Grindrod Limited
Unaudited Interim Results

for the six months ended 30 June 2018

Contents

Key financial information

Performance from continuing operations – Freight Services and Financial Services

- Revenue inclusive of joint ventures up 5% to R11 051.7 million (H1 2017: R10 515.9 million)
- EBITDA inclusive of joint ventures up 21% to R531.2 million (H1 2017: R437.5 million)
- Headline earnings R284.8 million (H1 2017: R231.5 million), a 23% improvement on prior year
- Headline earnings per share 37.8 cents (H1 2017: 30.8 cents)
- Earnings per share 46.7 cents (H1 2017: 45.6 cents)

Performance from discontinued operations

- Includes release of foreign currency translation gain of R2.8 billion

Performance from total operations

- Earnings per share 317.3 cents (H1 2017 loss per share: 11.5 cents)
- Headline earnings per share 3.8 cents (H1 2017 headline loss per share: 17.2 cents)
- Net asset value per share 1 257 cents (H1 2017: 1 909 cents, inclusive of the Shipping business)
- Nil gearing (H1 2017: 5%)
- No interim ordinary dividend declared (H1 2017: no interim ordinary dividend declared)

Condensed consolidated income statement

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000 Re-presented*	Audited 31 December 2017 R000
Continuing operations			
Revenue	**1 549 842**	1 481 643	3 059 422
Earnings before interest, taxation, depreciation and amortisation	**249 600**	274 765	621 981
Depreciation and amortisation	**(87 569)**	(95 412)	(195 844)
Operating profit before interest and taxation	**162 031**	179 353	426 137
Non-trading items	**80 751**	120 473	129 272
Interest received	**123 244**	103 574	264 575
Interest paid	**(36 959)**	(46 079)	(97 850)
Profit before share of joint venture and associate companies' profit	**329 067**	357 321	722 134
Share of joint venture companies' profit after taxation	**136 656**	58 815	111 475
Share of associate companies' profit after taxation	**43 293**	20 793	60 481
Profit before taxation	**509 016**	436 929	894 090
Taxation	**(120 084)**	(56 926)	(172 937)
Profit for the period from continuing operations	**388 932**	380 003	721 153
Discontinued operations			
Profit/(loss) after taxation from discontinued operations	**2 036 402**	(428 820)	(1 229 023)
Profit/(loss) for the period	**2 425 334**	(48 817)	(507 870)
Attributable to:			
Ordinary shareholders	**2 387 767**	(86 623)	(582 695)
From continuing operations	**351 346**	342 177	646 275
From discontinued operations	**2 036 421**	(428 800)	(1 228 970)
Preference shareholders	**32 680**	33 907	67 645
Owners of the parent	**2 420 447**	(52 716)	(515 050)
Non-controlling interests	**4 887**	3 899	7 180
From continuing operations	**4 906**	3 919	7 233
From discontinued operations	**(19)**	(20)	(53)
	2 425 334	(48 817)	(507 870)

* Re-presented for discontinued operations as detailed in the basis of preparation

Earnings per share information

for the six months ended 30 June 2018

		Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000 Re-presented*	Audited 30 December 2017 R000
Reconciliation of headline earnings from continuing operations				
Profit attributable to ordinary shareholders		**351 346**	342 177	646 275
Adjusted for:		**(66 556)**	(110 690)	(75 474)
Impairment of investments		**-**	126 425	126 479
Impairment of ships, intangibles, vehicles and equipment		**-**	-	8 503
Net profit on disposal of investments		**-**	-	(1 226)
Net profit on disposal of plant and equipment		**(81 008)**	(17)	(17 372)
Foreign currency translation reserve release		**-**	(246 882)	(245 656)
Joint ventures and associates:				
Net profit on disposal of investments		**(80)**	-	-
Net loss on disposal of plant and equipment		**197**	127	121
(Reversal of impairment)/impairment of ships, intangibles, vehicles and equipment		**(1 229)**	7 281	16 735
(Reversal of impairment)/impairment of investments		**(2 675)**	2 376	31 748
Impairment of goodwill		**134**	-	-
Total taxation effects of adjustments		**18 105**	-	5 194
Headline earnings from continuing operations		**284 790**	231 487	570 801
Ordinary share performance				
Number of shares in issue less treasury shares	(000s)	**753 084**	751 257	751 640
Weighted average number of shares (basic)	(000s)	**752 504**	751 004	751 164
Diluted weighted average number of shares	(000s)	**758 205**	756 391	755 810
Basic earnings/(loss) per share:	(cents)			
From continuing operations		**46.7**	45.6	86.0
From discontinued operations		**270.6**	(57.1)	(163.6)
Total		**317.3**	(11.5)	(77.6)
Diluted earnings/(loss) per share:	(cents)			
From continuing operations		**46.3**	45.2	85.5
From discontinued operations**		**268.6**	(57.1)	(163.6)
Total		**314.9**	(11.9)	(78.1)
Headline earnings per share from continuing operations:	(cents)			
Basic		**37.8**	30.8	76.0
Diluted		**37.6**	30.6	75.5

* Re-presented for discontinued operations as detailed in the basis of preparation
** In the prior year diluted loss per share from discontinued operations was calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive scheme shares

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Profit/(loss) for the period	**2 425 334**	(48 817)	(507 870)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**706 955**	(402 012)	(799 595)
Net movement in cash flow hedges	**186**	253	760
Business combinations	**(2 006)**	943	1 946
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains	**-**	-	7 102
Fair value gain/(loss) arising on available-for-sale instruments	**690**	-	(1 901)
Total comprehensive income/(loss) for the year	**3 131 159**	(449 633)	(1 299 558)
Total comprehensive income/(loss) attributable to:			
Owners of the parent	**3 124 847**	(452 535)	(1 304 522)
Non-controlling interest	**6 312**	2 902	4 964
	3 131 159	(449 633)	(1 299 558)

Condensed consolidated statement of financial position
as at 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Ships, property, terminals, machinery, vehicles and equipment	**1 564 701**	5 072 775	1 478 003
Intangible assets	**706 145**	1 032 254	710 909
Investments in joint ventures	**2 798 479**	3 650 865	2 453 230
Investments in associates	**916 509**	917 385	867 220
Deferred taxation	**54 865**	91 253	59 313
Other investments and derivative financial assets	**2 582 640**	2 252 373	2 389 218
Total non-current assets	**8 623 339**	13 016 905	7 957 893
Loans and advances to bank customers	**7 524 148**	6 313 277	7 149 198
Liquid assets and short-term negotiable securities	**2 209 999**	1 937 342	1 763 875
Bank balances and cash	**11 105 598**	6 601 649	8 970 274
Other current assets	**2 301 559**	4 200 316	2 466 331
Non-current assets held for sale	**253 834**	1 140 866	6 641 399
Total assets	**32 018 477**	33 210 355	34 948 970
Shareholders' equity	**10 157 816**	15 036 526	14 152 823
Non-controlling interests	**49 881**	48 928	44 659
Total equity	**10 207 697**	15 085 454	14 197 482
Interest-bearing borrowings	**318 571**	1 727 396	295 429
Financial Services funding instruments	**1 024 678**	1 157 184	720 137
Deferred taxation	**243 548**	265 350	244 655
Other non-current liabilities	**52 691**	113 826	66 199
Total non-current liabilities	**1 639 488**	3 263 756	1 326 420
Deposits from bank customers	**17 183 473**	11 239 939	14 640 363
Current interest-bearing borrowings	**543 767**	884 745	349 881
Financial Services funding instruments	**550 844**	257 971	738 953
Other liabilities	**1 455 462**	1 771 667	1 300 360
Non-current liabilities associated with assets held for sale	**437 746**	706 823	2 395 511
Total equity and liabilities	**32 018 477**	33 210 355	34 948 970
Net worth per ordinary share − at book value (cents)*	**1 257**	1 909	1 790
Net debt equity ratio	**(0.09:1)**	0.05:1	0.00:1
Capital expenditure	**433 327**	181 331	389 472

	30 June 2018 R000	**30 June 2018 US$000**	30 June 2017 R000	30 June 2017 US$000	31 December 2017 R000	31 December 2017 US$000
Capital commitments	**143 345**	**7 769**	192 406	23 358	29 000	19 000
Authorised by directors and contracted for	**30 685**	**-**	26 749	10 787	29 000	19 000
Due within one year	**30 685**	**-**	22 749	6 210	29 000	19 000
Due thereafter	**-**	**-**	4 000	4 577	-	-
Authorised by directors not yet contracted for	**112 660**	**7 769**	165 657	12 571	-	-

* June 2018 excludes the Shipping business

Condensed consolidated statement of cash flows

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000 Re-presented*	Audited 31 December 2017 R000
Operating profit from continuing operations	**162 031**	179 353	426 142
Operating loss from discontinued operations	**(257 189)**	(271 806)	(825 287)
Non-cash adjustments	**157 378**	322 231	860 797
Operating profit before working capital changes	**62 220**	229 778	461 652
Working capital changes	**(166 704)**	(228 164)	97 566
Cash (utilised in)/generated from operations**	**(104 484)**	1 614	559 218
Net interest received/(paid)	**20 478**	(9 675)	38 335
Net dividends (paid)/received	**(29 350)**	59 360	55 570
Taxation paid	**(73 785)**	(45 835)	(169 616)
	(187 141)	5 464	483 507
Net deposits from/(advances to) customers and other short-term negotiables	**1 716 281**	(2 965 021)	(227 051)
Deposits − Retail Banking	**2 081 492**	(2 900 263)	120 876
Other	**(365 211)**	(64 758)	(347 927)
Net cash flows generated from/(utilised in) operating activities before ships sales and purchases	**1 529 140**	(2 959 557)	256 456
Proceeds on disposal of ships	**-**	-	238 097
Capital expenditure on ships	**(242 244)**	(21 911)	(69 753)
Net cash flows generated from/(utilised in) operating activities	**1 286 896**	(2 981 468)	424 800
Acquisition of other investments, property, terminals, machinery, vehicles and equipment	**(208 481)**	(326 943)	(368 457)
Net (outflow)/proceeds from disposal of property, terminals, machinery, vehicles, equipment and investments	**(461 301)**	15 356	169 900
Intangible assets acquired	**(44)**	(435)	(4 110)
Proceeds from disposal of intangible assets	**353**	88	7 948
Funds advanced from/(to) joint ventures and associate companies	**261 707**	(11 618)	(22 144)
Acquisition of additional investments in subsidiaries, joint ventures and associates	**(406)**	(53 849)	(82 448)
Net cash flows utilised in investing activities	**(408 172)**	(377 401)	(299 311)
Acquisition of treasury shares	**-**	(1 386)	(1 386)
Long-term interest-bearing debt raised	**1 353 906**	1 166 179	1 277 549
Payment of capital portion of long-term interest-bearing debt	**(1 053 837)**	(576 675)	(1 030 371)
Short-term interest-bearing debt raised	**93**	-	-
Net cash flows generated from financing activities	**300 162**	588 118	245 792
Net increase/(decrease) in cash and cash equivalents	**1 178 886**	(2 770 751)	371 281
Cash and cash equivalents at beginning of the period	**9 558 382**	9 294 457	9 294 457
Difference arising on translation	**125 319**	(47 928)	(107 356)
Cash and cash equivalents at end of the period	**10 862 587**	6 475 778	9 558 382

* Re-presented for discontinued operations as detailed in the basis of preparation

** June 2017: Included in “Cash generated from operations” is cash utilised of R244.4 million relating to the Rail businesses held for sale

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Share capital and share premium	**4 430 048**	5 985 504	5 992 754
Balance at beginning of the period	**5 992 754**	5 971 719	5 971 719
Share options vested	**21 656**	15 171	22 421
Return of share capital	**(1 584 362)**	-	-
Treasury shares acquired	**-**	(1 386)	(1 386)
Preference share capital	**2**	2	2
Balance at beginning of the period	**2**	2	2
Equity compensation reserve	**51 928**	58 854	58 364
Balance at beginning of the period	**58 364**	68 513	68 513
Share-based payments	**16 968**	5 512	12 272
Share options vested	**(21 656)**	(15 171)	(22 421)
Balance disposed on Shipping exit	**(1 748)**	-	-
Foreign currency translation reserve	**1 380 362**	3 906 383	3 505 281
Balance at beginning of the period	**3 505 281**	4 546 313	4 546 313
Foreign currency translation realised	**(2 830 449)**	(238 915)	(243 653)
Foreign currency translation adjustments	**705 530**	(401 015)	(797 379)
Other non-distributable statutory reserves	**(42 664)**	(45 076)	(43 566)
Balance at beginning of the period	**(43 566)**	(51 592)	(51 592)
Financial instrument hedge settlement	**186**	864	3 005
Foreign currency translation adjustments	**(382)**	1 040	2 035
Fair value adjustment on hedging reserve	**14 068**	(708)	(202)
Deferred tax effect on cash flow hedge	**-**	-	(2 132)
Net business combination acquisition	**-**	5 320	5 320
Balance disposed on Shipping exit	**(12 970)**	-	-
Accumulated profit	**4 338 140**	5 130 859	4 639 988
Balance at beginning of the period	**4 639 988**	5 217 482	5 217 482
Transitional provision – implementation of IFRS 9 and IFRS 15	**(33 217)**	-	-
Fair value gain arising on available-for-sale financial instruments	**690**	-	(1 901)
Actuarial gains recognised	**-**	-	7 102
Profit/(loss) for the period	**2 420 447**	(52 716)	(515 050)
Ordinary dividends paid*	**(2 657 088)**	-	-
Preference dividends paid	**(32 680)**	(33 907)	(67 645)
Total interest of shareholders of the company	**10 157 816**	15 036 526	14 152 823
Equity attributable to non-controlling interests of the company	**49 881**	48 928	44 659
Balance at beginning of the period	**44 659**	48 919	48 919
Foreign currency translation adjustments	**1 425**	(997)	(2 216)
Non-controlling interest disposed	**-**	244	244
Profit for the period	**4 887**	3 899	7 180
Dividends paid	**(1 090)**	(3 137)	(9 468)
Total equity attributable to all shareholders of the company	**10 207 697**	15 085 454	14 197 482

***** Ordinary dividends relate to the Shipping spin-off

Segmental analysis for continuing operations

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000 Re-presented*	Audited 31 December 2017 R000
Revenue			
Port and Terminals	**411 598**	421 159	874 607
Logistics	**1 246 062**	1 139 247	2 336 408
Financial Services	**233 441**	224 993	467 039
Marine Fuel and Agricultural Logistics	**9 122 391**	8 720 011	17 585 797
Group	**38 188**	10 490	12 045
	11 051 680	10 515 900	21 275 896
Segmental adjustments**	**(9 501 838)**	(9 034 257)	(18 216 474)
	1 549 842	1 481 643	3 059 422
Earnings/(loss) before interest, taxation, depreciation and amortisation			
Port and Terminals	**113 820**	152 176	309 247
Logistics	**250 077**	120 620	339 738
Financial Services	**197 486**	164 302	362 952
Marine Fuel and Agricultural Logistics	**29 129**	28 498	65 061
Group	**(59 325)**	(28 099)	(123 392)
	531 187	437 497	953 606
Segmental adjustments**	**(281 587)**	(162 732)	(331 625)
	249 600	274 765	621 981
Operating profit/(loss) before interest and taxation			
Port and Terminals	**61 630**	99 192	204 313
Logistics	**159 549**	36 273	165 275
Financial Services	**194 821**	161 594	357 707
Marine Fuel and Agricultural Logistics	**24 434**	23 903	50 740
Group	**(59 326)**	(25 526)	(124 525)
	381 108	295 436	653 510
Segmental adjustments**	**(219 077)**	(116 083)	(227 373)
	162 031	179 353	426 137
Share of associate companies' profit/(loss) after taxation			
Port and Terminals	**27 434**	27 288	54 077
Logistics	**294**	(5 129)	(10 130)
Marine Fuel and Agricultural Logistics	**39 456**	20 395	55 093
	67 184	42 554	99 040
Segmental adjustments**	**(23 891)**	(21 761)	(38 559)
	43 293	20 793	60 481
Profit/(loss) attributable to ordinary shareholders			
Port and Terminals	**91 691**	114 427	182 137
Logistics	**133 414**	173 546	221 809
Financial Services	**104 233**	80 256	188 958
Marine Fuel and Agricultural Logistics	**45 513**	16 801	57 777
Group	**(23 505)**	(42 853)	23 032
	351 346	342 177	673 713
Segmental adjustments**	**-**	-	(27 438)
	351 346	342 177	646 275

* Re-presented for discontinued operations as detailed in the basis of preparation

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

Income statement – Discontinued operations

for the six months ended 30 June 2018

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000 Re-presented*	Audited 31 December 2017 R000
Revenue	**1 954 635**	2 624 103	5 432 486
Loss before interest, taxation, depreciation and amortisation	**(257 189)**	(126 310)	(606 721)
Shipping	**(161 487)**	50 745	25 309
Rail	**(95 702)**	(177 055)	(632 030)
Depreciation and amortisation	**-**	(145 496)	(218 564)
Shipping	**-**	(134 444)	(204 450)
Rail	**-**	(11 052)	(14 114)
Operating loss before interest and taxation	**(257 189)**	(271 806)	(825 285)
Non-trading items	**2 304 691**	(68 435)	(587 770)
Gain on re-measurement of fair value less costs to sell	**-**	-	483 180
Interest received	**25 529**	9 980	71 646
Interest paid	**(46 475)**	(64 182)	(117 382)
Profit/(loss) before share of joint venture companies' loss	**2 026 556**	(394 443)	(975 611)
Share of joint venture companies' profit/(loss) after taxation	**30 338**	(8 964)	(162 356)
Profit/(loss) before taxation	**2 056 894**	(403 407)	(1 137 967)
Taxation	**(20 492)**	(25 413)	(91 056)
Profit/(loss) for the period	**2 036 402**	(428 820)	(1 229 023)
Attributable to:			
Owners of the parent	**2 036 421**	(428 800)	(1 228 970)
Non-controlling interests	**(19)**	(20)	(53)
	2 036 402	(428 820)	(1 229 023)

* Re-presented for discontinued operations as detailed in the basis of preparation

Related party transactions
for the six months ended 30 June 2018

During each period, the group, in the ordinary course of business, enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

Below is a list of significant related party transactions and balances for each year:

	Nature of relationship	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Goods and services sold to				
Vitol Shipping Singapore Pte Ltd	Joint venture	**54 073**	66 176	111 163
Goods and services purchased from				
Cockett Marine Oil Pte Ltd	Joint venture	**(268 797)**	(338 288)	(702 945)
Amounts due from related party				
Terminal De Carvo da Matola Ltda	Joint venture	**75 721**	344 305	313 132
Cockett Marine Oil Pte Ltd	Joint venture	**438 830**	623 504	420 203
GPR Leasing Africa	Joint venture	**168 316**	168 970	146 896
Newshelf 1279 (Pty) Ltd	Influence holder of the group	**579 963**	492 855	548 954
IVS Bulk Pte Ltd	Joint venture	**-**	262 219	283 632
Directors (directly or indirectly)	Directors and key officers	**173 222**	171 278	178 842

Foreign currency denominated items
as at 30 June 2018

Exchange rates (ZAR/US$)	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Opening exchange rate	**12.39**	13.69	13.69
Closing exchange rate	**13.73**	13.06	12.39
Average exchange rate	**12.31**	13.32	13.36

Fair value of financial instruments
as at 30 June 2018

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels 2 and 3 fair values were determined by applying either a combination of, or one of the following, valuation techniques:

- Market-related interest rate yield curves to discount expected future cash flows; and/or
- Projected unit method; and/or
- Market value; and/or
- The net asset value of the underlying investments; and/or
- A price earnings multiple or a discounted projected income/present value approach.

The fair value measurement for income approach valuation is based on significant inputs that are not observable in the market. Key inputs used in the valuation include discount rates and future profit assumptions based on historical performance but adjusted for expected growth. Management reassesses the earnings or yield multiples at least annually based on their assessment of the macro- and micro-economic environments.

	Unaudited 30 June 2018 R000 Level 1	Unaudited 30 June 2018 R000 Level 2	Unaudited 30 June 2018 R000 Level 3	Unaudited 30 June 2018 R000 Total
Financial assets				
Derivative financial assets	–	–	–	–
Financial assets designated at fair value through profit or loss	34 378	881 098	1 541 799	2 457 276
Total	34 378	881 098	1 541 799	2 457 276
Financial liabilities				
Derivative financial instruments	–	(7 140)	–	(7 140)
Other liabilities*	–	(91 816)	–	(91 816)
Total	–	(98 956)	–	(98 956)

	Unaudited 30 June 2017 R000 Level 1	Unaudited 30 June 2017 R000 Level 2	Unaudited 30 June 2017 R000 Level 3	Unaudited 30 June 2017 R000 Total
Financial assets				
Derivative financial assets	–	1 158	–	1 158
Financial assets designated at fair value through profit or loss	–	638 541	1 337 171	1 975 712
Total	–	639 699	1 337 171	1 976 870
Financial liabilities				
Derivative financial instruments	–	(17 788)	–	(17 788)
Other liabilities*	–	(104 391)	–	(104 391)
Total	–	(122 179)	–	(122 179)

	Audited 31 December 2017 R000 Level 1	Audited 31 December 2017 R000 Level 2	Audited 31 December 2017 R000 Level 3	Audited 31 December 2017 R000 Total
Financial assets				
Derivative financial assets	–	1 617	–	1 617
Financial assets designated at fair value through profit or loss	–	811 417	1 426 302	2 237 719
Total	–	813 034	1 426 302	2 239 336
Financial liabilities				
Derivative financial instruments	–	(20 744)	–	(20 744)
Other liabilities*	–	(92 132)	–	(92 132)
Total	–	(112 876)	–	(112 876)

* Other liabilities include provisions for post-retirement medical aid and cash-settled share-based payment scheme

Fair value gains recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for Level 3 financial instruments were R97.7 million (June 2017: R41.4 million).

Reconciliation of Level 3 fair value measurements of financial assets

	Unaudited 30 June 2018 R000	Unaudited 30 June 2017 R000	Audited 31 December 2017 R000
Opening balance	**1 426 302**	1 084 948	1 084 948
Additions	**19 909**	227 007	236 750
Disposals	**(2 061)**	(16 200)	(21 018)
Total gains recognised in			
- Condensed consolidated statement of other comprehensive income	**45 587**	674	(1 221)
- Condensed consolidated income statement	**52 062**	40 742	126 843
Closing balance	**1 541 799**	1 337 171	1 426 302

Contingent assets/liabilities
as at 30 June 2018

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R4 285.6 million (December 2017: R4 739.8 million) of which R1 340.1 million (December 2017: R1 731.7 million) had been utilised at the end of the period.

Grindrod placed R190.6 million (December 2017: R190.6 million) on deposit as security with the funders of the BEE consortium and provided a guarantee of R130.0 million (December 2017: R130.0 million) to secure the structure. Grindrod continues to have the ability, but no obligation, to increase its funding within the structure should the current lenders wish to exit.

Within discontinued operations, in the prior year the company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R404.7 million of which R404.4 million had been utilised at the end of the period. In the current year, no guarantees or facilities were made or utilised.

Included in the prior year discontinued operations, were charter-hire payments of subsidiaries guaranteed by the company amounting to R403.5 million. The charter-hire payments were due by the subsidiaries in varying amounts from 2018 to 2022. In the current year, there are no guarantees of charter-hire payments.

Due to the significant restructuring, sale and disposal processes over the last few years, there are potential legal and compliance risks, which may result in potential exposures.

Business review

Grindrod successfully implemented its strategy to spin-off and separately list the Shipping business on the NASDAQ as primary listing and secondary listing on the JSE during the first half of 2018.

The conclusion of the spin-off of the Shipping division has cleared the path for a renewed strategic focus of the remaining businesses, namely Freight Services and Financial Services.

Continuing operations

Headline earnings from continuing businesses, comprising Port and Terminals, Logistics, Marine Fuel and Agricultural Logistics and Financial Services, improved in the first half of this year from R231.5 million in 2017 to R284.8 million, an increase of 23 percent.

Maputo Port and Terminals

Maputo Port continued to benefit from the 75-km access channel dredge successfully completed in 2017, and a continued buoyant chrome and ferrochrome market. Port volumes grew 15 percent on prior year to 9.7 million tonnes. This positive performance is expected to continue into the second half of the year. Current expansionary projects include the rehabilitation of berths, construction of additional chrome and ferrochrome slab, and procurement of additional equipment as approved by the board in the first half of the year. These projects are part of the approved Port Master Plan which will position the port to improve further its service levels with shipping lines and volume growth in the medium term.

At the Matola Terminal, a 36 percent improvement in coal volumes was reported in the first half which offset the reduced magnetite volumes caused by operational issues at a key customer site. Total utilisation across all drybulk terminals showed a decrease of 6 percent to 4.8 million tonnes (2017: 5.1 million tonnes) for the half year. The lower iron ore prices and stronger US Dollar against the Rand undermined earnings performance compared to 2017.

The Oiltanking Grindrod Calulo joint venture for the construction and development of the Ngqura Liquid Bulk Terminal in respect of a BOOT agreement with Transnet is progressing well, with interest from existing and potentially new customers being finalised and with the conclusion of the financial elements planned for quarter 3 of 2018.

Logistics

Logistics operations achieved earnings of R155.4 million, a decrease of 11 percent as growth continued to be constrained by challenging market conditions.

The road transportation, containerised cargo and warehousing businesses demonstrated a significant turnaround compared to the losses reported in the prior period. Various commercial initiatives are underway to increase the market share and improve asset utilisations. These initiatives are expected to limit the impact of challenging market conditions and improve the businesses to a preferred transporter status.

The construction and operation of the cross-docking facility in Nacala in conjunction with the long-term pit-to-port logistics contract for Syrah Resources commenced operations as planned and volume is ramping up. YTD volume of 6 922 tonnes has been handled with 121 000 tonnes expected during the second half. Thereafter volumes are expected to ramp up to a steady 360 000 tonnes. The contract runs for an initial period of five years ending on 31 May 2023 with an option for a further five-year period.

The Ships Agency and Clearing and Forwarding businesses generated positive earnings albeit lower than prior year due to the subdued trading environment in South Africa.

The OACL coastal shipping service showed a significant volume improvement as the business benefitted from the extension of its landside cargo storage and handling activities.

Continuing Rail operations, comprising management and operational services for customers on the North-South Corridor, showed a volume uplift of 14 percent on prior year due to increased domestic volumes in Zimbabwe, and transit cargo. Results include the income of US$15.8 million which related to part settlement in respect of a past take-or-pay agreement.

Marine Fuel and Agricultural Logistics

The Agricultural Logistics businesses reported record carry-over grain stock levels which materialised after the largest national crop in the history of South Africa, followed on the back of the 2016/2017 drought and the lowest rainfall in the recorded history of over 111 years. These improvements resulted in increased profits. The Marine Fuel business benefitted from increased oil prices and higher tonnages.

Financial Services

Financial Services reported consistent results for the six months, and divisions mostly performed in line with expectations. The business continued to grow despite muted economic growth and the uncertainty created by the transition to a new social grant payment system.

The statement of financial position showed growth in both Advances (5.2 percent) and Core Deposits (5.9 percent), demonstrating stability in the traditional banking businesses.

The investment banking portfolio generally reflected the economic environment, the exception being a particularly strong performance in the UK property portfolio where earnings were positively impacted by value uplifts in the underlying properties and by a weaker Rand exchange rate compared to the prior period.

The Retail division within Grindrod Bank focused on ensuring continuity in the on-time distribution of social grant payments. The transition from the previous SASSA accounts to a new “open choice” dispensation commenced in earnest in April 2018 and is expected to be complete by September 2018. This process has not been without its challenges however, we are looking forward to a more secure business once the changeover is complete.

The Financial Services division remains focused on its existing core business units while at the same time positioning itself to expand its service offering and optimise value by targeting strategic growth initiatives. This includes investigating ways in which further value can be created by introducing an appropriate BEE shareholding in order to propel Financial Services to the next level of growth.

Discontinued operations

The discontinued businesses comprise the Shipping division and the Rail leasing businesses.

Shipping

Results include the release of a R2.8 billion foreign-currency translation gain following the spin-off of the Shipping business. The business benefitted from its exposure to the drybulk spot market which improved on the prior year comparative period, while tanker market rates were under pressure; reporting in the first half a headline loss of R115.8 million, 15 percent lower than the comparative period loss of R135.9 million, excluding listing transaction costs.

Capital expenditure during the period, included progress payments on the resale contracts for two new Supramax drybulk vessels under construction in Japan and the buy-up to outright ownership of two vessels on the mutual termination of a drybulk joint venture.

With its reputation and modern eco fleet the business is poised to grow.

Rail leasing

The held-for-sale Rail leasing business comprises of the locomotives and wagon leasing joint venture, Grindrod Pembani Remgro (GPR), held 55 percent by Grindrod and 45 percent by PRIF, and the wholly owned Locomotives Leasing business operating in Sierra Leone.

GPR achieved 80 percent redeployment rate on its leased 27 locomotives and 100 wagons compared to 76 percent in 2017. Deteriorating conditions at the Tonkolili mine in Sierra Leone with the mine being placed under care and maintenance pending a revised feasibility study, resulted in the board concluding that an impairment of R637.5 million be recorded with respect to the locomotive business providing services to the Tonkolili mine.

Capital expenditure and commitments

R million	Capital expenditure H1 2018	Capital commitments H2 2018	2019	2020	2021	Split as follows Approved not contracted	Approved and contracted
Continuing operations	204	272	–	–	–	230	42
Port and Terminals	28	21	–	–	–	4	17
Logistics	173	248	–	–	–	226	22
Financial Services	1	–	–	–	–	–	–
Group	2	3	–	–	–	–	3
Discontinued operations	272	–	–	–	–	–	–
Rail leasing	6	–	–	–	–	–	–
Dry-bulk	242	–	–	–	–	–	–
Tankers	24	–	–	–	–	–	–
	476	272	–	–	–	230	42
Split as follows:							
Subsidiaries	434	256	–	–	–	225	31
Joint ventures	42	16	–	–	–	5	11

Total capital and investment expenditure was R476 million (H1 2017: R355 million), of which 71 percent was expansionary and the balance maintenance or replacement capital expenditure. The capital expenditure mainly comprised expenditure on the Nacala project and payments on two Supramax ships on order.

Cash flow and borrowings

The financial position reflects net cash of R891.2 million (December 2017: R6.7 million). The group generated operating profit before working capital cash flows of R62.2 million (December 2017: R461.7 million) during the period. Working capital contributed to a net outflow of R166.7 million (December 2017: R97.6 million net inflow).

Statement of financial position

With total assets of R32 018.5 million (December 2017: R34 949.0 million) and no gearing, the group's financial position remains strong. Book net asset value per share is 1 257 cents (December 2017: 1 790 cents, inclusive of the Shipping business).

Shareholders' equity decreased to R10 207.7 million (December 2017: R14 197.5 million) mainly as a result of a R1 584.4 million return of share capital and an ordinary dividend of R2 657.1 million, all related to the spin-off of the Shipping division. The increase of R705.5 million to the foreign currency translation reserve was due to the weakening of the ZAR/US$ exchange rate from R12.39/US$ in December 2017 to R13.73/US$ in June 2018.

Ordinary shares in issue remained unchanged at 762 553 314 shares.

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the information required by IAS 34: Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and comply with the Listings Requirements of the JSE Limited and the Companies Act of South Africa, 2008. As a result of the spin-off and separate listing of the group's Shipping business, the group's prior year condensed consolidated income statement and condensed segmental analysis have been re-presented to take account of the effects of the application of the IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The group's condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of changes in equity are not required to be re-presented.

The group adopted IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments with a date of initial application of 1 January 2018. As a result, the group has changed its accounting policy for revenue recognition and financial instruments.

The group has elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standards as an adjustment to the opening balance of equity at the date of initial application. Therefore the comparative information has not been restated and is reported under the previous standards.

The unaudited condensed consolidated financial statements have been prepared under the supervision of AG Waller CA(SA) and were approved by the board of directors on 22 August 2018.

Accounting policies

The accounting policies applied in the preparation of the full consolidated financial statements from which the unaudited condensed consolidated financial statements were derived are in terms of IFRS and are consistent with those of the previous full consolidated financial statements except for the adoption of the new IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments.

Post balance sheet events

There are no material post balance sheet events to report.

Directorate and vote of thanks

Bongiwe Ntuli, the chief executive officer of Freight Services has decided to embark on a new opportunity effective from 31 December 2018. Grindrod thanks Bongiwe for her dedication, contribution and commitment to the company.

Gerhard Kotze, alternative to Mkhuseli Faku has resigned from the board on 31 August 2018 and Hassen Adams and Walter Geach retire with effect from 30 November 2018. The board expresses its appreciation for their contribution and wishes them well with their future endeavours.

Andrew Waller is appointed as chief executive officer and Xolani Mbambo as financial director of Grindrod Limited with effect from 1 September 2018. The board congratulates them on their new appointments and looks forward to their continued commitment.

Prospects

With the separate listing of the Shipping division complete, Grindrod is well positioned to drive the strategies of the Freight Services and Financial Services divisions. Significant initiatives to improve capacity and drive more efficient utilisation of resources will position the remaining businesses to increase market share and to capitalise on any global market improvements.

NL Sowazi

Lead independent non-executive director
22 August 2018

MJ Hankinson

Executive chairman
22 August 2018

Declaration of interim dividend

Ordinary dividend

Notice is hereby given that no interim dividend has been declared out of income reserves for the six-month period ended 30 June 2018 (H1 2017: no interim dividend declared).

At the date of this announcement, there were 762 553 314 ordinary shares.

Preference dividend

Notice is hereby given that a gross interim dividend of 442.0 cents per cumulative, non-redeemable, non-participating and non-convertible preference share (H1 2017: 458.0 cents) has been declared out of income reserves for the six-month period ended 30 June 2018, payable to preference shareholders in accordance with the timetable below.

At the date of this announcement, there were 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares in issue. The interim net preference dividend is 353.6 cents per share for preference shareholders who are not exempt from dividends tax.

With respect to the preference dividend, in terms of the dividends tax effective since 22 February 2017, the following additional information is disclosed:

- The local dividends tax rate is 20 percent; and
- Grindrod Limited's tax reference number is 9435/490/71/0.

Preference dividend timetable

Declaration and finalisation date	Friday, 31 August 2018
Last day to trade cum-dividend	Tuesday, 18 September 2018
Shares commence trading ex-dividend	Wednesday, 19 September 2018
Record date	Friday, 21 September 2018
Dividend payment	Tuesday, 25 September 2018

No dematerialisation or rematerialisation of shares will be allowed for the period Wednesday, 19 September 2018 to Friday, 21 September 2018, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa.

By order of the board

Mrs CI Lewis
Group company secretary
22 August 2018

Corporate information

Directors

MJ Hankinson (executive chairman), H Adams*, MR Faku*, WD Geach*, GG Gelink*, Z Malinga*, RSM Ndlovu (alternate)*, B Ntuli, DA Polkinghorne, NL Sowazi (lead independent non-executive director), PJ Uys*, AG Waller (group financial director), SDM Zungu*
* Non-executive

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Registration number: 1966/009846/06
Incorporated in the Republic of South Africa

Share code: GND and GNDP

ISIN: ZAE000072328 and ZAE000071106

Statements contained in this announcement regarding the prospects of the group, have not been reviewed or audited by the group's external auditors.

For more information and additional analyst information, please refer to www.grindrod.com

Date of announcement: 31 August 2018