

2004 Interim Report and Dividend Announcement



155% increase in headline earnings per share

178% increase in interim dividend

149% increase in cash generated from operations

Group Income Statement

	Six months ended 30 June			Year ended 31 December
	Unaudited 2004 R000	Unaudited 2003 R000	Change %	Audited 2003 R000
Revenue	1 409 446	1 026 805	37	1 976 418
Trading income	308 874	160 597		334 951
Depreciation	(32 268)	(34 295)		(55 100)
Operating income before interest and taxation	276 606	126 302		279 851
Non-trading items	(2 834)	(2 369)		161
Interest received	15 983	13 552		49 760
Interest paid	(51 013)	(55 099)		(116 832)
Income before taxation	238 742	82 386		212 940
Taxation	(26 552)	(2 142)		(4 489)
Income after taxation	212 190	80 244		208 451
Income from associate companies net of taxation	15 032	13 059		31 704
Income after taxation including associate companies	227 222	93 303		240 155
Outside shareholders' interest	(271)	(257)		(256)
Income attributable to shareholders	226 951	93 046	144	239 899
Reconciliation of headline earnings				
Income attributable to shareholders	226 951	93 046		239 899
Adjusted for non-trading items	2 834	2 369		(161)
Goodwill	3 240	2 611		1 286
Facility closure cost	—	—		1 696
Profit on sale of investments	—	—		(1 040)
Profit on sale of containers and equipment	(406)	(242)		(2 103)
Headline earnings	229 785	95 415	141	239 738
Number of shares in issue (000's)	89 266	95 360		96 137
Weighted average number of shares on which earnings per share are based (000's)	89 702	95 100		95 542
Diluted weighted average number of shares on which diluted earnings per share are based (000's)	95 536	100 602		100 367
Earnings per share (cents)				
Basic	253,0	97,8		251,1
Diluted	237,6	92,5		239,0
Headline earnings per share (cents)				
Basic	256,2	100,3	155	250,9
Diluted	240,5	94,8		238,9
Dividends per share (cents)				
Interim	50,0	18,0	178	18,0
Final	—	—		42,0
Dividend cover (times)	5,1	5,4		4,2
Interest cover (times)	7,8	3,0		4,2
Exchange rates (R/US\$)				
Opening exchange rate	6,64	8,63		8,63
Closing exchange rate	6,16	7,49		6,64
Average exchange rate	6,70	8,07		7,59

Group Balance Sheet

	30 June		31 December
	Unaudited	Unaudited	Audited
	2004	2003	2003
	R000	R000	R000
Fixed assets	1 344 522	835 990	961 884
Intangible assets	33 838	19 747	37 074
Investments in associates	128 872	121 611	133 989
Deferred taxation	3 164	—	4 725
Financial assets and other investments	78 910	80 389	181 527
Bank balances and cash	328 702	227 775	244 994
Other current assets	418 282	382 868	528 305
Total assets	2 336 290	1 668 380	2 092 498
Ordinary shareholders' equity	646 084	525 378	608 952
Outside shareholders' interest	7 699	6 234	7 428
Deferred taxation	—	2 685	—
Provision for post retirement medical aid	51 266	60 031	49 790
Interest bearing debt	910 047	799 431	856 515
	1 615 096	1 393 759	1 522 685
Other liabilities	721 194	274 621	569 813
Total funding	2 336 290	1 668 380	2 092 498
Net debt : equity ratio	0,77:1	0,70:1	0,61:1
Capital expenditure	283 206	111 130	242 457
Capital commitments			
Authorised by directors and contracted for	1 013 563	642 871	865 742
Due within one year	368 594	371 056	429 200
Due thereafter	644 969	271 815	436 542
Authorised by directors not yet contracted for	226 663	26 447	12 658

Divisional Analysis of Earnings

	30 June		31 December
	Unaudited	Unaudited	Audited
	2004	2003	2003
	R000	R000	R000
Shipping Services	209 173	76 288	192 676
Freight and Financial Services	17 778	16 758	47 223
	226 951	93 046	239 899

Statement of Changes in Equity

	Share capital and premium R000	Foreign currency and other reserves R000	Accumulated profit R000	Total R000
Balance at 31 December 2002	81 308	90 933	349 258	521 499
Adjustment on adoption of AC133			604	604
As restated	81 308	90 933	349 862	522 103
Share options exercised	2 951			2 951
Cancellation of share capital	(732)			(732)
Foreign currency translation adjustments		(113 204)		(113 204)
Attributable to exchange rate movement		(87 759)		(87 759)
Realised on repayment of loans/sale of ships		(34 601)		(34 601)
Deferred taxation effect of sale of ship		9 156		9 156
Profit attributable to ordinary shareholders			239 899	239 899
Dividends paid			(42 065)	(42 065)
Balance at 31 December 2003	83 527	(22 271)	547 696	608 952
Share options exercised	3 530			3 530
Shares repurchased and cancelled	(83 376)		(22 771)	(106 147)
Foreign currency translation adjustments		(50 078)		(50 078)
Profit attributable to ordinary shareholders			226 951	226 951
Dividends paid			(37 124)	(37 124)
Balance at 30 June 2004	3 681	(72 349)	714 752	646 084

Group Cash Flow Statement

	30 June		31 December
	Unaudited	Unaudited	Audited
	2004	2003	2003
	R000	R000	R000
Cash generated from operations excluding working capital	322 659	129 758	241 514
Working capital movements	54 043	(46 600)	(2 214)
Net interest paid	(35 030)	(41 547)	(85 628)
Net dividends paid	(18 770)	(15 858)	(29 557)
Taxation paid	(1 467)	(1 732)	(2 698)
Net cash inflow from operating activities	321 435	24 021	121 417
Acquisition of fixed assets and investments	(315 512)	(186 525)	(347 763)
Proceeds from disposal of fixed assets and investments	87 156	396 231	443 590
Cost of discontinuing operations	—	(4 093)	—
Loans repaid by associate companies	1 772	4 250	13 818
Finance lease receipts	21 608	14 978	23 591
Net cash (outflow)/inflow from investing activities	(204 976)	224 841	133 236
Proceeds from issue of ordinary share capital	3 530	1 661	2 951
Repurchase of ordinary share capital	(106 147)	(732)	(732)
Proceeds from borrowings	322 836	—	96 581
Payment of capital portion of long-term borrowings	(45 326)	(200 612)	(262 991)
Short term loans (repaid)/raised	(180 704)	91 899	17 131
Net cash outflow from financing activities	(5 811)	(107 784)	(147 060)
Net increase in cash and cash equivalents	110 648	141 078	107 593
Cash and cash equivalents at beginning of period	189 150	85 844	85 844
Proportional consolidation of joint venture	—	—	2 183
Difference arising on translation	(6 403)	(8 165)	(6 470)
Cash and cash equivalents at end of period	293 395	218 757	189 150

The board of directors is pleased to report a 144% increase in earnings to R227,0 million for the six months to 30 June 2004. Headline earnings per share rose to 256,2 cents, an increase of 155% over the six months to 30 June 2003.

The group has continued to benefit from the charters it entered into during market lows and from strong shipping markets in the current period. The high markets contributed significantly to a 313% increase in the US Dollar income over the corresponding period of last year. However, the **much stronger Rand** negatively impacted on reported earnings and limited revenue growth to 37%.

Shipping Services

Shipping Services achieved excellent results for the period despite the negative effect of the strong Rand.

Island View Shipping, the group's **dry bulk owner and operator**, has a **substantial fleet of handysize, panamax and capesize bulk carriers owned or chartered in at favourable rates**. Island View Shipping achieved high growth in the period due to the strong bulk shipping markets and its favourable fleet charter base. Island View Shipping continues to increase its fleet with the delivery of further handysize vessels that were contracted for charter some time ago.

Unicorn Shipping, the group's **product and chemical tanker owner and operator**, achieved solid results in spite of the significant negative impact the strong Rand has on its performance. Both the product and chemical tanker markets have been firm during the period and are anticipated to remain strong for the foreseeable future. Through long-term charters and newbuildings on order, Unicorn Shipping is **increasing its fleet size substantially**.

In line with the group's **strategy to diversify risk through having a mix of ships on long-term charter and in spot markets, 40% of the fleet (60% if weighted by tonnage) is currently employed through fixed charters ranging in term from one to three years**. These long-term charters will ensure that the effect on earnings will be minimised should markets decline in the future. Although dry bulk shipping markets have **come off the record highs** of the first quarter of 2004, they **have improved recently** and continue to hold at very favourable levels.

Freight and Financial Services

The group's freight and financial services operations increased their earnings despite the strong Rand, which has had a negative effect on volumes and US Dollar earnings in the export driven businesses.

Grindrod Ships Agencies increased its customer base during the period and Grindrod International Travel continued to expand through the acquisition of new operations in major centres.

The landfreight logistics businesses have expanded further into fast moving consumer goods logistics and distribution through an acquisition during the period. The group is looking to further grow these businesses **through "greenfield" opportunities, increased market share**, as well as the **acquisition of complementary transport and logistic operations**, and the **development of warehousing and terminal facilities in Southern African ports**. In line with the group's commitment to Black Economic Empowerment (BEE), **the involvement of BEE partners in this process will be a key objective**.

Ocean Africa Container Lines (formerly Unifeeder), the group's seafreight logistics partnership with Safmarine Container Lines servicing regional shipping and logistical needs, increased its contribution for the period.

The investment in Marriott performed well for the period. Marriott Merchant Bank increased its fee income while the property and asset management divisions increased assets under management.

Capital Expenditure and Commitments

Capital expenditure and commitments of the group are:

Description	Capital expenditure	Capital commitments		
		Six months to 31 Dec 2004	2005	Thereafter
	Six months to 30 June 2004	Six months to 31 Dec 2004	2005	Thereafter
R000's				
Ships	244 395	281 610	179 267	512 327
Property, plant and equipment	38 811	29 859	10 500	—
Total	283 206	311 469	189 767	512 327

Two 37 000 dwt product tankers were delivered during the period. *Southern Unity* is on charter to oil majors in South Africa through Southern Tankers, a BEE company, and *Nyathi* has been chartered by a European oil major. Orders have been placed for a further two product tankers bringing the number of these ships still to be delivered to five.

Capital commitments will be funded from cash generated by operations and ship financing facilities.

The Rand market value of the group's owned fleet is higher than cost or current book value, despite the level of the Rand/US Dollar exchange rate.

Group Borrowings and Cash Flow

Strong operating cash flows have resulted in group net borrowings reducing from R611,5 million at 31 December 2003 to R581,3 million in spite of financing raised on the delivery of the two product tankers, progress payments on ships under construction and the share repurchase detailed below. However, the debt : equity ratio has increased from 61% to 77% as a result of the effect of the share repurchase and the strong Rand/US Dollar exchange rate on equity. This is well within the 100% guideline set by the group.

Equity

In February 2004, shareholders approved a specific repurchase of ordinary shares and the consolidation of the group's shareholding into one class of share with the abolishment of the "N" ordinary share structure. As a consequence 8 958 956 ordinary shares acquired for R106,1 million at an average price of R11,84 per share were cancelled.

Accounting Policies and Presentation

This report has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2003.

Dividend

An interim dividend of 50,0 cents per share (2003: 18,0 cents per share) has been declared.

Prospects

Despite the current strength of the Rand against the US Dollar, the group is confident of achieving similar earnings levels in the second half of 2004 through the current strength in the world shipping markets, the high level of contracted revenue from charter fixtures and growth in existing business activities.

For and on behalf of the Board

W M Grindrod

Chairman

26 July 2004

I A J Clark

Group Managing Director

DECLARATION OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend of 50,0 cents per share (2003: 18,0 cents per share) has been declared payable to shareholders in accordance with the undermentioned timetable. The dividend is declared in the currency of the Republic of South Africa.

Last date to trade

cum-dividend Friday, 20 August 2004

Trading ex-dividend

commences Monday, 23 August 2004

Record date

Friday, 27 August 2004

Dividend payment date

Monday, 30 August 2004

No dematerialisation or rematerialisation of shares will be allowed for the period from 23 August 2004 to 27 August 2004, both days inclusive.

By order of the Board

C A S Robertson

Secretary

26 July 2004



Directors

W M Grindrod* (*Chairman*), D R D White* (*Deputy Chairman*), I A J Clark (*Group Managing Director*), H Adams*, I M Groves*, J C Hall* CBE, J G Jones, T J T McClure, R A Norton*, A K Olivier, D A Rennie, A F Stewart, L R Stuart-Hill, R J H Whitley* **Non-executive*

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