which 81 per cent was for expansion (2012: 85 per cent) and the balance for maintenance and replacement. The capital expenditure mainly comprised the acquisition of an equity investment into Senwes Limited and NWK Limited, payments on two product tankers, eight dry-bulk ships (sold into an asset ownership joint venture as at 31 December 2013), the Matola coal terminal Phase 3,5 expansion project, locomotives, car terminal expansion, the intermodal depot expansion and transport fleet investment.

Future capital continues to be committed to the expansion of terminal capacity, rail infrastructure, locomotives and ships. The commitments exclude the planned expansion of the terminal capacity in Maputo and Richards Bay as well as the development of a bulk liquid storage facility at Coega, each of which is subject to final board consideration.

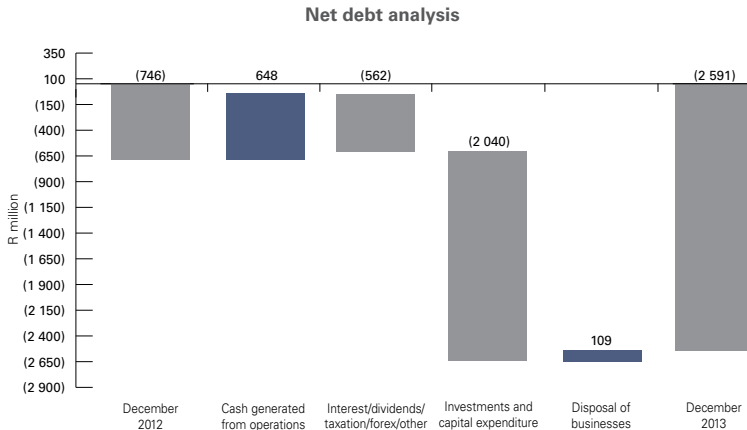
The board has approved an equity raising of R3 billion to provide the equity for this planned capital expenditure.

## Cash flow and borrowings

Cash flow and borrowings reflect net debt of R2,6 billion (2012: R0,7 billion). Operating profit before working-capital adjustments was R0,7 billion (2012: R0,9 billion). Working capital contributed to a net outflow of R0,1 billion (2012: R0,5 billion inflow).



## BUSINESS REVIEW *(continued)*



### Shareholders' equity

Shareholders' equity increased to 600 765 314 shares in issue (from 599 665 314 in 2012), of which 9 179 348, repurchased in prior years, are held in treasury.

### Divisional operating reviews

The four Grindrod operating divisions integrate to move cargo by rail, road, sea and air, using specialised assets and infrastructure focused on dry-bulk and liquid-bulk commodities, vehicles and containers. Complementary services that add value to this logistics chain are commodity sourcing, grading, processing, blending, storage, financing and sales.

#### Freight Services

Attributable profit from trading activities reflects an increase of 52,4 per cent to R576,7 million (2012: R378,4 million).

#### Ports, Terminals and Rail

Ports, Terminals and Rail achieved earnings from trading activities of R493,3 million (2012: R326,6 million) before the profit on sale of Grindrod Tank Terminals to Oiltanking Grindrod Calulo Holdings of R75,8 million in the current year.

During the year, the Phase 3,5 expansion project at the Matola coal terminal in Maputo was successfully completed and commissioned, expanding its capacity by 1,3 million tonnes to 7,3 million tonnes. This expanded capacity remains fully supported by current rail capability. The Port of Maputo volumes are up 15,0 per cent to 17,2 million tonnes (2012: 14,9 million tonnes).

The further phased increase in the capacity under the Phase 4 expansion project, together with the planned expansion of the Grindrod Navitrade coal terminal in the port of Richards Bay, have been provided for in the group's longer-term capital expenditure plans.

The expansion of the Maputo car terminal capacity from 1 294 to 4 126 parking bays was completed, providing for increased vehicle flow. Vehicle volume increased by 49,4 per cent to 71 368 vehicles (2012: 47 743 vehicles).





Further investments were made in additional rail infrastructure and service providers to offer the full spectrum of private and mainline services in Africa, including the acquisition of 74,9 per cent of RACEC Group Limited, a company providing track engineering, construction and maintenance services.

The Ocean Africa Container Lines Proprietary Limited seafreight service was optimised by developing a Durban container terminal and rescheduling the shipping service.

Challenges in 2013 centred around managing the expansions and optimisation of services and infrastructure, in terms of capital management, financial leveraging and stakeholder engagement. At existing businesses, management continued to focus on business optimisation by reducing operational and fixed costs, maximising capacity and exploring additional revenue-generating activities within existing services and infrastructure.

Ports, Terminals and Rail looks forward to a stable year. The fundamentals underpinning the iron-ore market remain robust. Coal consumption will continue to increase year on year, although the market fundamentals are currently less supportive than those for iron ore. The Maputo investments are expected to continue increasing contribution to profit. During the past nine years, traffic through the port has increased nine-fold, a trend which is expected to continue. Global seaborne trade volumes continue to increase, with the current cargoes of nine billion tonnes a year anticipated to grow to between 19 and 24 billion tonnes by 2030. The Grindrod rail services offering and contribution to bottom-line will increase with the demand for commodities as the expansion of services continues.

### **Logistics**

The Logistics earnings from trading activities of R83,4 million (2012: R51,8 million) were 61,0 per cent higher than during the prior year, driven by strong results in the freight handling businesses.

Logistics continued its focus on improved operating efficiencies and asset utilisation, together with geographic diversification. Grindrod Logistics was successful in securing Roslyn-based owner equipment manufacturers through the Grindrod Maputo car terminal. The fuel transport business expanded operations in Mozambique and Namibia. In the renewable energy sector, the heavy-lift company, Vanguard, commissioned the first wind farm in South Africa.

The recently merged ships agency business gives Sturrock Grindrod Maritime the opportunity to grow its dry and containerised ships agency offices, expand into oil and gas projects and explore expansion in the Middle East. Logistics will continue its business optimisation and integration initiatives to extend its facilities, services and market reach. Expansion opportunities into east and west Africa, off the existing service base and into new commodities, will be continuously evaluated.

### **Trading**

Consolidation and rebranding within the marine fuels business were completed and financial returns for the year were favourable on the back of successful market expansion in both the trading and port bunker businesses.

The industrial minerals business was influenced by continued weak demand for ferrous and ferroalloy products. Labour unrest in the platinum industry adversely influenced chrome shipments, but the coal trading business performed well. An empowerment transaction was concluded between Oreport and a company held by a Sisulu family trust, which will facilitate the repositioning of Oreport as an end-to-end service provider for junior miners.



## BUSINESS REVIEW *(continued)*

Equity investments in Senwes and NWK provide a basis for the expansion of Grindrod's footprint into the agricultural market in South and southern Africa. The significant loss incurred by Atlas was due largely to compressed margins as a result of increased competition, volatile markets and currencies which made hedging difficult and backwardation of soybean meal markets, which made it unprofitable to carry inventory. These factors, combined with a second year of severe drought, impacted crop yields in the inland region. Atlas crop origination and trading activities have been curtailed.

Over the long term, the outlook for the agricultural and industrial commodities markets remains robust, as do the fundamentals determining metals and minerals demand. In the short term, coal, chrome and steel markets are oversupplied, depressing market prices. The outlook for the marine fuels market is fundamentally stable.

Business integration, commodity and geographic diversification and cost optimisation will be key focus areas in 2014.

### **Shipping**

The Shipping division recorded a profit in a year that witnessed improved freight rates and increased fleet utilisation in the dry-bulk market, but the liquid-bulk market remained challenging. The ship operating business continued its solid performance. The division's R160,4 million headline earnings is a significant improvement on the prior year earnings (2012: R6,0 million). Shipping basic earnings of R760,8 million includes a foreign currency translation reserve (FCTR) release of R641 million on cessation of certain offshore operations due to internal restructuring (2012: R167,2 million loss including an impairment of ship values of R173,3 million).

With market conditions offering highly competitive newbuilding pricing, an asset ownership joint venture was formed to increase the dry-bulk fleet under commercial and technical management and orders were placed in Japan for six handysize and five supramax next-generation eco fuel-efficient bulk carriers for delivery the middle of 2014 onwards. The long-term charter of five Japanese-built, Japanese-owned next-generation eco fuel-efficient supramax bulk carriers was also concluded, with the vessels due to start delivering from the end of 2014 onwards.

Operational efficiencies and good performances in the ship operating activities supported average daily earnings, which once again outperformed average spot market rates across all sectors.

During the year, four new-generation eco fuel-efficient 52 000dwt medium-range product tankers were delivered into the Vitol joint venture, Leopard Tankers. Two long-term chartered next-generation eco fuel-efficient 51 000dwt medium-range product tankers and two owned handysize bulk carriers were also delivered.

The shipping fleet increased from 36,5 in 2012 to 37,5 in 2013. Forward contracts on 28 per cent (weighted by revenue) of vessels in 2014 will lock in US\$7 million of operating profit. Ten per cent of the fleet is already under contract for 2015.

The dry-bulk division is well placed to benefit from the expected upturn in the market. Towards the end of 2013, the improved balance between vessel supply and cargo demand pushed fleet utilisation up towards 90 per cent. Dry-bulk seaborne demand for vessels during 2014 and 2015 is expected to grow by between six and seven per cent, while net fleet additions are expected to add only between four-and-a-half and five per cent to vessel supply.

The tanker division is also expected to benefit from increased demand for products with a number of new export refineries opening in the Middle East and India. However, uncertainty remains due to changing trade patterns caused by the US shale gas revolution.



## Financial Services

Financial Services concluded 2013 with a growth in attributable profit from R65,1 million in 2012 to R92,2 million in 2013. Third-party assets under management grew by 11,8 per cent with the new stock-broking business achieving discretionary managed assets of R500 million.

The division successfully concluded the rollout of the South African Social Security Agency (SASSA) project with some 9,7 million debit cards now having been issued to SASSA beneficiaries. These cards now account for 30 per cent of all BankservAfrica ATM transactions, running at 2 400 ATM transactions a minute when grants are paid.

The bank's credit and liquidity remain sound with nominal bad debts for the period and a capital adequacy ratio of 13,1 per cent at year-end. Financial Services funding, exclusive of SASSA deposits of R3,9 billion, increased by 34,4 per cent to R4,9 billion. Advances increased by 16,2 per cent to R3,7 billion.

A UK property private equity fund has been launched with £27 million of quality assets acquired at year-end.

Financial Services has laid the foundation for continued, sustainable growth across its business, within the strict governance parameters in this sector. Low interest rates stimulate investments in non-banking asset classes, which include two areas where the division achieves excellent results, namely managed assets and property. Low interest rates also make loan repayments easier, resulting in a reduced bad-debt risk.

Key challenges facing the division in achieving its growth objectives are wider market penetration to increase services and volumes.



## BUSINESS REVIEW *(continued)*

### **Basis of preparation**

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements and have been restated for adoption of applicable statements as well as reclassification of balances.

These summarised consolidated annual financial statements were approved by the board of directors on 25 February 2014.

### **Accounting policies**

The accounting policies adopted and methods of computation used in the preparation of the summarised consolidated annual financial statements are in terms of IFRS and are consistent with those of the consolidated annual financial statements for the year ended 31 December 2012.

### **Audit opinion**

The auditors, Deloitte & Touche, have issued their audit opinion on the group's financial statements for the year ended 31 December 2013.

These summarised consolidated annual financial statements have been derived from the group financial statements and the auditors expressed an unmodified opinion thereon. A copy of their audit report on the group's financial statements and summarised consolidated annual financial statements is available for inspection at the company's registered office.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

The auditors' report does not necessarily cover all of the information contained in this audited results and dividend announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' work, they should obtain a copy of that report, together with the accompanying financial information from the registered office of the company.

### **Change in directorate**

Grindrod announces that, following the celebration of his 70th birthday, the chairman of the board, Mr Ivan Clark, will retire at the forthcoming AGM on 28 May 2014 in terms of Grindrod's policy. Since his appointment in 1977, Ivan has made a significant contribution in his various roles to the group's development, diversification and future sustainability.

The board has elected Mr Mike Hankinson to succeed Ivan as the new chairman after the AGM, effective 30 May 2014. Mike has served on the Grindrod board since December 2009 and is, in addition to being a member of the audit committee, chairman of both the remuneration and nomination and the social and ethics committees. Mike also serves as chairman of the boards of Spar Group Limited and Brandcorp Holdings Proprietary Limited and as a non-executive director of Illovo Sugar Limited. Former appointments include those of CEO of Dunlop and Romatex Limited.



We are further pleased to announce the appointment of Mr Nkululeko Sowazi as independent non-executive director with immediate effect. Nkululeko is the chairman of Kagiso Tiso Holdings Proprietary Limited and Litha Healthcare Holdings and currently serves as a non-executive director on the boards of, inter alia, Exxaro Resources Limited and Actom Holdings Proprietary Limited.

Nkululeko holds an MA from the University of California, Los Angeles (UCLA) and has over 15 years' experience in investment management and vast knowledge of and exposure to the mining, infrastructure and financial services sectors. His appointment will strengthen the collective skills base of the board. We are confident that Nkululeko will make a significant contribution to the Grindrod board.

We thank Ivan for his guidance and leadership and congratulate Mike and Nkululeko on their respective appointments.

### **Post balance sheet events**

There are no material post balance sheet events to report.

### **Prospects**

Grindrod is well positioned to further capitalise on its well-developed opportunities using its extensive experience in the logistics value chain, respected brand and shareholder support.

For and on behalf of the board

**IAJ Clark**  
*Chairman*

**AK Olivier**  
*Chief Executive Officer*



# DECLARATION OF FINAL DIVIDEND

## Preference dividend

Notice is hereby given that a gross final dividend of 377,0 cents per cumulative, non-redeemable, non-participating and non-convertible preference share (2012: 379,0 cents) has been declared out of income reserves for the year ended 31 December 2013, payable to preference shareholders in accordance with the timetable.

In terms of the dividend tax effective since 1 April 2012, the following additional information is disclosed:

- The local dividend tax rate is 15 per cent;
- No secondary tax on companies (STC) credits will be utilised for the final preference dividend;
- 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares are in issue;
- The final net preference dividend is 320,45000 cents per share for preference shareholders who are not exempt from dividends tax; and
- Grindrod Limited's tax reference number is 9435/490/71/0.

## Ordinary dividend

Notice is hereby given that a gross final dividend of 17,1 cents per ordinary share (2012: 15,4 cents) has been declared out of income reserves for the year ended 31 December 2013, payable to ordinary shareholders in accordance with the timetable.

In terms of the dividend tax effective since 1 April 2012, the following additional information is disclosed:

- The local dividend tax rate is 15 per cent;
- No STC credits will be utilised for the final ordinary dividend;
- 600 765 314 ordinary shares are in issue;
- The final net ordinary dividend is 14,53500 cents per share for ordinary shareholders who are not exempt from dividends tax; and
- Grindrod Limited's tax reference number is 9435/490/71/0.

## Timetable

Declaration date	Thursday, 27 February 2014
Last day to trade cum dividend	Thursday, 13 March 2014
Shares commence trading ex dividend	Friday, 14 March 2014
Record date	Thursday, 20 March 2014
Dividend payment date	Monday, 24 March 2014

No dematerialisation or rematerialisation of shares will be allowed for the period Friday, 14 March 2014, to Thursday, 20 March 2014, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa.

By order of the board

### Mrs Cl Lewis

*Group Company Secretary*  
25 February 2014



# CORPORATE INFORMATION

## Directors

IAJ Clark (Chairman)\*, AK Olivier (Chief Executive Officer), H Adams\*\*, AC Brahde\*\* (Norwegian), JJ Durand\*, MR Faku\*, WD Geach\*\*, GG Gelink\*\*, IM Groves\*\*, MJ Hankinson\*\*, DA Polkinghorne, DA Rennie, NL Sowazi\*\*, PJ Uys (alternate)\*, MR Wade (British), AG Waller (Group Financial Director), SDM Zungu\*\* (\* *Non-executive*, \*\* *Independent non-executive*)

## Registered office

Quadrant House  
115 Margaret Mncadi Avenue  
Durban  
4001  
PO Box 1, Durban, 4000

## Transfer secretaries

Computershare Investor Services Proprietary Limited  
70 Marshall Street  
Johannesburg  
2001  
PO Box 61051, Marshalltown, 2107

## Sponsor

Grindrod Bank Limited  
Third Floor  
Grindrod Towers  
8A Protea Place  
Sandton  
2196  
PO Box 78011, Sandton, 2146

**Registration number:** 1966/009846/06

Incorporated in the Republic of South Africa

**Share code:** GND & GNPD

**ISIN:** ZAE000072328 and ZAE000071106

For more information, please refer to **[www.grindrod.co.za](http://www.grindrod.co.za)**

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