



Grindrod Limited
2018 Audited Annual Financial Statements



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Approval of the annual financial statements

for the year ended 31 December 2018

The preparation of the annual financial statements that fairly represent the results of the group in accordance with the Companies Act and International Financial Reporting Standards (IFRS) is ultimately the responsibility of the board. The board also ensures an independent audit of the annual financial statements by the external auditors. The board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for Grindrod's assets, and assure the integrity of the annual financial statements. No major breakdown in controls that could influence the reliability of the annual financial statements was experienced during 2018. Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2019, and the application of solvency and liquidity tests, the board is further of the opinion that the Grindrod group has adequate resources to continue in operation for the foreseeable future. The annual financial statements were consequently prepared on a going concern basis.

At the board meeting held on 5 March 2019, the board of directors approved the annual financial statements and further authorised Mike Hankinson and Andrew Waller in their respective capacities as chairman and chief executive officer to sign off the annual financial statements. The annual financial statements which appear on pages 13 to 114, are therefore signed on its behalf by:



Mike Hankinson
Chairman
Durban

5 March 2019



Andrew Waller
Chief executive officer (CEO)
Durban

5 March 2019

Compliance statement by the group company secretary

for the year ended 31 December 2018

The group company secretary of Grindrod Limited certifies that, in terms of section 88(2) of the Companies Act No.71 of 2008, as amended, the company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2018.



Cathie Lewis
Group company secretary
Durban

5 March 2019

Preparation of the annual financial statements

for the year ended 31 December 2018

These annual financial statements, which appear on pages 13 to 114 have been prepared under the supervision of Xolani Mbambo, CA (SA) and were approved by the board of directors on 5 March 2019.



Xolani Mbambo CA(SA)
Chief financial officer (CFO)
Durban

5 March 2019

Report of the audit committee

for the year ended 31 December 2018

The audit committee is a statutory board sub-committee, appointed by the shareholders to assist the board in its corporate governance supervision responsibilities. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, reviewed and approved annually.

Role of the committee

The audit committee ensures that accurate financial reporting and adequate systems, controls and financial risk-management policies, procedures and standards are in place. The committee is responsible to ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the company, and for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the company.

The committee is also, subject to board approval, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance.

The committee has decision-making authority regarding its statutory duties and is accountable to the board and the company's shareholders.

Composition and committee meetings

The committee composition adheres to the requirements of the Companies Act, the JSE Listings Requirements and King IV. The chairman of the board may not serve as chairman or as a member of the committee.

The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, directors serving on the committee included Grant Gelink (re-appointed 31 May 2018 and appointed as chairperson 26 November 2014), Walter Geach (re-appointed 31 May 2018, retired 30 November 2018), Zola Malinga (appointed 22 November 2018) and Raymond Ndlovu (re-appointed 31 May 2018). More details of these directors are given on pages 86 to 89 of the integrated annual report.

The independence of the audit committee and performance of its members were evaluated by the nomination committee during 2018. Based on the recommendation of the committee, the board proposed the re-election of the members to the shareholders at the forthcoming annual general meeting.

The committee invites the chairman, the CEO, the CFO, internal audit manager and representatives of the external auditors to attend its meetings.

Committee members meet at scheduled meetings twice a year and at unscheduled meetings when required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2018.

Attendance of committee members at the meetings of the committee during the year is listed on page 91 of the integrated annual report.

Fees paid to the committee members are reflected in note 35 and the proposed fees for 2019 are detailed on page 153, of the integrated annual report.

Report of the audit committee continued

for the year ended 31 December 2018

The group company secretary serves as secretary to the committee.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2018, the chairman of the committee had two meetings with the internal auditors and two with the external auditors without management being present. During these meetings no material issues were raised.

Key activities

In terms of its mandate, matters considered by the audit committee based on its annual work plan for 2018 included:

- evaluation of the independence, effectiveness and performance of the internal audit function;
- reviewing and approving the internal audit charter, annual work plan and internal audit fees;
- reviewing documents and financial disclosures related to the Shipping spin-off and recommending approval thereof by the board;
- assessing the suitability, expertise and experience of the CFO and the expertise, experience and resources of the company's finance function;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control and fraud risks as related to financial reporting;
- approving the revised IT strategy and governance charter;
- reviewing the group IT governance report and IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the risk committee;
- nominating the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit services, for approval by shareholders at the annual general meeting;
- reviewing the extent of non-audit services provided by the independent external auditor and approval of the related fees;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing the internal auditors' limited assurance report;
- legislative and regulatory compliance within the scope of its mandate;
- reviewing implementation of the company's tax policy;
- reviewing and recommending to the board publicly disclosed financial information, including the interim results for the six months ended 30 June 2018;
- reviewing the annual financial statements and results for the year ended 31 December 2018 and the 2018 integrated annual report in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- reviewing and confirming the going concern status;
- noting the Report of the JSE on Reporting Back on Proactive Monitoring of Financial Statements in 2017, dated 20 February 2018;
- noting the recommendations of the Task Force on Climate-related Financial Disclosures;
- noting a briefing document on audit matters prepared by Deloitte & Touche;
- noting JSE correspondence addressed to audit firms relating to information to be provided by audit firms to audit committees;
- evaluating the performance of the audit committee; and
- approving its annual work plan for 2019.

The functions of the committee are also performed for the subsidiaries within each division of Grindrod Limited as represented in the segmental analysis on pages 20 to 25. The external auditor was nominated for each material subsidiary company for re-appointment.

External audit

Deloitte & Touche served as the company's registered external auditors for the 2018 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor were appraised by the audit committee, which includes an annual evaluation. The committee meets with the external auditors twice a year.

In assessing the auditor's independence, the committee considered guidance contained in King IV as well as IRBA publications and the related commentary thereon. Deloitte & Touche have been auditors of the Grindrod group for fifteen years and have demonstrated an institutional knowledge, deep expertise and experience of the group in all the related countries in which the group operates. The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal Deloitte independence processes that Deloitte & Touche's independence is maintained and has not been impacted by tenure. The Deloitte & Touche internal independence processes include periodic internal quality reviews as well as those conducted by IRBA, the rotation of the group audit partner and key component audit partners at least every five years, independence audits on all partners, established safeguards and procedures and independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management.

The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company. External audit fees approved for the 2018 financial year to Deloitte & Touche amounted to R19.5 million (2017: R22.2 million); US\$283 233 (2017: US\$252 073); SGD339 200 (2017: SGD1.0 million) and P868 140 (2017: P819 000).

The approved audit fee accounts for 27 audit partners in 31 countries in order to perform the 200+ global statutory audits. The total non-audit services for the 2018 financial year performed by and paid to Deloitte & Touche amounted to R3.0 million (2017: R3.6 million), of which 100% relates to permissible tax services.

Following review the committee satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.

Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in the accounting policies of the annual financial statements.

The committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and the following are highlighted:

- valuation of goodwill;
- valuation of investments in joint ventures;
- classification and measurement of non-current assets held for sale and discontinued operations; and
- credit impairment against advances and related IFRS 9 Financial Instruments expected credit loss (ECL).

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The committee considered the impairment tests conducted, and is in agreement that no impairment of goodwill and intangible assets was required. The carrying amount of goodwill is fairly stated. Please refer to the accounting policies and note 3 for further detail.

Annual impairment tests are conducted to assess the recoverability of the carrying amount of the various investments in joint ventures, using discounted cash flow models and include a number of key assumptions, such as revenue growth, operating margins, exchange rate fluctuations and the discount rates applied to the projected future cash flows. The committee considered the impairment test conducted, and is in agreement no impairment was required and that the carrying value of the investments in joint ventures is fairly stated.

Once a board decision relating to the sale or loss of control of a disposal group has been committed to, all of the assets and liabilities of such disposal group are classified as held for sale in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the classification of discontinued operations is assessed. The committee agreed with the fair value less costs to sell assessment of the disposal groups and assessed any key adjustments to net book value of the disposal groups based on the requirements of IFRS 5 subsequent measurement. In addition, the committee concurred with the classification of the discontinued operations. Please refer to note 12.

Report of the audit committee continued

for the year ended 31 December 2018

Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9, relating to ECL. The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (Probability of Default (PD)), credit risk changes (Significant Increase in Credit Risk (SICR)), the size of credit exposures (Exposure at Default (EAD)), and the expected loss on default (Loss Given Default (LGD)). The committee agreed with the adjustment processed relating to ECL and assessed the key judgements and assumptions made in arriving at this adjustment. Please refer to notes 9 and 34 of the annual financial statements.

Annual report

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2018, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flows and the financial position of Grindrod. On this basis, the committee recommended that the board of directors approve the annual financial statements of Grindrod for the year ended 31 December 2018.

Integrated annual report

The committee reviewed this report together with supplementary attachments, taking cognisance of material factors and risks that may impact the integrity thereof and recommended that the board of directors approve the integrated annual report of Grindrod for the year ended 31 December 2018.

On behalf of the audit committee



Grant Gelink
Chairman

5 March 2019

Directors' report

for the year ended 31 December 2018

The directors have pleasure in presenting their consolidated and separate financial statements (annual financial statements) which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2018.

Nature of business

The nature of the group's business is set out under the divisional reviews on pages 47 to 54 of the integrated annual report 2018.

Review of operations

The financial results for the year ended 31 December 2018, including the results of operations are dealt with in the consolidated and separate statements of financial position, income statements, statements of other comprehensive income and segmental analysis on pages 13 to 25 and operational review on pages 47 to 54 of the integrated annual report.

The 2018 performance review is fully covered in the CEO's and CFO's reviews included in the integrated annual report.

Acquisitions and disposals

In the current year, the group acquired a controlling interest in the Novagroup entities to strengthen the group's position in the marine technical market and to provide a more comprehensive service offering. The transaction was accounted for in terms of IFRS 3 Business Combinations. Intangible assets relating to customer contracts were identified and recognised which resulted in a gain on bargain purchase.

In addition, during the current year, the group assisted Newshelf 1279 (Pty) Ltd, a B-BBEE consortium, with additional security for its funders. The consortium continues to have voting rights; however, due to the additional security, the group's rights have changed from protective to substantive and the consortium is now controlled by the group in terms of IFRS 10 Consolidated Financial Statements, effective 31 December 2018.

During the year the group completed the spin-off of the Shipping business which separately listed on the Nasdaq securities exchange in New York. In addition the group disposed of its Zambian railway businesses, Grindrod Zambia, and the railway signalling business, Gear SA (Pty) Ltd. These businesses were classified as non-current assets held for sale in the prior year.

Discontinued operations

The board approved the exit of all the rail businesses in the prior year. Due to unanticipated challenges and delays experienced, the group was unable to complete the disposal of all the Rail businesses in the current year. The directors are confident that sale of the remaining rail businesses will be completed within the next year.

Consequently the rail segments have remained classified as held for sale in term of IFRS 5 Non-current assets held for sale and discontinued operations.

Share capital

Details of the authorised and issued shares are shown in note 13 and the share analysis is shown on pages 148 to 150 of the integrated annual report.

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

The directors propose that a general authority be granted to them to allot and issue ordinary shares up to 5% of the number of ordinary shares in issue and that a general authority be granted to issue shares for cash.

Dividends

The directors have declared a final dividend of 14.6 cents per ordinary share (2017: nil cents). Dividends paid or payable in respect of the year were as follows:

| | Date of declaration | Last day to trade cum-dividend | Trading ex-dividend commences | Record date | Payment date | Amount per share (cents) |
|-------|---------------------|--------------------------------|-------------------------------|---------------|--------------|--------------------------|
| Final | 6 March 2019 | 26 March 2019 | 27 March 2019 | 29 March 2019 | 1 April 2019 | 14.6 |

The directors have declared a dividend of 446.0 (2017: 456.0) cents per preference share which will be paid on 1 April 2019.

Special resolutions

Apart from special resolutions approved at the company's annual general meeting, no other special resolutions were approved.

Directors' report continued

for the year ended 31 December 2018

Special resolutions were passed by certain subsidiaries within the group to amend their memorandum of incorporation and to authorise, as a general approval, the directors of certain companies to provide financial assistance in terms of section 45 of the Companies Act 71 of 2008.

Subsidiary companies

Information on subsidiary and associated companies is contained in notes 4, 5 and 6, respectively. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 47 to 54 of the integrated annual report.

Directorate and company secretary

Brief curricula vitae of the current directors are disclosed on pages 86 to 89 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear in note 35.

Bongiwe Ntuli, the chief executive officer of Freight Services decided to embark on a new opportunity and resigned on 31 December 2018.

Gerhard Kotze resigned as non-executive director and alternative to Mkhuseleli Faku, effective 1 September 2018 and Hassen Adams and Walter Geach retired as non-executive directors on 30 November 2018.

Andrew Waller was appointed as chief executive officer and Xolani Mbambo was appointed chief financial officer of Grindrod Limited with effect from 1 September 2018. Following these appointments, Mike Hankinson reverted back to his former position as non-executive chairman, effective 22 November 2018.

According to the company's memorandum of incorporation, at the forthcoming annual general meeting, Nkululeko Sowazi, Pieter Uys and Sandile Zungu retire by rotation. All are eligible and have offered themselves for re-election.

The registered office of the company is as follows:

Business address

Grindrod Mews
106 Margaret Mncadi Avenue
Durban 4001
South Africa

Postal address

PO Box 1
Durban 4000
South Africa

Employee retirement benefit plans

Details of the group's employee retirement benefit plans are separately disclosed in note 16.

Audit committee

At the forthcoming annual general meeting, pursuant to the requirements of section 94(2) of the Companies Act of South Africa, shareholders will be requested to pass an ordinary resolution appointing the chairman and members of the audit committee.

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on page 149 of the integrated annual report.

Auditors

At the forthcoming annual general meeting, pursuant to the requirements of section 90(1), read with section 61(8)(c) of the Companies Act of South Africa, shareholders will be requested to pass an ordinary resolution re-appointing Deloitte & Touche as the company's independent registered auditors and Kim Peddie as designated audit partner.

Subsequent events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

Going concern

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the group and company's financial statements. The directors have satisfied themselves that the group and company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Independent auditors' report

To the shareholders of Grindrod Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Grindrod Limited (the group) set out on pages 13 to 113, which comprise the statements of financial position as at 31 December 2018, and the income statements and statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters apply to the consolidated financial statements and there are no key audit matters for the separate financial statements.

| Key audit matter | How the matter was addressed in the audit |
|--|---|
| <p>Valuation of goodwill</p> <p>As required by IAS 36 Impairment of Assets, the directors conduct annual impairment tests to assess the recoverability of the carrying amount of goodwill. The impairment assessments are performed using discounted cash flow models. There are a number of key judgements made by the directors in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> operating margins; future cash flows; and the discount rates applied to the projected future cash flows. <p>As a result of the key judgements made in determining the inputs, the valuation of goodwill is considered to be a key audit matter.</p> <p>Goodwill and the disclosure with respect to the sensitivities of key judgements is disclosed in note 3.</p> | <p>In evaluating the valuation of goodwill, we reviewed the value in use calculations prepared by the directors, with a particular focus on the future cash flows, operating margins, growth rates and discount rates.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding the entity's relevant controls relating to the preparation of the cash flow forecasts; testing of inputs into the cash flow forecast against historical performance and in comparison to the directors' strategic plans in respect of each cash-generating unit; comparing the growth rates used to historical data regarding economic growth rates included in the cash-generating units; recomputation of the value in use of each cash-generating unit; engaging our internal specialists to validate the key assumptions used in assessing the discount rates; and subjecting the key judgements, as described, to sensitivity analysis. <p>We found that the inputs used by the directors reflected improved business performance in comparison to historical performance, supported by recent acquisition synergies and targeted new contracts. We consider the valuation of the goodwill to be appropriate based on our assessment of available headroom and key input sensitivities. We found that the disclosure requirements required by IAS 36 were sufficient and appropriate in all material respects.</p> |

Independent auditors' report continued

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| <p>Valuation of investments in joint ventures</p> <p>As required by IAS 36, the directors conduct annual impairment tests to assess the recoverability of the carrying amount of the various investments in joint ventures. These impairment assessments are performed using discounted cash flow models. As disclosed in the accounting policy of the consolidated and separate financial statements, there are a number of key judgements made by the directors in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> • operating margins; • future cash flows; and • the discount rates applied to the projected future cash flows. <p>As a result of the key judgements made in determining the inputs, the impairment of investments in joint ventures is considered to be a key audit matter.</p> <p>Investments in joint ventures are disclosed in note 5.</p> | <p>We focused our testing of the valuation of investments in joint ventures on the key judgements made by the directors regarding the inputs used.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • understanding the entity's relevant controls relating to the preparation of the cash flow forecasts; • critically evaluating whether the discounted cash flow models used by the directors to calculate the value in use of the investments comply with the requirements of IAS 36; • assessing the key assumptions used in calculating the discount rates and recalculating these rates; • comparing the projected cash flows, including the judgements relating to revenue growth rates and operating margins, against historical performance to test the accuracy of the directors' projections; • analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the respective entities; and • subjecting the key judgements to sensitivity analyses. <p>We found that the inputs used by the directors reflected improved business performance. The expected future performance and the inputs used were appropriate in the circumstances. We consider the valuation of the investments in joint ventures to be appropriate. We found that the disclosure requirements required by IAS 36 were sufficient and appropriate in all material respects.</p> |
| <p>Classification and measurement of non-current assets held for sale and discontinued operations</p> <p>As required by IFRS 5, once the directors have committed to a sales plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale.</p> <p>As a result of the magnitude of the amount of the disposal group classified as held for sale, and key judgements made in determining the classification of disposal groups held for sale and discontinued operations as well as the measurement thereof, this is considered to be a key audit matter.</p> <p>Non-current assets held for sale is disclosed in note 12.</p> | <p>We focused our testing of the classification and measurement of the disposal group held for sale on the key judgements made by the directors.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • critically challenged the directors' judgements and reasoning around the reclassification of investments in subsidiaries as non-current assets held for sale; • evaluating the directors' assessment of fair value less costs to sell against available supporting documentation and facts at reporting date; • challenging any adjustments made to the net book value of disposal groups held for sale based on the requirements of IFRS 5 subsequent measurement; • assessing any impairments arising from IFRS 5 subsequent measurement for appropriateness; • examining minutes of the directors' board meetings, written correspondence between the group and the potential purchasers and communications to the group's investors to determine whether the assets and liabilities should be classified as held for sale and whether it represents a discontinued operation; and • ensuring the assets and liabilities reflected as held for sale and the results presented as discontinued operations fairly present the financial position and results of the group. <p>The directors' judgements regarding classification and measurement of non-current assets held for sale appear to be reasonable based on the information available as at the reporting date. We found that the disclosure requirements required by IFRS 5 were sufficient and appropriate in all material respects.</p> |

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| <p>Credit impairment against advances and related ECL</p> <p>As required by IFRS 9, impairments against advances in the Financial Services division are required to be assessed in terms of an ECL model.</p> <p>Significant judgement is required by the directors in assessing these impairments and include:</p> <ul style="list-style-type: none"> the expected realisable value of the collateral securing the advance; the probability that an advance will default (PD); credit risk changes (Significant Increase in Credit Risk (SICR)); the size of credit exposures (Exposure at Default (EAD)); and the loss on default (LGD). <p>The ECL is calculated by multiplying the loss given default (LGD), probability of default (PD) and applicable discount factors.</p> <p>Impairment of advances is disclosed in notes 9 and 34. Due to the significant judgement applied by the directors, the credit impairment against advances and related expected credit loss, is considered to be a key audit matter.</p> | <p>In evaluating the impairment against advances, which includes the opening balance transition as at 1 January 2018, we assessed the significant judgements applied by the directors and our audit procedures included the following:</p> <ul style="list-style-type: none"> assessing the design and implementation of key controls relating to the ECL model; reviewing and assessing the adequacy of the impairment raised, as well as, the reasonableness of assumptions and variables used in determining the ECL model, which measures credit impairment against loans in accordance with IFRS 9; assessing the completeness, accuracy and validity of data and inputs used during the development and application of the credit impairment model; performing a retrospective review of the credit risk impairment raised in the prior year financial statements; assessing the methodologies and assumptions applied to ensure compliance with IFRS 9, including the determination of the PD, EAD and LGD; re-performing management’s calculation of the stage allocation (Stage 1, 2 or 3 depending upon SICR); re-performing management’s calculation of the ECL; and evaluating the methodology used to incorporate forward-looking information in the calculation of expected credit loss. <p>We found that the assumptions and judgements used by the directors in determining the impairment against advances in the Financial Services division were appropriate in the circumstances. We consider the credit impairment against advances to be appropriate. We found the disclosure requirements required by IFRS 9 were sufficient and appropriate in all material respects.</p> |

Other information

The directors are responsible for the other information. The other information comprises the Directors’ Report, Report of the Audit Committee and the Compliance Statement by the group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group’s and the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report continued

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

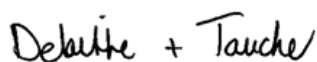
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Grindrod Limited for 15 years.



Deloitte & Touche
Registered Auditor
Per Kim Peddie CA (SA), RA
Partner
5 March 2019

Statements of financial position

as at 31 December 2018

| | Notes | CONSOLIDATED | |
|--|-------|-------------------|-------------------|
| | | 2018 R000 | 2017 R000 |
| Assets | | | |
| Non-current assets | | | |
| Property, terminals, machinery, vehicles and equipment | 2 | 1 752 225 | 1 478 003 |
| Intangible assets | 3 | 701 975 | 710 909 |
| Investments in joint ventures | 5 | 2 900 070 | 2 453 230 |
| Investments in associates | 6 | 970 919 | 867 220 |
| Investment property | | 120 113 | 125 649 |
| Other investments | 7 | 2 006 966 | 2 263 569 |
| Deferred taxation | 8 | 60 945 | 59 313 |
| Total non-current assets | | 8 513 213 | 7 957 893 |
| Loans and advances to bank customers | 9 | 7 755 744 | 7 149 198 |
| Current assets | | | |
| Liquid assets and short-term negotiable securities | 10 | 2 843 541 | 1 763 875 |
| Inventories | | 90 186 | 56 510 |
| Trade and other receivables | 11 | 2 255 743 | 2 377 229 |
| Taxation receivable | | 77 619 | 32 592 |
| Cash and cash equivalents | | 3 817 069 | 8 970 274 |
| | | 9 084 158 | 13 200 480 |
| Non-current assets classified as held for sale | 12 | 298 349 | 6 641 399 |
| Total current assets | | 9 382 507 | 19 841 879 |
| Total assets | | 25 651 464 | 34 948 970 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital and premium | 13 | 3 977 456 | 5 992 756 |
| Non-distributable reserves | | 1 558 852 | 3 520 079 |
| Accumulated profit | | 4 082 221 | 4 639 988 |
| Equity attributable to owners of the company | | 9 618 529 | 14 152 823 |
| Non-controlling interests | | 59 133 | 44 659 |
| Total equity | | 9 677 662 | 14 197 482 |
| Non-current liabilities | | | |
| Long-term borrowings | 14 | 455 223 | 295 429 |
| Financial Services funding instruments | 15 | 1 191 874 | 720 137 |
| Derivative financial liabilities | | 7 911 | 18 939 |
| Deferred taxation | 8 | 248 732 | 244 655 |
| Provision for post-retirement medical aid | | 25 510 | 25 403 |
| Provisions | | 29 038 | 21 857 |
| Total non-current liabilities | | 1 958 288 | 1 326 420 |
| Deposits from bank customers | 17 | 10 506 404 | 14 640 363 |
| Current liabilities | | | |
| Trade and other payables | 18 | 1 432 744 | 1 266 437 |
| Current portion of long-term borrowings | 14 | 825 173 | 106 220 |
| Current portion of Financial Services funding instruments | 15 | 368 895 | 738 953 |
| Short-term borrowings and bank overdraft | 14 | 745 936 | 243 661 |
| Taxation payable | | 67 742 | 33 923 |
| | | 3 440 490 | 2 389 194 |
| Non-current liabilities associated with assets classified as held for sale | 12 | 68 620 | 2 395 511 |
| Total current liabilities | | 3 509 110 | 4 784 705 |
| Total equity and liabilities | | 25 651 464 | 34 948 970 |

Statements of financial position continued

as at 31 December 2018

| | Notes | COMPANY | |
|--|-------|------------------|-------------------|
| | | 2018 R000 | 2017 R000 |
| Assets | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 4 | 7 778 583 | 7 160 747 |
| Other investments | 7 | 6 636 | 556 668 |
| Deferred taxation | 8 | 3 389 | 3 389 |
| Total non-current assets | | 7 788 608 | 7 720 804 |
| Current assets | | | |
| Trade and other receivables | 11 | 787 068 | 579 756 |
| Cash and cash equivalents | | 4 030 | 7 154 |
| | | 791 098 | 586 910 |
| Non-current assets classified as held for sale | 4 | - | 3 971 605 |
| Total current assets | | 791 098 | 4 558 515 |
| Total assets | | 8 579 706 | 12 279 319 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital and premium | 13 | 4 823 012 | 6 407 374 |
| Equity compensation reserve | | 20 471 | 20 133 |
| Accumulated profit | | 3 680 118 | 5 778 674 |
| Total equity | | 8 523 601 | 12 206 181 |
| Current liabilities | | | |
| Trade and other payables | 18 | 54 374 | 71 433 |
| Taxation payable | | 1 731 | 1 705 |
| Total current liabilities | | 56 105 | 73 138 |
| Total equity and liabilities | | 8 579 706 | 12 279 319 |

Income statements

for the year ended 31 December 2018

| | Notes | CONSOLIDATED | |
|---|-------|------------------|--------------|
| | | 2018 R000 | 2017 R000 |
| Continuing operations | | | |
| Revenue | 19 | 3 423 534 | 3 059 422 |
| Earnings before interest, taxation, depreciation and amortisation | 20 | 645 394 | 621 981 |
| Depreciation and amortisation | 20 | (193 277) | (195 844) |
| Operating profit before interest and taxation | | 452 117 | 426 137 |
| Non-trading items | 21 | 81 726 | 129 272 |
| Interest received | 22 | 245 454 | 264 575 |
| Interest paid | 22 | (85 451) | (97 850) |
| Profit before share of associate and joint venture companies' profit | | 693 846 | 722 134 |
| Share of joint venture companies' profit after taxation | 5 | 204 405 | 111 475 |
| Share of associate companies' profit after taxation | 6 | 130 948 | 60 481 |
| Profit before taxation | | 1 029 199 | 894 090 |
| Taxation | 23 | (153 951) | (172 937) |
| Profit for the year from continuing operations | | 875 248 | 721 153 |
| Discontinued operations | | | |
| Profit/(loss) after taxation from discontinued operations | 25 | 2 044 836 | (1 229 023) |
| Profit/(loss) for the year | | 2 920 084 | (507 870) |
| Attributable to: | | | |
| Owners of the parent/company | | 2 910 963 | (515 050) |
| From continuing operations | | 869 093 | 713 920 |
| From discontinued operations | | 2 041 870 | (1 228 970) |
| Non-controlling interests | | 9 121 | 7 180 |
| From continuing operations | | 6 155 | 7 233 |
| From discontinued operations | | 2 966 | (53) |
| | | 2 920 084 | (507 870) |
| Basic earnings/(loss) per share (cents) | 24 | | |
| From continuing operations | | 106.9 | 86.0 |
| From discontinued operations | | 271.6 | (163.6) |
| Total | | 378.5 | (77.6) |
| Diluted earnings/(loss) per share (cents) | 24 | | |
| From continuing operations | | 106.1 | 85.5 |
| From discontinued operations* | | 269.8 | (163.6) |
| Total | | 375.9 | (78.1) |
| Dividends per share (cents) | | 14.6 | - |
| Interim | | - | - |
| Final | | 14.6 | - |

* In the prior year, diluted loss per share from discontinued operations was calculated on the weighted average number of shares due to the anti-dilutive effect of the long-term incentive share schemes.

Income statements continued

for the year ended 31 December 2018

| | Notes | COMPANY | |
|---|-------|----------------|--------------|
| | | 2018 R000 | 2017 R000 |
| Revenue | 19 | 295 896 | 679 587 |
| Earnings/(loss) before interest, taxation, depreciation and amortisation | 20 | 289 455 | (388 290) |
| Non-trading items | 21 | 269 845 | (1 432 048) |
| Interest received | 22 | 66 970 | 56 424 |
| Profit/(loss) before taxation | | 626 270 | (1 763 914) |
| Taxation | 23 | (2 058) | (2 498) |
| Profit/(loss) for the year | | 624 212 | (1 766 412) |
| Attributable to: | | | |
| Owners of the parent/company | | 624 212 | (1 766 412) |

Statements of other comprehensive income

for the year ended 31 December 2018

| | CONSOLIDATED | | COMPANY | |
|---|------------------|--------------|----------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Profit/(loss) for the year | 2 920 084 | (507 870) | 624 212 | (1 766 412) |
| Other comprehensive income/(loss) | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | 872 263 | (797 649) | | |
| Net movement in cash flow hedges | 186 | 760 | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Actuarial (loss)/gain | (17 850) | 7 102 | | |
| Fair value gain/(loss) arising on available for sale investments | 1 755 | (1 901) | | |
| Total comprehensive income/(loss) for the year | 3 776 438 | (1 299 558) | 624 212 | (1 766 412) |
| Attributable to: | | | | |
| Owners of the parent/company | 3 764 797 | (1 304 522) | 624 212 | (1 766 412) |
| Non-controlling interests | 11 641 | 4 964 | | |
| | 3 776 438 | (1 299 558) | 624 212 | (1 766 412) |

Statements of cash flows

for the year ended 31 December 2018

| | Notes | CONSOLIDATED | | COMPANY | |
|--|-------|--------------------|--------------|------------------|--------------|
| | | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Operating activities | | | | | |
| Cash generated from/(utilised in) operations | 31.1 | 159 203 | 559 218 | 385 215 | (398 821) |
| Interest received | | 176 167 | 245 164 | 432 | 327 |
| Interest paid | | (145 478) | (206 829) | | |
| Dividends received | | 101 742 | 132 371 | 295 896 | 679 587 |
| Dividends paid | | (71 118) | (76 801) | (65 682) | (68 376) |
| Taxation paid | 31.2 | (204 223) | (169 616) | (2 032) | (3 029) |
| | | 16 293 | 483 507 | 613 829 | 209 688 |
| Proceeds on disposal of ships | | - | 238 097 | | |
| Capital expenditure on ships | 31.3 | (242 244) | (69 753) | | |
| Other operating cash flows from Financial Services | | | | | |
| Advances to customers | | (641 942) | (1 294 464) | | |
| Liquid assets and short-term negotiable securities | | (1 079 666) | 37 190 | | |
| Deposits (repaid to)/received from customers | | (4 133 959) | 1 030 223 | | |
| Net cash flows (utilised in)/generated from operating activities | | (6 081 518) | 424 800 | 613 829 | 209 688 |
| Investing activities | | | | | |
| Property, terminals, machinery, vehicles and equipment acquired | 31.3 | (348 846) | (145 793) | | |
| Disposal/(acquisition) of other investments | | 147 505 | (222 664) | | |
| Acquisition of subsidiaries, joint ventures and associates | 31.4 | (123 794) | (33 400) | (616 953) | (205 688) |
| Acquisition of additional investments in joint ventures and associates | | (33) | (49 048) | | |
| Proceeds on disposal of property, terminals, machinery, vehicles and equipment | | 148 318 | 79 768 | | |
| Net (outflow)/inflow on disposal of non-current assets and liabilities held for sale | | (486 872) | 90 132 | | |
| Intangible assets acquired | | (2 010) | (4 110) | | |
| Proceeds on disposal of intangible assets | | 353 | 7 948 | | |
| Funds repaid by/(advanced to) joint ventures and associates | | 216 815 | (22 144) | | |
| Net cash flows (utilised in)/generated from investing activities | | (448 564) | (299 311) | (616 953) | (205 688) |
| Financing activities | | | | | |
| Acquisition of treasury shares | | (57 953) | (1 386) | | |
| Long-term interest-bearing debt raised | | 1 848 108 | 1 277 549 | | |
| Payment of capital portion of long-term interest-bearing debt | | (1 610 613) | (1 030 371) | | |
| Short-term interest-bearing debt raised | | 18 016 | - | | |
| Net cash flows generated from financing activities | | 197 558 | 245 792 | - | - |
| Net (decrease)/increase in cash and cash equivalents | | (6 332 524) | 371 281 | (3 124) | 4 000 |
| Cash and cash equivalents at beginning of the year | | 9 558 382 | 9 294 457 | 7 154 | 3 154 |
| Difference arising on translation | | 153 391 | (107 356) | | |
| Cash and cash equivalents at end of the year | 31.5 | 3 379 249 | 9 558 382 | 4 030 | 7 154 |

Statements of changes in equity

for the year ended 31 December 2018

| | CONSOLIDATED | | COMPANY | |
|--|--------------------|--------------|--------------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Ordinary and preference share capital and share premium | 3 977 456 | 5 992 756 | 4 823 012 | 6 407 374 |
| Balance at beginning of the year | 5 992 756 | 5 971 721 | 6 407 374 | 6 407 374 |
| Share options vested | 20 615 | 22 421 | | |
| Return of share capital | (1 584 362) | - | (1 584 362) | - |
| Adjustment arising on consolidation of B-BBEE structure | (393 600) | - | | |
| Treasury shares acquired | (57 953) | (1 386) | | |
| Equity compensation reserve | 54 991 | 58 364 | 20 471 | 20 133 |
| Balance at beginning of the year | 58 364 | 68 513 | 20 133 | 17 679 |
| Share-based payments | 18 990 | 12 272 | 338 | 2 454 |
| Share options vested | (20 615) | (22 421) | | |
| Balance disposed on Shipping spin-off | (1 748) | - | | |
| Foreign currency translation reserve | 1 547 498 | 3 505 281 | | |
| Balance at beginning of the year | 3 505 281 | 4 546 313 | | |
| Foreign currency translation realised | (2 830 505) | (243 653) | | |
| Foreign currency translation adjustments | 872 722 | (797 379) | | |
| Other non-distributable reserves | (43 637) | (43 566) | | |
| Balance at beginning of the year | (43 566) | (51 592) | | |
| Financial instrument hedge settlement | 186 | 3 005 | | |
| Foreign currency translation adjustments | (1 355) | 2 035 | | |
| Net business combination acquisition | - | 5 320 | | |
| Deferred tax effect on cash flow hedge | - | (2 132) | | |
| Fair value adjustment on hedging reserve | 14 068 | (202) | | |
| Balance disposed on Shipping spin-off | (12 970) | - | | |
| Movement in accumulated profit | 4 082 221 | 4 639 988 | 3 680 118 | 5 778 674 |
| Balance at beginning of the year | 4 639 988 | 5 217 482 | 5 778 674 | 7 612 731 |
| Transitional provision – implementation of IFRS 9 and 15 | (33 217) | - | | |
| Adjustment arising on consolidation of B-BBEE structure | (696 650) | - | | |
| Fair value gain arising on available for sale financial instruments | 1 755 | (1 901) | | |
| Actuarial (loss)/gain recognised | (17 850) | 7 102 | | |
| Profit/(loss) for the year | 2 910 963 | (515 050) | 624 212 | (1 766 412) |
| Ordinary dividends paid* | (2 657 086) | - | (2 657 086) | - |
| Preference dividends paid** | (65 682) | (67 645) | (65 682) | (67 645) |
| Total interest of shareholders of the company | 9 618 529 | 14 152 823 | 8 523 601 | 12 206 181 |
| Equity attributable to non-controlling interests of the company | 59 133 | 44 659 | | |
| Balance at beginning of the year | 44 659 | 48 919 | | |
| Foreign currency translation adjustments | 2 520 | (2 216) | | |
| Non-controlling interest acquired | 7 505 | 244 | | |
| Profit for the year | 9 121 | 7 180 | | |
| Dividends paid | (4 672) | (9 468) | | |
| Total equity attributable to all shareholders of the company | 9 677 662 | 14 197 482 | 8 523 601 | 12 206 181 |

* Ordinary dividends relate to the Shipping spin-off.

** Preference dividends paid relate to cumulative non-redeemable preference shares which are required to be paid and are based on the prime interest rate.

Segmental analysis

for the year ended 31 December 2018

Segment accounting policies are consistent with those adopted for the preparation of the group annual financial statements except for the treatment of investments in joint ventures. For segmental reporting, such investments are proportionately consolidated. The principal segments of the group have been identified on a primary basis by business segment which is representative of the internal reporting used for management purposes, including the chief operating decision maker (group chief executive officer), as well as the source and nature of business risks and returns.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, and consist principally of property, terminals, machinery, vehicles and equipment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

The Port and Terminals division provides bulk handling of commodities to major role-players in the industry together with managing and handling port activities in South Africa and Mozambique.

The Financial Services division provides niche investment, asset management, loan finance and retail services through Grindrod Bank and Bridge Fund Managers.

The Logistics division is involved in providing holistic and complete freight services, from the handling and storage of containers, clearing and forwarding to road, rail and seaborne freight.

The Marine Fuel and Agricultural Logistics division is primarily a supplier of marine fuel, bunkers and agricultural commodities worldwide.

Following the successful spin off of the Shipping division, the methodology of group cost allocations across operating segments was revised. Comparative income statement information has been re-presented to reflect the change in methodology and to provide a meaningful comparison to current year figures.

| BUSINESS SEGMENTS | PORT AND TERMINALS | | LOGISTICS | | FINANCIAL SERVICES | | MARINE FUEL AND AGRICULTURAL LOGISTICS | |
|---|--------------------|----------------------|-------------|----------------------|--------------------|----------------------|--|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | R000 | Re-presented R000 | R000 | Re-presented R000 | R000 | Re-presented R000 | R000 | Re-presented R000 |
| Revenue – external | 922 859 | 863 939 | 2 687 031 | 2 307 907 | 536 563 | 467 039 | 20 444 417 | 17 585 797 |
| Revenue – internal | 2 620 | 55 154 | 21 357 | 93 187 | – | – | 48 550 | 357 762 |
| Earnings before interest, taxation, depreciation and amortisation | 251 208 | 281 763 | 499 281 | 307 445 | 395 624 | 362 952 | 89 692 | 65 061 |
| Depreciation and amortisation | (91 770) | (88 500) | (173 668) | (142 094) | (5 363) | (5 245) | (9 164) | (14 321) |
| Operating profit before interest and taxation | 159 438 | 193 263 | 325 613 | 165 351 | 390 261 | 357 707 | 80 528 | 50 740 |
| Non-trading items | (254) | (12 788) | 6 151 | 137 455 | – | – | (8 943) | (4 118) |
| Share of associate companies' profit/(loss) after taxation | 62 361 | 53 820 | 1 331 | (10 130) | – | – | 122 641 | 55 093 |
| Segment result excluding net interest and taxation | 221 545 | 234 295 | 333 095 | 292 676 | 390 261 | 357 707 | 194 226 | 101 715 |
| Interest received | 15 028 | 17 587 | 38 827 | 19 500 | – | – | 4 878 | 4 284 |
| Interest paid | (27 812) | (27 357) | (33 201) | (30 489) | (34 510) | (36 953) | (45 111) | (34 347) |
| Taxation | (60 400) | (58 399) | (149 477) | (64 529) | (72 042) | (70 944) | (5 304) | (13 875) |
| Profit for the year | 148 361 | 166 126 | 189 244 | 217 158 | 283 709 | 249 810 | 148 689 | 57 777 |
| Non-controlling interest | (2 796) | (442) | (28 439) | (408) | (7 492) | (6 752) | – | – |
| Profit attributable to shareholders | 145 565 | 165 684 | 160 805 | 216 750 | 276 217 | 243 058 | 148 689 | 57 777 |
| Preference dividends | – | – | – | – | (66 570) | (54 100) | – | – |
| Profit attributable to ordinary shareholders | 145 565 | 165 684 | 160 805 | 216 750 | 209 647 | 188 958 | 148 689 | 57 777 |
| Capital expenditure | 41 561 | 164 484 | 436 127 | 295 260 | 1 726 | 7 766 | 34 | 1 130 |
| Total segment assets | 3 193 836 | 2 532 933 | 3 871 101 | 3 125 488 | 14 934 000 | 18 233 927 | 3 904 083 | 3 093 653 |
| Segment assets excluding investments in associates | 2 529 497 | 1 992 821 | 3 867 812 | 3 123 620 | 14 934 000 | 18 233 927 | 3 021 339 | 2 295 768 |
| Investments in associates | 664 339 | 540 112 | 3 289 | 1 868 | – | – | 882 744 | 797 885 |
| Segment liabilities | (596 070) | (363 967) | (1 687 821) | (1 447 062) | (12 470 469) | (16 423 623) | (2 240 821) | (1 988 578) |

Segmental analysis continued

for the year ended 31 December 2018

BUSINESS SEGMENTS

| | GROUP | | | | | CONSOLIDATED | | | | |
|--|-------------|-----------|-----------------------|------------------------------|-------------------|--------------|------------------------------------|---|--------------------------------|-------------------------|
| | 2018 | 2017 | 2018 | 2018 | 2018 | 2018 | 2017 | 2017 | 2017 | 2017 |
| | R000 | R000 | Total Continuing R000 | Discontinued Operations R000 | Adjustments* R000 | Total R000 | Re-presented Total Continuing R000 | Re-presented Discontinued Operations R000 | Re-presented Adjustments* R000 | Re-presented Total R000 |
| Revenue – external | 64 472 | 51 214 | 24 655 342 | - | (21 231 808) | 3 423 534 | 21 275 896 | - | (18 216 474) | 3 059 422 |
| Revenue – internal | 156 876 | 123 580 | 229 403 | - | (229 403) | - | 629 683 | - | (629 683) | - |
| (Loss)/earnings before interest, taxation, depreciation and amortisation | (58 119) | (73 524) | 1 177 686 | - | 532 292 | 645 394 | 943 697 | - | (321 716) | 621 981 |
| Depreciation and amortisation | (42 657) | (49 936) | (322 622) | - | 129 345 | (193 277) | (300 096) | - | 104 252 | (195 844) |
| Operating (loss)/profit before interest and taxation | (100 776) | (123 460) | 855 064 | - | (402 947) | 452 117 | 643 601 | - | (217 464) | 426 137 |
| Non-trading items | 75 763 | (7 173) | 72 720 | - | 9 009 | 81 726 | 113 376 | - | 15 896 | 129 272 |
| Share of joint venture companies' profit after taxation | - | - | - | - | 204 405 | 204 405 | - | - | 111 475 | 111 475 |
| Share of associate companies' profit after taxation | - | 257 | 186 333 | - | (55 385) | 130 948 | 99 040 | - | (38 559) | 60 481 |
| Segment result excluding net interest and taxation | (25 013) | (130 376) | 1 114 114 | - | (244 918) | 869 196 | 856 017 | - | (128 652) | 727 365 |
| Interest received | 265 010 | 170 734 | 323 743 | - | (78 289) | 245 454 | 212 105 | - | 52 470 | 264 575 |
| Interest paid | (104 526) | 19 014 | (245 160) | - | 159 709 | (85 451) | (110 132) | - | 12 282 | (97 850) |
| Taxation | 2 377 | (28 721) | (284 846) | - | 130 895 | (153 951) | (236 468) | - | 63 531 | (172 937) |
| Profit for the year | 137 848 | 30 651 | 907 851 | - | (32 603) | 875 248 | 721 522 | - | (369) | 721 153 |
| Profit/(loss) after taxation from discontinued operations | - | - | - | 2 044 836 | - | 2 044 836 | - | (1 229 023) | - | (1 229 023) |
| Non-controlling interest | (31) | - | (38 758) | (2 966) | 32 603 | (9 121) | (7 602) | 53 | 369 | (7 180) |
| Profit/(loss) attributable to shareholders | 137 817 | 30 651 | 869 093 | 2 041 870 | - | 2 910 963 | 713 920 | (1 228 970) | - | (515 050) |
| Preference dividends | 888 | (13 545) | (65 682) | - | - | (65 682) | (67 645) | - | - | (67 645) |
| Profit/(loss) attributable to ordinary shareholders | 138 705 | 17 106 | 803 411 | 2 041 870 | - | 2 845 281 | 646 276 | (1 228 970) | - | (582 695) |
| Capital expenditure | 4 803 | - | 484 250 | 272 490 | (79 167) | 405 083 | 468 640 | 189 460 | (268 628) | 389 472 |
| Total segment assets | 2 768 892 | 3 635 590 | 28 671 912 | 380 168 | (3 400 616) | 25 651 460 | 30 621 591 | 8 503 767 | (4 176 388) | 34 948 970 |
| Segment assets excluding investments in associates | 2 768 892 | 3 635 590 | 27 121 540 | 380 168 | (2 821 163) | 24 680 545 | 29 281 726 | 8 503 767 | (3 703 743) | 34 081 750 |
| Investments in associates | - | - | 1 550 372 | - | (579 453) | 970 919 | 1 339 865 | - | (472 645) | 867 220 |
| Segment liabilities | (1 763 676) | (534 005) | (18 758 857) | (784 531) | 3 569 586 | (15 973 802) | (20 757 235) | (4 157 706) | 4 163 453 | (20 751 488) |

* For segment reporting, investments in joint ventures are accounted for using proportionate consolidation whereby effective share of the group's ownership is applied to each line item above. In the consolidated annual financial statements (IFRS presentation), investments in joint ventures are equity accounted. Segmental adjustments relate to effects of proportionate consolidation to reconcile to IFRS presentation.

Refer to notes 12 and 25 for details relating to discontinued operations.

Segmental analysis continued

for the year ended 31 December 2018

The group's segments operate in seven principal geographical areas – North America, South America, Europe, the Middle East, Far East and Australia, South Africa and the rest of Africa. Refer to divisional report in the integrated annual report for detail on the various regions.

| GEOGRAPHIC SEGMENTS | NORTH AMERICA | | SOUTH AMERICA | | EUROPE | | MIDDLE EAST | |
|---|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Revenue – external | 357 675 | 315 084 | 335 111 | 121 212 | 1 632 610 | 1 775 956 | 10 358 805 | 8 418 511 |
| Profit/(loss) attributable to ordinary shareholders | 3 705 | 23 128 | 182 | (2 450) | 183 862 | (22 445) | 46 041 | 22 285 |
| Capital expenditure | - | - | - | - | - | - | - | - |
| Segment assets | 24 964 | 48 097 | 67 085 | 34 096 | 787 377 | 883 459 | 1 807 865 | 1 475 695 |

| GEOGRAPHIC SEGMENTS | FAR EAST AND AUSTRALIA | | SOUTH AFRICA | | REST OF AFRICA | | CONSOLIDATED | |
|---|------------------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Revenue – external | 8 026 619 | 11 747 868 | 2 773 542 | 3 640 072 | 1 150 980 | 1 132 948 | 24 655 342 | 27 151 651 |
| (Loss)/profit attributable to ordinary shareholders | (12 170) | (827 652) | 313 531 | 187 748 | 268 260 | 39 691 | 803 411 | 582 695 |
| Capital expenditure | 34 | 141 814 | 242 880 | 254 924 | 241 336 | 261 362 | 484 250 | 658 100 |
| Segment assets | 1 078 897 | 7 681 122 | 19 770 080 | 25 223 880 | 5 135 644 | 3 779 011 | 28 671 912 | 39 125 360 |

Note: 2018 results relate to continuing operations only, whereas 2017 results are inclusive of discontinued operations.

Accounting policies

Basis of preparation

Accounting framework

The consolidated and company financial statements (annual financial statements) are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council using the historical cost basis except for certain financial instruments and investment properties that are stated at fair value. The annual financial statements comply with the Listing Requirements of the JSE Limited and the requirements of the Companies Act of South Africa, 2008.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted as per note 1.

Underlying concepts

The annual financial statements are prepared on the going concern basis using accrual accounting.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Changes in accounting policies are accounted for in accordance with the transitional provisions in the standards. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

Foreign currencies

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

Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

The annual financial statements of entities within the group whose functional currencies are different to the group's presentation currency, which is South African Rand (ZAR), are translated as follows:

- assets, including goodwill, and liabilities at exchange rates ruling on the statement of financial position date;
- income items, expense items and cash flows at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the material transactions are used; and
- equity items at the exchange rate ruling when they arose.

Resulting exchange differences are recognised in other comprehensive income and accumulated in equity. On disposal of such a business unit, this reserve is recognised in profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error or where restatement results in a more meaningful comparison to current year figures.

Company annual financial statements

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures in the separate annual financial statements presented by the company are recognised at cost less impairments.

Consolidated annual financial statements

Interests in subsidiaries

A subsidiary is an entity over which the parent exercises control. Subsidiaries are consolidated into the group results.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to control.

The results of subsidiaries are consolidated from the date on which control was obtained.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests.

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

All material intercompany balances and transactions are eliminated. Foreign currency translation reserves are not reversed against the carrying amount of the respective asset relating to intercompany transactions with entities of differing functional currencies.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately from the group equity therein. On acquisition, the non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are considered to be equity participants and all transactions with non-controlling interests are recorded directly within equity.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. Any subsequent changes to the group's ownership interests in subsidiaries are released directly to accumulated profit.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Accounting policies continued

The group accounting policy relating to the treatment of business combination reserves where a partial disposal of an investment occurs is that such reserves will be proportionally transferred directly to accumulated profit.

Upon loss of control of a subsidiary, a parent derecognises the assets and liabilities of the subsidiary in full and measures any investment retained in the former subsidiary at its fair value. A re-measurement gain or loss, that forms part of the total gain or loss on the disposal of the subsidiary, is recognised in profit or loss.

Statement of financial position line items

Inventories

Inventories which include merchandise, consumables and bunkers on board ships and other consumable stores are valued at the lower of cost and net realisable value.

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

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

Financial instruments under IFRS 9 – excluding Financial Services

Classification

The group classifies financial assets and financial liabilities into the following categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit and loss (FVTPL).

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved both by holding assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL.

Subsequent measurement

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The group recognises a loss allowance for ECL on financial assets that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group considers the use of reasonable and supportable information that is relevant and available without undue cost or effort when assessing whether the credit risk of a financial asset has increased. This includes both quantitative and qualitative information based on the group's historical experience as well as forward-looking information. Where the group concludes that the credit risk of a financial instrument has not increased significantly since initial recognition, the loss allowance is measured using a 12-month ECL.

The group recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Write-off policy

The group writes-off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn-down as at the reporting date, together with any additional amounts expected to be drawn-down in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Accounting policies continued

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profit.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is:

- held for trading; or
- it is designated at FVTPL.

Financial instruments under IFRS 9 – Financial Services

Loans and advances

Initial measurement

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and advances. Loans and advances are recognised at the transaction price as this represents the fair value at origination of the loan.

Origination fees are added to the loan balance upon inception and as an adjustment to the effective interest rate over the life of the loan.

Subsequent measurement

The Financial Services division has irrevocably decided to hold fixed rate loans at FVTPL. The Financial Services division enters into interest rate swap agreements to economically hedge its fixed rate loans. Therefore, as the Financial Services division has used these instruments as hedging tools, it has chosen to recognise fixed rate loans at their fair value. The Financial Services division does not apply hedge accounting.

Variable rate advances are held at amortised cost as the business model is to hold the assets for the collection of contractual cash flows. These advances' contractual cash flows represent solely payments of principal and interest (SPPI).

There are certain advances that have a profit share arrangement attached to them in terms of which the Financial Services division is entitled to a portion of the profit earned by the borrower upon realisation of the asset. Such loans that include a profit sharing arrangement are held at FVTPL because they fail the SPPI test and therefore cannot be classified as amortised cost.

Renegotiated terms

Changes to credit risk of a borrower resulting in renegotiation of key terms of the advance (interest rate, repayment terms or expiry date) are treated as a derecognition of the advance, and recognition of a new advance as any modifications to existing advances are subject to a new credit assessment, scoring and approval.

Derecognition

Loans and advances are only derecognised when the balance is repaid or renegotiated, as there is no longer a right to contractual cash flows or if an advance is written-off.

Preference share investments

Preference share investments consist of investments held in various preference shares that accrue dividends in a similar fashion to interest. The Financial Services division holds these investments in order to collect the contractual cash flows in the form of dividends received.

Initial measurement

Preference share investments are recognised at transaction price as this represents the fair value on the date of the investment.

Financial liabilities

The Financial Services division holds the following financial liabilities:

- deposits;
- bond issue;
- preference share funding;
- interest rate swaps; and
- accounts payable and sundry creditors.

Initial measurement

All financial liabilities are recognised at the transaction price, which is representative of the fair value of the financial liability.

Subsequent measurement

All financial liabilities with the exception of interest rate swaps are classified and measured at amortised cost.

The Financial Services division has chosen to measure the interest rate swaps at their fair value as it eliminates the measurement inconsistency as the interest rate swap agreements are linked to a market-related reference rate.

Derecognition

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Reclassifications

If the business model under which the company holds financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. There were no changes in the business model under which the company holds financial assets and therefore no reclassifications were made in either of the current or previous financial reporting periods. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described above.

There were no financial assets or financial liabilities in the current or prior year statement of financial position that were previously designated as measured at FVTPL but are no longer so designated.

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'net interest income' as 'interest income' and 'interest expense' using the effective interest rate (EIR) method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated considering all the contractual terms of the instrument.

Accounting policies continued

Interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any ECL allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECL).

Unrecognised interest on previously credit-impaired advances, being the difference between the interest calculated on the gross carrying amount of the advance and the net interest recognised based on the net carrying amount of the advance during the period that the advance is credit-impaired, is recognised as a credit to the net gain/(loss) on financial instruments line item rather than through net interest income.

Income statement transactions and events

Impairment of assets

At each reporting date the carrying amount of tangible and intangible assets is assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount is the higher of the fair value less costs to sell or the value in use. Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

Goodwill and intangible assets with indefinite useful lives or not available for use and the cash-generating units to which these assets have been allocated, are tested for impairment annually even if there is no indication of impairment. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination at inception of the combination. Impairment losses recognised on goodwill are not subsequently reversed. The attributable amount of goodwill is included in the profit or loss on disposal when the related business is sold.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. The impairment loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying amount, less any residual value, over its remaining useful life.

Impairment losses on financial assets as well as trade and other receivables are determined based on specific and objective evidence that assets are impaired and are measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted at the EIR computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Leasing

Classification

Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, or operating leases at the inception of the lease.

In the capacity of a lessee

Finance leases are recognised as assets and liabilities of the group at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

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

Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Discontinued operations

The results of discontinued operations are presented separately in the income statement and the assets and liabilities associated with these operations are included with non-current assets held for sale in the statement of financial position.

Treasury shares

Treasury shares are equity instruments of the company, held by other members of the consolidated group.

All costs relating to the acquisition of treasury shares as well as gains or losses on disposal or cancellation of treasury shares are recognised directly in equity.

Financial guarantee contracts

Financial guarantee contracts are accounted for in terms of IFRS 4 Insurance Contracts and are measured initially at cost and thereafter, in accordance with IAS 37 Provisions, contingent liabilities and contingent assets.

Judgements made by management and key sources of estimation uncertainty

Preparing annual financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Key assumptions concerning the future, and other key sources of estimation uncertainty have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Certain accounting policies and key sources of estimation uncertainty have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Asset lives and residual values

Property, terminals, machinery, vehicles and equipment are depreciated over their estimated useful lives taking into account estimated residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits or losses on the disposal of similar assets.

Impairment of assets

Intangible assets and investments

Goodwill and intangible assets with indefinite useful lives are considered for impairment at least annually.

The recoverable amount of the assets reviewed for impairment is determined based on value-in-use calculations. Projected cash flows for these calculations are extracted from formal three-year business plans which are updated annually and approved by the board of directors.

Accounting policies continued

Key assumptions used include expected revenue, working capital changes, future capital expenditure, economic growth, interest rates, inflation, and current and future market conditions. The discount rate calculations are derived using the relevant cash-generating unit's weighted average cost of capital (WACC) and takes into account both the cost of equity and cost of debt. The cost of equity is determined based on a risk-free rate adjusted for an equity risk premium and an industry specific beta. The cost of debt is based on target gearing ratios. The present value of these cash flows is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Where necessary, cash flow projections are revised to reflect changes in assumptions or market conditions identified subsequent to the finalisation of the budget process. Management performs a sensitivity analysis on various inputs in the valuation models to assess whether any changes in inputs result in any impairment of assets.

The carrying amount of intangible assets, investments in joint ventures and investments in associates is disclosed in notes 3, 5 and 6 respectively.

Property, terminals, machinery, vehicles and equipment

Property, terminals, machinery, vehicles and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself, past performance and current market conditions. The carrying amount of property, terminals, machinery, vehicles and equipment is disclosed in notes 2 and 12.

Significant joint arrangements

Refer to note 5 for a list of significant joint arrangements.

Management assesses contractual agreements in determining the classification of its joint arrangements. Under contractual agreements, where neither party has the right to unilaterally control the company or unanimous consent is required for all decisions made with regards to the relevant activities of the company, such entities are classified as joint ventures. The determination will include the voting rights and limits of authority as detailed in agreements. This has resulted in circumstances where the entities are classified as joint ventures when the ownership exceeds 50%.

Associates

Associates are those entities in which the group has a significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity and where decisions about the relevant activities do not require unanimous consent of the parties.

Fair value measurements and valuation processes

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or liability, the group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 34.

Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, discount rates, expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs.

Judgement is exercised by management, assisted by advisors, in adjusting mortality rates to take account of actual mortality rates within the schemes.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary

for the sales of such assets (or disposal groups) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

When the group is committed to a sale plan involving disposal of an investment, or a portion of the investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the group discontinues the use of the equity method in relation to the portion that is classified as held for sale.

After the disposal takes place, the group accounts for any retained interest in the associate or joint venture in accordance with IFRS 9 unless the retained interest continues to be an associate or joint venture, in which case the group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. The fair value of a disposal group is the anticipated proceeds to be received on disposal.

The group considers a sale of a business as highly probable when board approval, or shareholder approval where necessary, is obtained and an active plan to locate a buyer has been initiated.

The group classified the Rail businesses as held for sale in the prior years in line with the board approval to exit the Rail businesses and the fulfillment of the IFRS 5 requirements. Due to unanticipated challenges and delays experienced, the group was unable to complete the disposal of all the Rail businesses in the current year. The group remains committed to completing the exit from the Rail businesses and continues to engage with the relevant parties to ensure that the sale will be completed within the forthcoming year.

Discontinued operations

When a reporting segment has either been disposed of or is classified as held for sale, the group's prior year comparative consolidated income statement and segmental analysis are re-presented in accordance with IFRS 5.

All income and expense items have been excluded from the individual income statement line items and a single amount representing the post-taxation profit or loss of discontinued operations has been disclosed.

Refer to notes 12 and 25 for details regarding non-current assets held for sale and discontinued operations respectively.

Functional currency

Due to the deteriorating United States Dollar (USD) liquidity issues in Zimbabwe the government created the Real Time Gross Settlement (RTGS) as an alternative method of payment which was fixed on a 1:1 parity policy. A rising black market currency trade has resulted in the value of RTGS quickly deteriorating. On 1 October 2018 the Reserve Bank of Zimbabwe announced that banks must separate foreign accounts from RTGS accounts with effect from 15 October 2018, thus officially recognising that actual foreign currency is different to RTGS. The result of the change was a reassessment of the functional currency of the entity. In determining the functional currency the entity assessed the currencies that influenced sales and expenses which revealed a mix between RTGS and US dollar. Management then assessed other factors to determine the functional currency resulting in a US dollar functional currency.

The effect of the change meant that the RTGS are required to be fair valued. The RTGS have a market value different to US dollar balances and should be treated as a foreign balance. IAS 21 requires a foreign currency transaction to initially be recorded at the rate of exchange on the date of the transaction and subsequently to be reported using the closing rate. Exchange differences arising from such a translation is recognised in profit or loss.

Accounting policies continued

Despite the insistence by the Government of Zimbabwe of the 1:1 ratio of RTGS to USD, in country transactions have proven a different ratio. No official ratio of the value of RTGS to US dollars exists. After reference to various sources, including Zimbabwean publications, a rate of 1 USD: 3.04 RTGS was determined.

A 1% change in the above determined RTGS/USD exchange rate results in R8.3 million impact to the income statement.

Credit impairment against advances and IFRS 9 ECL

Significant judgement is required in assessing the impairment processed against advances in terms of the new requirements of IFRS 9 relating to ECL. The significant judgements applied in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (Probability of Default (PD)), credit risk changes (Significant Increase in Credit Risk (SICR)), the size of credit exposures (Exposure at Default (EAD)), and the expected loss on default (Loss Given Default (LGD)).

Notes to the financial statements

1. New standards and interpretations

1.1 New and revised IFRSs applied with no material effect on the annual financial statements

The following new and revised IFRSs have been adopted in these annual financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years and are mandatorily effective.

| | |
|---|---|
| Amendments to IAS 7 Statement of Cash Flows | Disclosure Initiative |
| Amendments to IAS 12 Income Taxes | Recognition of Deferred Taxation Assets for Unrealised Losses |
| Amendments to IFRSs | Annual Improvements to IFRSs 2014-2016 Cycle |

1.2 New and revised IFRSs applied with material effect on the annual financial statements

The following tables summarises the impact of adopting IFRS 9 and IFRS 15 Revenue from Contracts with Customers on the group's annual financial statements:

Consolidated statement of financial position as at 1 January 2018

| | As previously reported R000 | IFRS 15 Adjustments R000 | IFRS 9 Adjustments R000 | As restated R000 |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| Investments in joint ventures | 2 819 542 | - | (21 063) | 2 798 479 |
| Investment in associates | 917 523 | - | (1 014) | 916 509 |
| Trade and other receivables | 2 246 585 | (684) | - | 2 245 900 |
| Loans and advances to bank customers | 7 529 903 | - | (5 755) | 7 524 148 |
| Accumulated profit | 4 371 356 | (6 997) | (26 220) | 4 338 139 |
| Deferred taxation | 245 351 | (192) | (1 614) | 243 545 |
| Trade and other payables | 1 349 281 | 6 504 | - | 1 355 785 |

IFRS 15

The group adopted IFRS 15 with a date of initial application of 1 January 2018. As a result, the group revised its accounting policy for revenue recognition and have disclosed this in note 19.

The group has elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standard 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 IAS 18 Revenue.

Apart from the adjustments tabled above, there were no significant changes as a result of the application of IFRS 15 as at 1 January 2018.

IFRS 9

The group adopted IFRS 9 with a date of initial application of 1 January 2018. As a result, the group has revised its accounting policy for financial instruments and have disclosed this under the accounting policies section.

The following is a summary of the key changes from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9:

Financial instrument classification

The revised standard requires that all financial assets be classified either at FVTPL, FVTOCI or amortised cost based on the entity's business model for managing the financial assets and the contractual cash flows of the financial asset. Financial liabilities are classified at amortised cost or FVTPL.

Impairment

In relation to impairment, IFRS 9 requires the use of an ECL model as opposed to an incurred credit loss model as required under IAS 39. This requires an entity to account for ECL at each reporting date since initial recognition based on the level of increase in credit risk.

Notes to the financial statements continued

Loans and advances – ECL

A financial asset that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the company. If a SICR since initial recognition is identified, the financial instrument is moved to stage 2 but is not yet deemed to be credit-impaired (unless an event of default has occurred).

If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3. An advance is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence of credit-impairment includes observable data that typically indicate one or more of the following:

- significant financial difficulty of the borrower; and/or
- a default event.

Financial assets in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial assets in stages 2 or 3 have their ECL measured based on ECL that result from default events that may arise on a remaining lifetime basis.

The company measures credit risk of advances using assumptions with regards to PD, LGD and EAD on an individual loan by loan basis. Refer to note 34 for more information regarding inputs, assumptions and estimation techniques, which have been applied consistently throughout the reporting period.

Hedge accounting

The general hedge accounting requirements remain the same under IFRS 9 but there is greater flexibility in terms of the types of transactions eligible for hedge accounting namely, the types of instruments available for hedge accounting and types of risks that can be hedged. There has also been a simplification of hedge effectiveness testing.

Transition

The group has elected not to restate comparative information and has recorded the cumulative effect of initially applying the new standard 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 IAS 39. The following additional assumptions have been made on transition to the new standard:

- Assessments were made at the date of initial application based on facts and circumstances available on this date:
 - Determination of the business model within which the financial asset is held
 - The designation of certain investments in equity instruments not held for trading as FVTOCI
 - All hedging relationships under IAS 39 as at 31 December 2017 met the criteria for hedge accounting under IFRS 9 as at 1 January 2018

The following table shows the classification of financial instruments under IAS 39 and the revised classification under IFRS 9:

| Financial instrument | Classification under IAS 39 | Revised classification under IFRS 9 | Carrying amount under IAS 39 R000 | Carrying amount under IFRS 9 R000 |
|----------------------------------|-----------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Financial assets | | | | |
| Unlisted investments | Held for trading | FVTPL | 1 292 705 | 1 292 705 |
| Insurance cell captives | Held for trading | FVOCI | 9 263 | 9 263 |
| Loans to related parties | Loans and receivables | Amortised cost | 819 213 | 819 213 |
| Derivative financial assets | Held for trading | FVTPL | 1 617 | 1 617 |
| Loans and advances | Held for trading | FVTPL | 669 029 | 1 764 577 |
| Loans and advances | Loans and receivables | Amortised cost | 6 480 169 | 5 384 620 |
| Trade and other receivables | Loans and receivables | Amortised cost | 2 684 803 | 2 684 119 |
| Trade and other receivables | Loans and receivables | FVTPL | 301 824 | 301 824 |
| Financial liabilities | | | | |
| Trade and other payables | Held at amortised cost | Amortised cost | (685 203) | (691 707) |
| Derivative financial liabilities | Held for trading | FVTPL | (20 744) | (20 744) |
| Long-term borrowings | Held at amortised cost | Amortised cost | (2 101 400) | (2 101 400) |
| Deposits from bank customers | Held at amortised cost | Amortised cost | (14 640 363) | (14 640 203) |

1.3 New and revised IFRSs in issue but not yet effective

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

The date of initial application of IFRS 16 for the group will be 1 January 2019 and the modified retrospective approach, will be adopted.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease will continue to apply to those leases entered or modified before 1 January 2019.

Notes to the financial statements continued

Lessee accounting

Operating leases

IFRS 16 will change how the group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the group will:

- recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36.

This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Impact on Grindrod reported results

The directors anticipate that the application of IFRS 16 in the future will have a material impact on amounts reported in respect of its financial assets and financial liabilities as there are a significant number of leases in its operations. Assets will increase on the recognition of "right-of-use" of an underlying asset and liabilities will increase for the obligation to make lease payments. This increase in the liability and corresponding assets is approximately in the range of R900.0 million to R1 500.0 million on the consolidated statement of financial position.

Profit or loss will be affected as the relevant lease expenses will be recognised as amortisation and interest. The statement of cash flows will be affected by lease payments being classified as cash flow from financing activities instead of cash flow from operating activities. It is considered too early to disclose an effect of implementing the new standard.

Additional amendments to standards

| | |
|--|--|
| Amendments to IFRS 9 Prepayment Features with Negative Compensation | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |
| Amendments to IAS 28 Investments in Associates and Joint Ventures Long-term Interests in Associates and Joint Ventures | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |
| Annual improvements to IFRS Standards 2015 – 2017 Cycle Amendments to: IFRS 3 IFRS 11 Joint Arrangements IAS 12 IAS 23 Borrowing Costs | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |
| Amendments to IAS 19 Employee Benefits Plan amendment, curtailment or settlement | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |
| IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |
| IFRIC 23 Uncertainty over Income Tax Treatments | The directors of the company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements. |

2. Property, terminals, machinery, vehicles and equipment

Terminals, machinery, vehicles and equipment are reflected at cost and are depreciated over their estimated useful lives to estimated residual values, on the straight line basis as follows:

| | |
|-----------------------------------|---------------|
| Terminals and machinery | 5 – 20 years |
| Information technology equipment | 3 – 5 years |
| Locomotives | 15 years |
| Vehicles | 3 – 10 years |
| Freehold and leasehold properties | 25 – 50 years |

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

The group capitalises borrowing costs directly attributable to the acquisition, construction and production of qualifying assets.

Assets that are held for rental are initially classified as property, terminals, machinery, vehicles and equipment. When these assets cease to be rented and a decision is made to sell these assets, the carrying amount is transferred to current assets (inventories) as 'held for sale'. Upon sale of the 'held for sale' assets, the sales value is recorded in gross revenue and the related carrying amount of these assets is recorded in cost of sales.

Freehold land is reflected at cost and not depreciated. Buildings are reflected at cost and depreciated to estimated residual value over their useful life to the group, currently estimated at 50 years from the date of acquisition. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Expenditure relating to leasehold properties is capitalised and depreciated over the period of the lease, or 25 years, whichever is the lesser period. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Where the estimated residual value of an asset classified as property, terminals, machinery, vehicles and equipment exceeds the cost, depreciation is not provided. An item of property, terminals, machinery, vehicles and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, terminals, machinery, vehicles and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

| | CONSOLIDATED | | | |
|---|--------------------|---|--------------------|--------------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| | Cost/ valuation | Accumulated depreciation, amortisation and impairment | Carrying amount | Carrying amount |
| Freehold and leasehold properties | | | | |
| Opening balance | 1 105 922 | (260 354) | 845 568 | 849 734 |
| Translation gain/(loss) | 46 648 | (7 876) | 38 772 | (12 837) |
| Reclassification | 79 172 | (4 505) | 74 667 | 50 986 |
| Additions and improvements | 127 281 | – | 127 281 | 6 961 |
| Acquisition of businesses | 104 315 | – | 104 315 | – |
| Disposals | (58 018) | 13 621 | (44 397) | (2 007) |
| Depreciation and amortisation | – | (42 033) | (42 033) | (37 006) |
| Transferred to non-current assets classified as held for sale (note 12) | – | – | – | (10 263) |
| Closing balance | 1 405 320 | (301 147) | 1 104 173 | 845 568 |

Notes to the financial statements continued

for the year ended 31 December 2018

2. Property, terminals, machinery, vehicles and equipment continued

| | Cost/ valuation | Accumulated depreciation, amortisation and impairment | CONSOLIDATED | |
|--|--------------------|---|--------------------|--------------------|
| | | | 2018 R000 | 2017 R000 |
| | | | Carrying amount | Carrying amount |
| Property under construction | | | | |
| Opening balance | 60 097 | – | 60 097 | 54 781 |
| Translation gain | 3 991 | – | 3 991 | (6 976) |
| Additions | 9 010 | – | 9 010 | 69 347 |
| Disposals | (501) | – | (501) | (2 357) |
| Reclassification | (66 992) | – | (66 992) | (53 239) |
| Transferred to non-current assets classified as held for sale (note 12) | – | – | – | (1 459) |
| Closing balance | 5 605 | – | 5 605 | 60 097 |
| Terminals, machinery, vehicles and equipment | | | | |
| Opening balance | 1 296 552 | (743 857) | 552 695 | 525 813 |
| Translation gain/(loss) | 27 037 | (10 660) | 16 377 | (3 607) |
| Reclassification | (31 197) | 23 086 | (8 111) | 80 799 |
| Additions | 194 779 | – | 194 779 | 158 432 |
| Acquisition of businesses | 8 652 | – | 8 652 | – |
| Impairment | – | (2 682) | (2 682) | (8 503) |
| Disposals | (167 480) | 137 167 | (30 313) | (49 037) |
| Depreciation | – | (125 214) | (125 214) | (139 267) |
| Transferred to non-current assets classified as held for sale (note 12) | – | – | – | (11 935) |
| Closing balance | 1 328 343 | (722 160) | 606 183 | 552 695 |
| Leased terminals, machinery, vehicles and equipment | | | | |
| Opening balance | 40 736 | (21 093) | 19 643 | 32 311 |
| Translation (loss)/gain | (215) | 107 | (108) | 464 |
| Reclassification | (750) | 359 | (391) | (12 710) |
| Additions | 3 661 | – | 3 661 | – |
| Acquisition of businesses | 14 976 | – | 14 976 | – |
| Depreciation | – | (1 517) | (1 517) | (422) |
| Closing balance | 58 408 | (22 144) | 36 264 | 19 643 |
| Aggregate | 2 797 676 | (1 045 451) | 1 752 225 | 1 478 003 |

2. Property, terminals, machinery, vehicles and equipment continued

| | CONSOLIDATED 2017 | | |
|---|----------------------------|---|----------------------------|
| | Cost/ valuation R000 | Accumulated depreciation, amortisation and impairment R000 | Carrying amount R000 |
| Freehold and leasehold properties | 1 105 922 | (260 354) | 845 568 |
| Property under construction | 60 097 | – | 60 097 |
| Terminals, machinery, vehicles and equipment | 1 296 552 | (743 857) | 552 695 |
| Leased terminals, machinery, vehicles and equipment | 40 736 | (21 093) | 19 643 |
| | 2 503 307 | (1 025 304) | 1 478 003 |

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

Certain assets are encumbered in respect of capitalised lease and loan liabilities, details of which are shown under loan funds on page 112.

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, machinery, vehicles and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R8 497.9 million (2017: R11 398.8 million).

3. Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the financial statements continued

for the year ended 31 December 2018

3. Intangible assets continued

| | Cost/ valuation | Accumulated amortisation and impairment | CONSOLIDATED | |
|--|--------------------|--|--------------------|--------------------|
| | | | 2018 R000 | 2017 R000 |
| | | | Carrying amount | Carrying amount |
| 3.1 Goodwill | | | | |
| Opening balance | 1 223 710 | (652 429) | 571 281 | 789 825 |
| Translation loss | 1 556 | - | 1 556 | (8 782) |
| Impairment | - | - | - | (108 094) |
| Transferred to non-current assets classified as held for sale (note 12) | - | - | - | (101 668) |
| Closing balance | 1 225 266 | (652 429) | 572 837 | 571 281 |
| 3.2 Other intangible assets | | | | |
| Opening balance | 416 608 | (276 980) | 139 628 | 240 455 |
| Translation gain/(loss) | 762 | (2 185) | (1 423) | (250) |
| Reclassification | 6 973 | (6 147) | 826 | - |
| Additions | 2 006 | - | 2 006 | 4 110 |
| Acquisition of businesses | 28 890 | - | 28 890 | - |
| Disposals | - | - | - | (7 399) |
| Impairment | - | (16 276) | (16 276) | (48 571) |
| Amortisation | - | (24 513) | (24 513) | (47 353) |
| Transferred to non-current assets classified as held for sale (note 12) | - | - | - | (1 364) |
| Closing balance | 455 239 | (326 101) | 129 138 | 139 628 |
| Total | 1 680 505 | (978 530) | 701 975 | 710 909 |

Impairment testing of goodwill

The recoverable amounts of the cash-generating units was determined using the discounted cash flow calculation. The value in use calculation uses cash flow projections based on financial budgets approved by the directors covering a five year period, and a discount rate of between 12.8% – 13.7% per annum applied as follows:

- 12.8% Terminals
- 13.5% Ships Agencies and Clearing and Forwarding
- 13.6% Grindrod Integrated Logistics
- 13.7% Seafreight

Cash flow projections during the budget period are based on the same expected gross margins and inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a rate of between 3.0% – 5.3% per annum. The directors believe that any reasonable change in the key assumptions, on which the recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

At the beginning of the financial year the recoverable amount of the Grindrod Integrated Logistics and Ships Agency and Clearing and Forwarding business was substantially greater than book value. Due to the weaker macro-economic environment which resulted in reduced margin the headroom has reduced significantly. Although the headroom has reduced for the Ships Agency and Clearing and Forwarding business, only a major change in the weighted average cost of capital (WACC) and the forecast cash flow will result in an impairment.

The Grindrod Integrated Logistics business is more sensitive to changes in the WACC and forecast cash flow. A 20% reduction in forecast cash flows or a 1.5% increase in WACC will result in an impairment of the divisional goodwill.

3. Intangible assets *continued*

| | CONSOLIDATED | |
|--|------------------------------------|------------------------------------|
| | 2018 R000 Carrying amount | 2017 R000 Carrying amount |
| Allocation of goodwill to cash-generating units | | |
| Goodwill has been allocated for impairment testing purposes to the underlying discreet businesses as they represent separately identifiable cash-generating units. The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the group's total goodwill balance: | | |
| Shipping | - | 101 668 |
| Terminals | 12 290 | 12 290 |
| Grindrod Integrated Logistics | 170 357 | 169 263 |
| Seafreight | 108 502 | 108 502 |
| Ships Agencies and Clearing and Forwarding | 281 688 | 281 226 |
| Transferred to non-current assets classified as held for sale (note 12) | - | (101 668) |
| | 572 837 | 571 281 |

Write-off periods of other intangible assets

Intangible assets consist mainly of leases, software, licences and customer contracts and are written off over periods ranging from 3 (2017: 3) to 30 (2017: 30) years.

4. Investments in subsidiaries

| | COMPANY | |
|---|------------------|--------------|
| | 2018 R000 | 2017 R000 |
| Investments in subsidiaries | 7 761 634 | 11 115 403 |
| Share-based payments | 16 949 | 16 949 |
| Transferred to non-current assets classified as held for sale | - | (3 971 605) |
| | 7 778 583 | 7 160 747 |

In the prior year, the investment in Grindrod Shipping South Africa (Pty) Ltd and Grindrod Shipping Pte Ltd was classified as held for sale.

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 110.

Details of share-based payments are shown in note 26.

Information about the composition of the group at the end of the reporting period has been included the integrated annual report on pages 26 to 29.

Notes to the financial statements continued

for the year ended 31 December 2018

5. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method of accounting.

Where a group entity transacts with an associate or a joint venture of the group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the group's consolidated annual financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated:

| Name of joint venture | Principal activity | Place of incorporation | Segment | 2018 Proportion of ownership | 2017 Proportion of ownership |
|---|---------------------------------|------------------------|--|------------------------------------|------------------------------------|
| Petrochemical Shipping Ltd | Shipowning and operating* | Isle of Man | Discontinued Operations | - | 50.0% |
| Rohlig-Grindrod (Pty) Ltd | Clearing and forwarding | South Africa | Logistics | 42.5% | 44.8% |
| Tri-View Shipping Pte Ltd | Shipowning and operating* | Singapore | Discontinued Operations | - | 51.0% |
| IM Shipping Pte Ltd | Shipowning and operating* | Singapore | Discontinued Operations | - | 51.0% |
| Portus Indico-Sociedade de Servicos Portuarios SA | Port operations | United Arab Emirates | Port and Terminals | 48.5% | 48.5% |
| GPR Leasing Africa Ltd | Rail leasing* | Mauritius | Discontinued Operations | 55.0% | 55.0% |
| Island Bulk Carriers Pte Ltd | Shipowning and operating* | Singapore | Discontinued Operations | - | 65.0% |
| Maputo Intermodal Container Depot SA | Storage and logistics | Mozambique | Logistics | 50.0% | 50.0% |
| Leopard Tankers Pte Ltd | Shipowning and operating* | Singapore | Discontinued Operations | - | 50.0% |
| Cockett Marine Oil Pte Ltd | Marine fuel and lubricants | Singapore | Marine Fuel and Agricultural Logistics | 50.0% | 50.0% |
| Cockett Marine South Africa (Pty) Ltd | Marine fuel and lubricants | South Africa | Marine Fuel and Agricultural Logistics | 50.0% | 50.0% |
| CMOG Fuel DMCC | Marine fuel and lubricants | United Arab Emirates | Marine Fuel and Agricultural Logistics | 50.0% | 50.0% |
| Terminal De Carvo da Matola Ltda | Terminals | Mozambique | Port and Terminals | 65.0% | 65.0% |
| Oiltanking Grindrod Calulo Holdings (Pty) Ltd | Liquid bulk storage and trading | South Africa | Port and Terminals | 30.5% | 30.5% |
| RBT Grindrod Terminals (Pty) Ltd | Terminals | South Africa | Port and Terminals | 59.7% | 59.7% |
| New Limpopo Bridge Projects Ltd | Rail logistics | Mauritius | Logistics | 74.4% | 74.4% |
| IVS Bulk Pte Ltd | Shipowning and operating* | Singapore | Discontinued Operations | - | 33.5% |

* The rail leasing and shipowning and operating businesses above are included in discontinued operations.

Information about the composition of the group at the end of the reporting period has been included in the annual integrated report on pages 26 to 29.

Notes to the financial statements continued

for the year ended 31 December 2018

5. Investments in joint ventures continued

Summarised financial information in respect of each of the group's joint ventures are set out below. The summarised financial information below represents amounts in the joint ventures financial statements prepared in accordance with IFRS standards and adjusted by the group, when necessary, for equity accounting purposes.

| | CONSOLIDATED | | | | | | | | |
|---|--------------------|--------------|--------------|--------------|--|--------------|-----------------------------|--------------|-------------------------------|
| | PORT AND TERMINALS | | LOGISTICS | | MARINE FUEL AND AGRICULTURAL LOGISTICS | | TOTAL CONTINUING OPERATIONS | | TOTAL DISCONTINUED OPERATIONS |
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2017 R000 |
| Statement of profit/(loss) | | | | | | | | | |
| Revenue | 466 375 | 469 557 | 397 018 | 222 479 | 20 444 416 | 17 943 559 | 21 307 809 | 18 635 595 | 710 437 |
| Operating income before interest and taxation and after non-trading items and non-controlling interests | 174 774 | 181 973 | 171 905 | 14 886 | 71 586 | 46 621 | 418 265 | 243 480 | (69 434) |
| Net interest paid | (30 690) | (31 458) | (12 035) | (6 952) | (40 234) | (30 063) | (82 959) | (68 473) | (92 590) |
| Taxation | (30 647) | (41 274) | (94 950) | (8 383) | (5 304) | (13 875) | (130 901) | (63 532) | (332) |
| Profit/(loss) for the year | 113 437 | 109 241 | 64 920 | (449) | 26 048 | 2 683 | 204 405 | 111 475 | (162 356) |
| Statement of financial position at 100% | | | | | | | | | |
| Non-current assets | 3 115 032 | 2 656 004 | 689 441 | 745 125 | 330 327 | 328 540 | 4 134 800 | 3 729 669 | 6 044 953 |
| Current assets | 200 898 | 192 833 | 911 860 | 971 488 | 5 031 726 | 4 719 298 | 6 144 484 | 5 888 619 | 107 941 |
| Cash and cash equivalents | 175 727 | 168 541 | 420 742 | 149 361 | - | 120 183 | 596 469 | 438 085 | 569 937 |
| Non-current liabilities | (428 431) | (232 452) | (136 295) | (68 847) | (32 891) | (26 641) | (597 617) | (327 940) | (1 669 268) |
| Current liabilities | (596 194) | (732 701) | (1 150 161) | (1 239 672) | (4 006 945) | (4 543 960) | (5 753 300) | (6 516 333) | (2 982 028) |
| Bank overdraft | - | - | (194 968) | (173 200) | (648 969) | - | (843 937) | (173 200) | - |
| Net assets | 2 467 032 | 2 052 225 | 540 619 | 384 255 | 673 248 | 597 420 | 3 680 899 | 3 033 900 | 2 071 535 |
| Proportion of group's ownership in joint ventures | 1 397 010 | 1 164 614 | 341 095 | 214 856 | 336 624 | 298 710 | 2 074 729 | 1 678 180 | 712 582 |
| Goodwill | 334 489 | 294 031 | 1 886 | 1 886 | 33 505 | 28 869 | 369 880 | 324 786 | - |
| Loans | 292 617 | 244 347 | 172 566 | 106 799 | 172 566 | 148 680 | 637 749 | 499 826 | 465 367 |
| Other | 11 872 | 13 000 | (105 431) | (42 161) | (12 439) | (20 401) | (105 998) | (49 562) | - |
| Transferred to non-current assets classified as held for sale (note 12) | - | - | (76 290) | - | - | - | (76 290) | - | (1 177 949) |
| Group's share of net assets of joint ventures | 2 035 988 | 1 715 992 | 333 826 | 281 380 | 530 256 | 455 858 | 2 900 070 | 2 453 230 | - |
| Dividends received from joint ventures | 52 920 | 47 361 | 11 011 | 28 464 | - | - | 63 931 | 75 825 | - |

The proportionate share of the capital commitments of the joint ventures is as follows:

| | CONSOLIDATED | | | |
|---|--------------|-----------------|--------------|-----------------|
| | 2018 R000 | 2018 US\$000 | 2017 R000 | 2017 US\$000 |
| Authorised and contracted for and due within one year | 18 402 | - | 18 000 | - |
| Authorised and not contracted for | 267 962 | - | - | - |
| Total | 286 364 | - | 18 000 | - |

An operation located in Zimbabwe is included in the Logistics segment and the funds are freely available for use in Zimbabwe but the transfer of funds outside of the country is limited.

In the prior year, included in joint ventures reflected under discontinued operations, were cash and bank amounts of R342.0 million pledged to certain banks to secure loans and other banking facilities. These operations have since been disposed off in the current year.

In the prior year, the group impaired investments in joint ventures by Rnil (2017: R123.3 million).

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for the year ended 31 December 2018

6. Investments in associates

The consolidated annual financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. Losses of associates in excess of the group's interest are only recognised to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

In addition to the above, certain investments in associates, held by the Financial Services division are designated as FVTPL upon initial recognition, those investments are measured at fair value in terms of IFRS 9 with fair value changes recognised in profit or loss (refer to note 7).

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

The group has associate interests in the following companies:

| Name of associate | Principal activity | Place of incorporation | Segment | 2018 Proportion of ownership | 2017 Proportion of ownership |
|---|-------------------------|------------------------|--|------------------------------------|------------------------------------|
| Moneyline 992 (Pty) Ltd | Property investments | South Africa | Group | – | 47.4% |
| Grindrod Namibia Stevedoring (Pty) Ltd | Stevedoring | Namibia | Port and Terminals | 49.0% | 49.0% |
| Empresa De Dragagem Do Porto de Mozambique S.A. | Port dredging | Mozambique | Port and Terminals | 25.5% | 25.5% |
| Senwes Ltd | Agricultural logistics | South Africa | Marine Fuel and Agricultural Logistics | 20.7% | 20.7% |
| NWK Ltd | Agricultural logistics | South Africa | Marine Fuel and Agricultural Logistics | 20.4% | 20.4% |
| Sturrock Flex Shipping Ltd | Clearing and forwarding | Tanzania | Logistics | 49.0% | 49.0% |

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report on pages 26 to 29.

Summarised financial information in respect of each of the group's associates are set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS standards and adjusted by the group, when necessary, for equity accounting purposes.

| | CONSOLIDATED | | | | | | | |
|--|--------------------|--------------|--------------|--------------|--|--------------|--------------|--------------|
| | PORT AND TERMINALS | | LOGISTICS | | MARINE FUEL AND AGRICULTURAL LOGISTICS | | TOTAL | |
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Statement of profit/(loss) | | | | | | | | |
| Revenue | 32 143 | 32 017 | 8 188 | 5 883 | 2 718 572 | 2 594 246 | 2 758 902 | 2 632 146 |
| Depreciation | (18 343) | (11 884) | – | – | (17 988) | (11 144) | (36 332) | (23 028) |
| Operating income before interest and taxation | 27 322 | 22 746 | 2 048 | 84 | 232 476 | 126 355 | 261 846 | 149 185 |
| Net interest paid | (17 062) | (14 082) | – | – | (69 003) | (43 154) | (86 065) | (57 236) |
| Taxation | (3 283) | (3 255) | (717) | (524) | (40 833) | (27 689) | (44 833) | (31 468) |
| Profit/(loss) for the year | 6 977 | 5 409 | 1 331 | (440) | 122 640 | 55 512 | 130 948 | 60 481 |
| Statement of financial position at 100% | | | | | | | | |
| Non-current assets | 1 122 950 | 1 038 197 | 1 006 | 1 418 | 1 962 927 | 1 965 367 | 3 086 883 | 3 004 982 |
| Current assets | 39 177 | 63 351 | 8 544 | 13 314 | 7 642 530 | 7 773 594 | 7 690 251 | 7 850 259 |
| Cash and cash equivalents | 55 952 | 35 634 | 21 973 | 9 706 | 66 810 | 86 564 | 144 735 | 131 904 |
| Non-current liabilities | (327 960) | (343 941) | (72) | – | (1 134 555) | (1 049 221) | (1 462 587) | (1 462 587) |
| Current liabilities | (560 677) | (531 911) | (28 443) | (19 557) | (4 686 893) | (5 245 362) | (5 276 013) | (5 276 013) |
| Net assets | 329 442 | 261 330 | 3 008 | 4 881 | 3 850 819 | 3 530 942 | 4 183 269 | 3 797 153 |
| Proportion of group's ownership in associate | 86 230 | 68 552 | 2 372 | 2 392 | 791 699 | 725 851 | 880 301 | 796 795 |
| Other | (1 345) | (1 241) | 917 | (369) | – | – | (428) | (1 610) |
| Goodwill | – | – | – | – | 91 046 | 72 035 | 91 046 | 72 035 |
| Group's share of net assets of associates | 84 885 | 67 311 | 3 289 | 2 023 | 882 745 | 797 886 | 970 919 | 867 220 |
| Dividends received from associates | – | – | – | – | 36 768 | 27 799 | 36 768 | 27 799 |

The financial year end for Senwes Ltd and NWK Ltd is 30 April. For purposes of applying the equity method, at year end, for associates with differing year ends, reporting is based on management's best estimates. The market value of Senwes Ltd and NWK Ltd are available on the individual companies website.

Notes to the financial statements continued

for the year ended 31 December 2018

7. Other investments

| | CONSOLIDATED | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Financial assets measured at FVTPL | | | | |
| Listed investments | 138 629 | – | 213 | – |
| Unlisted investments | 1 422 195 | 1 292 705 | 6 423 | 7 714 |
| Pension fund surplus recognised* | 134 230 | 142 388 | | |
| Financial assets measured at FVTOCI | | | | |
| Unlisted investments in insurance cell captives | 7 820 | 9 263 | | |
| Financial assets measured at amortised cost | | | | |
| Loans to related parties | 304 092 | 819 213 | – | 548 954 |
| | 2 006 966 | 2 263 569 | 6 636 | 556 668 |

* Details of the pension fund are included in note 16.

Refer to note 34.1 for the fair value hierarchy.

The fair value of the investments equals the carrying amount. The group does not consider there to be any significant credit risk regarding the loans to related parties.

During the current year, the group assisted Newshelf 1279 (Pty) Ltd, a B-BBEE consortium, with additional security for its funders which resulted in a change of rights of the group, thereby requiring consolidation of the consortium in term of IFRS 10 effective 31 December 2018. Consequently, the loan to related parties, in Company, has been reclassified to amounts due from group companies.

Included in other unlisted investments, are investments in associates held by the Financial Services division. These are accounted for at FVTPL.

Material investments in associates held by Financial Services

| | Principal activity | Place of incorporation | 2018 Proportion of ownership | 2017 Proportion of ownership |
|--------------------------------|----------------------------------|------------------------|---------------------------------|---------------------------------|
| Infinitus Holdings (Pty) Ltd | Private equity fund | South Africa | 49.6% | 49.4% |
| Makoro Holding Company Pty Ltd | Taxi finance company | South Africa | 26.0% | 26,0% |
| Go Health Club Group (Pty) Ltd | Supplier of health club services | South Africa | 49.9% | 49.9% |
| K2014199403 (Pty) Ltd | Investment holding | South Africa | 49.0% | 49.0% |

8. Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the annual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Deferred taxation analysed by major category: | | | | |
| Capital allowances | (129 823) | (110 206) | | |
| Other timing differences | (72 979) | (93 458) | 3 389 | 3 389 |
| Estimated taxation losses | 15 015 | 18 322 | | |
| | (187 787) | (185 342) | 3 389 | 3 389 |
| Reconciliation of deferred taxation: | | | | |
| Opening balance | (185 342) | (177 682) | 3 389 | 2 888 |
| Income statement effect – continuing operations | 19 416 | (38 358) | - | 501 |
| Income statement effect – discontinued operations | - | (56 394) | | |
| Translation adjustment | (5 354) | 7 399 | | |
| Reclassification | - | (14 065) | | |
| Acquisition of businesses | (18 880) | - | | |
| Deferred taxation on fair value (gains)/losses recognised directly in equity | 567 | (1 897) | | |
| Transitional provision – implementation of IFRS 9 and 15 | 1 806 | - | | |
| Transferred to non-current assets classified as held for sale (note 12) | - | 95 655 | | |
| Closing balance | (187 787) | (185 342) | 3 389 | 3 389 |
| Comprising: | | | | |
| Deferred taxation assets | 60 945 | 59 313 | 3 389 | 3 389 |
| Deferred taxation liabilities | (248 732) | (244 655) | | |
| | (187 787) | (185 342) | 3 389 | 3 389 |

Deferred taxation assets have been recognised on assessed losses in relevant entities in which the group believes it is probable that they will generate a taxable profit in the foreseeable future. The assessments are performed on a continuous basis.

Notes to the financial statements continued

for the year ended 31 December 2018

9. Loans and advances to bank customers

| | CONSOLIDATED | |
|---|------------------|--------------|
| | 2018 R000 | 2017 R000 |
| Loans and receivables | 5 495 297 | 6 480 169 |
| Held at FVTPL using year-end market related interest rate yield curves to discount expected future cash flows | 2 260 447 | 669 029 |
| | 7 755 744 | 7 149 198 |
| Loans and advances – companies and close corporations | 6 295 900 | 5 465 127 |
| Loans and advances – unincorporated businesses | 561 202 | 535 838 |
| Loans and advances – individuals | 79 205 | 90 395 |
| Preference shares | 876 537 | 1 012 023 |
| Interest accrued | 65 490 | 61 871 |
| Revaluation of loans held at FVTPL | (38 753) | 17 243 |
| Less: impairments and ECL against advances | (83 837) | (33 299) |
| | 7 755 744 | 7 149 198 |
| <p>Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, shares, discounted invoices, guarantees and suretyships. This book is considered to be well secured and impairments have been raised where impairment indicators exist.</p> | | |
| <i>Contractual maturity analysis:</i> | | |
| Maturity on demand | 892 841 | 785 179 |
| Maturing within one month | 287 753 | 1 448 424 |
| Maturing after one month but within three months | 1 404 699 | 236 166 |
| Maturing after three months but within six months | 463 577 | 420 329 |
| Maturing after six months but within one year | 377 820 | 218 078 |
| Maturing after one year but within three years | 1 685 711 | 1 345 268 |
| Maturing after three years but within five years | 1 270 703 | 1 614 120 |
| Maturing after five years but within ten years | 1 345 896 | 979 826 |
| Maturing after ten years | 83 840 | 55 993 |
| Interest accrued | 65 490 | 61 871 |
| Revaluation of loans held at FVTPL | (38 753) | 17 243 |
| Less: impairments and ECL against advances | (83 837) | (33 299) |
| | 7 755 744 | 7 149 198 |
| Maximum exposure to credit risk before impairments | 7 886 710 | 7 182 497 |
| Exposures with renegotiated terms | - | - |

9. Loans and advances to bank customers continued

| | CONSOLIDATED | |
|--|------------------|--------------|
| | 2018 R000 | 2017 R000 |
| The maturity analysis of advances is based on the remaining contractual periods to maturity from the reporting date and does not take repayment profiles into account. | | |
| <i>Sectoral analysis:</i> | | |
| Agriculture, hunting, forestry and fishing | 84 058 | 75 831 |
| Mining and quarrying | 29 148 | 29 148 |
| Manufacturing | 300 329 | 228 340 |
| Electricity, gas and water supply | 3 803 | – |
| Construction | 39 975 | 39 326 |
| Wholesale and retail trade, repair of specified items, hotels and restaurants | 290 074 | 248 031 |
| Transport, storage and communication | 164 467 | 302 484 |
| Financial intermediation and insurance | 194 793 | 207 841 |
| Real estate | 3 271 648 | 2 770 495 |
| Business services | 10 931 | 186 682 |
| Community, social and personal services | 53 161 | 40 671 |
| Private households | 69 753 | 71 801 |
| Other | 3 243 604 | 2 948 548 |
| | 7 755 744 | 7 149 198 |
| <i>Geographical analysis:</i> | | |
| South Africa | 7 755 744 | 7 149 198 |
| Included in loans and advances are fixed rate loans designated as held at FVTPL: | | |
| Net book value of loans and advances held at FVTPL | 788 540 | 651 786 |
| Revaluation of loans and advances held at FVTPL | 8 378 | 17 243 |
| Fair value of loans and advances held at FVTPL | 796 918 | 669 029 |
| <i>Analysis of impaired loans and advances:</i> | | |
| Loans and advances classified as special mention | 240 359 | 35 114 |
| Loans and advances displaying significant weakness | 130 548 | 49 474 |
| Carrying amount of impaired loans and advances | 370 907 | 84 588 |
| Collateral held against impaired loans and advances | 346 341 | 80 918 |
| <i>Sectoral analysis of impaired loans and advances:</i> | | |
| Manufacturing | 32 243 | – |
| Financial intermediation and insurance | 9 305 | – |
| Real estate | 113 655 | 23 223 |
| Wholesale and retail trade, repair of specified items, hotels and restaurants | 17 447 | 13 677 |
| Private households | – | 270 |
| Other | 198 257 | 47 418 |
| | 370 907 | 84 588 |

Notes to the financial statements continued

for the year ended 31 December 2018

9. Loans and advances to bank customers continued

| | CONSOLIDATED | | |
|---|--------------|-------------|-----------|
| | 2018 | | 2017 |
| | R000 | | R000 |
| Breakdown of ECL provision included above: | | | |
| Analysis of portfolio (stages 1 and 2) | | | |
| Provision at the beginning of the year | 29 629 | | 26 786 |
| Transitional provision – implementation of IFRS 9 | 5 755 | | – |
| Net (decrease)/increase in provision | (5 960) | | 2 843 |
| Provision at the end of the year | 29 424 | | 29 629 |
| Analysis of impairments (stage 3) | | | |
| Impairments at the beginning of the year | 3 670 | | 11 637 |
| Net increase/(decrease) in impairments | 24 526 | | 3 051 |
| Written-off against impairments | (3 630) | | (11 018) |
| Impairments at the end of the year | 24 566 | | 3 670 |
| Provisioning analysis | | | |
| Portfolio provision – stage 1 | 22 977 | | 29 629 |
| Portfolio provision – stage 2 | 6 447 | | – |
| Specific impairments – stage 3 | 24 566 | | 3 670 |
| | 53 990 | | 33 299 |
| | | 31 December | 1 January |
| IFRS 9 adjustment (1 January 2018) | | 2017 | 2018 |
| Portfolio provision – stage 1 | | 29 629 | (365) |
| Portfolio provision – stage 2 | | – | 6 120 |
| Specific impairments – stage 3 | | 3 670 | – |
| | | 33 299 | 5 755 |
| | | | 39 054 |
| | | | 2017 |
| | | | R000 |
| Included in loans and advances are funds from related parties earning interest at market-related rates: | | | |
| Directors (directly or indirectly) | 4 797 | | 164 692 |

9. Loans and advances to bank customers continued

| | CONSOLIDATED | |
|---|----------------|---------|
| | 2018 | 2017 |
| | R000 | R000 |
| Associates | | |
| Private equity investee companies within the Financial Services division - these 3 rd party investees are run and operated by clients of the Financial Services division, but are classified as associate companies in accordance with IFRS due the Financial Services division holding between 20% and 50% shareholding in these entities. The amounts below includes loans and investments of the associate. | | |
| <i>Passive investments acquired for nil or a nominal amount</i> | | |
| Property owning entities | 651 378 | 454 174 |
| Investment entities | 453 117 | 409 974 |
| <i>Passive investments acquired for fair value</i> | | |
| Companies without significant influence on underlying investment | 228 920 | 224 825 |
| Investment entities | 182 557 | 60 960 |
| Asset management entities | 488 818 | 574 546 |
| Other operating entities | 240 570 | 194 569 |
| Dividends received from associates | 37 238 | 1 801 |
| Interest and fees earned from associates | 180 746 | 136 427 |

10. Liquid assets and short-term negotiable securities

| | CONSOLIDATED | |
|---|------------------|-----------|
| | 2018 | 2017 |
| | R000 | R000 |
| Measured at amortised cost | | |
| Preference shares | 18 256 | 33 491 |
| Statutory liquid assets | | |
| Treasury bills | 1 111 248 | 910 316 |
| Money market investments and debentures | 1 714 037 | 820 068 |
| | 2 843 541 | 1 763 875 |

The carrying amount of liquid assets and short-term negotiable securities approximates fair value.

Statutory liquid assets are held to meet liquid asset requirements in terms of the Bank Act.

Notes to the financial statements continued

for the year ended 31 December 2018

11. Trade and other receivables

Trade and other receivables are financial assets. Trade and other receivables, other than the current portion of financial assets, are measured at amortised cost using the EIR method.

| | CONSOLIDATED | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Trade debtors | 1 314 964 | 1 031 021 | | |
| Less: allowances for doubtful debts | (505 203) | (170 363) | | |
| Net trade debtors | 809 761 | 860 658 | | |
| Amounts due from subsidiaries | - | - | 766 296 | 559 756 |
| Receivables from joint ventures | 647 714 | 1 278 424 | | |
| Other receivables | 798 268 | 971 414 | 20 772 | 20 000 |
| | 2 255 743 | 3 110 496 | 787 068 | 579 756 |
| Transferred to non-current assets classified as held for sale (note 12) | - | (733 267) | | |
| | 2 255 743 | 2 377 229 | 787 068 | 579 756 |

The carrying amount of trade and other receivables approximates fair value as these are predominantly short-term and non-interest bearing.

Reconciliation of allowances for doubtful debts

| | | |
|-----------------------|---------|----------|
| Opening balance | 170 363 | 110 741 |
| Increase in allowance | 338 115 | 91 829 |
| Allowance utilised | (3 275) | (32 207) |
| | 505 203 | 170 363 |

The group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In the current year, a provision of R282.6 million (2017: Rnil) was raised against trade debtors in the rail leasing businesses due to the Tonkolili mine in Sierra Leone being placed under care and maintenance.

12. Non-current assets classified as held for sale and non-current liabilities associated with assets classified as held for sale

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

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

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

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

| | CONSOLIDATED | |
|---|----------------|------------------|
| | 2018 R000 | 2017 R000 |
| Non-current assets classified as held for sale | | |
| Ships, property, terminals, machinery, vehicles and equipment | | |
| Freehold and leasehold properties | 87 | 10 263 |
| Property under construction | - | 1 459 |
| Terminals, machinery, vehicles and equipment | 63 435 | 640 788 |
| Ships | - | 3 139 156 |
| Intangible assets | 170 | 103 031 |
| Investments in joint ventures and associates | 153 370 | 1 145 858 |
| Taxation receivable | 3 026 | 21 010 |
| Inventories | 1 965 | 128 290 |
| Cash and cash equivalents | 30 438 | 657 967 |
| Deferred taxation | 1 568 | 44 469 |
| Trade and other receivables | 44 290 | 749 108 |
| | 298 349 | 6 641 399 |
| Non-current liabilities associated with assets classified as held for sale | | |
| Short-term borrowings and bank overdraft | - | 49 912 |
| Taxation payable | 15 161 | 56 028 |
| Deferred taxation | 32 130 | 77 782 |
| Interest-bearing borrowings | - | 1 753 600 |
| Financial liabilities | - | 1 804 |
| Post-retirement medical aid | - | 27 014 |
| Provisions | - | 11 165 |
| Trade and other liabilities | 21 329 | 418 206 |
| | 68 620 | 2 395 511 |
| | 229 729 | 4 245 888 |

Notes to the financial statements continued

for the year ended 31 December 2018

12. Non-current assets classified as held for sale and non-current liabilities associated with assets classified as held for sale continued

Business disposals

During the prior year the board approved the strategy to unlock shareholder value which identified the spin-off of the Shipping division as a separate listed entity. In June 2018, the group concluded the separate primary listing of its Shipping division on the National Association of Securities Dealers Automated Quotations (Nasdaq) and a secondary listing on the Johannesburg Stock Exchange (JSE). In addition the group disposed of their Zambian railway businesses, Grindrod Zambia and their interests in their local railway construction operations.

The group classified the Rail businesses as held for sale in the prior years in line with the board approval to exit the Rail businesses and the fulfilment of the IFRS 5 held for sale requirements. Due to unanticipated challenges and delays experienced, the group was unable to complete the disposal of all the Rail businesses in the current year. The group remains committed to completing the exit from the Rail businesses and continues to engage with the relevant parties to ensure that the sale will be completed within the forthcoming year.

During the current year, the Tonkolili mine in Sierra Leone was placed under care and maintenance. This resulted in a fair value less costs to sell adjustment of R568.2 million against locomotives in the rail leasing businesses. The fair value was determined on the market value of the locomotives less costs of repatriation and other related costs

Current year movement in non-current assets classified as held for sale and non-current liabilities associated with assets classified as held for sale

| | CONSOLIDATED | | | | | | | | Closing balance |
|---|-----------------|-------------|-------------------|--------------|-------------|-----------|-----------|-------------|-----------------|
| | Opening balance | Translation | IFRS 5 impairment | Transfer out | Transfer in | Additions | Other | Disposal | |
| Ships, property, terminals, machinery, vehicles and equipment | | | | | | | | | |
| Freehold and leasehold properties | 10 263 | - | - | - | - | - | - | (10 176) | 87 |
| Property under construction | 1 459 | - | - | - | - | - | - | (1 459) | - |
| Terminals, machinery, vehicles and equipment | 640 788 | (4 128) | (564 797) | - | - | 275 | - | (8 703) | 63 435 |
| Ships | 3 139 156 | 374 864 | (87 388) | - | - | 391 080 | - | (3 817 712) | - |
| Intangible assets | 103 031 | 977 | - | - | - | 4 | (249) | (103 593) | 170 |
| Investments in joint ventures and associates | 1 145 858 | 90 749 | - | - | 76 289 | - | (350 133) | (809 393) | 153 370 |
| Taxation | (35 018) | (11 597) | - | - | - | - | (17 160) | 51 640 | (12 135) |
| Inventories | 128 290 | 14 833 | - | - | - | 2 962 | 5 553 | (149 673) | 1 965 |
| Cash and cash equivalents | 657 967 | 64 108 | - | - | - | 12 032 | 112 972 | (816 641) | 30 438 |
| Deferred taxation | (33 313) | (7 091) | - | - | - | - | (28 064) | 37 906 | (30 562) |
| Trade and other receivables | 749 108 | 62 847 | - | - | - | 3 416 | 206 464 | (977 545) | 44 290 |
| Short-term borrowings and bank overdraft | (49 912) | - | - | - | - | - | 49 912 | - | - |
| Interest-bearing borrowings | (1 753 600) | (169 044) | - | 307 018 | - | (13 054) | (222 304) | 1 850 984 | - |
| Financial liabilities | (1 804) | 1 804 | - | - | - | - | - | - | - |
| Post-retirement medical aid | (27 014) | - | - | - | - | - | - | 27 014 | - |
| Provisions | (11 165) | - | - | - | - | - | 11 165 | - | - |
| Trade and other liabilities | (418 206) | (71 945) | - | - | - | (225 773) | 324 576 | 370 019 | (21 329) |
| | 4 245 888 | 346 377 | (652 185) | 307 018 | 76 289 | 170 942 | 92 732 | (4 357 332) | 229 729 |

Notes to the financial statements continued

for the year ended 31 December 2018

13. Share capital and premium

Group and company authorised and issued share capital are as follows:

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Authorised | | |
| 2 750 000 000 ordinary shares of 0.002 cents each | 55 | 55 |
| 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each | 6 | 6 |
| | 61 | 61 |
| There has been no change in the number of authorised shares from the prior year. | | |
| Issued | | |
| 762 553 314 ordinary shares of 0.002 cents each | 15 | 15 |
| 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each | 2 | 2 |
| | 17 | 17 |

There has been no change in the number of issued shares from the prior year.

| | CONSOLIDATED | | COMPANY | |
|--|------------------|--------------|------------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Total issued share capital and premium | 3 977 456 | 5 992 756 | 4 823 012 | 6 407 374 |

At 31 December 2018, 82 285 710 (2017: 10 913 062) ordinary shares are held by subsidiaries of the group.

Of these shares 5 025 216 (2017: 4 625 668) have been allocated to the group's forfeitable share plan. Refer to notes 26 and 35 for details on the forfeitable share plan.

64 000 000 shares are held by Newshelf 1279 (Pty) Ltd and were treated as treasury shares on consolidation of the entity (note 32).

14. Interest-bearing borrowings

| | CONSOLIDATED | |
|---|--------------------|--------------|
| | 2018 R000 | 2017 R000 |
| Unsecured | | |
| Financial Services funding instruments (note 15) | 1 479 539 | 1 373 617 |
| Secured | | |
| Long- and medium-term financing | 1 280 396 | 2 155 249 |
| Financial Services funding instruments (note 15) | 81 230 | 85 473 |
| Transferred to non-current liabilities associated with assets classified as held for sale (note 12) | - | (1 753 600) |
| | 2 841 165 | 1 860 739 |
| Total amounts repayable within one year | (1 194 068) | (845 173) |
| Long-term borrowings | 1 647 097 | 1 015 566 |
| Interest-bearing borrowings are disclosed as follows: | | |
| | 2 841 165 | 1 860 739 |
| Long-term borrowings | 455 223 | 295 429 |
| Financial Services funding instruments (note 15) | 1 191 874 | 720 137 |
| Current portion of long-term borrowings | 825 173 | 106 220 |
| Current portion of Financial Services funding instruments (note 15) | 368 895 | 738 953 |
| | 745 936 | 243 661 |
| Short-term borrowings and bank overdraft | 745 936 | 293 573 |
| Transferred to non-current liabilities associated with assets classified as held for sale (note 12) | - | (49 912) |
| | 3 587 101 | 2 104 400 |

Group assets of R491.4 million (2017: R4 254.3 million), inclusive of non-current assets held for sale, are pledged as security for loans of R1 280.4 million (2017: R2 155.2 million).

The group determines its availability of funds and assesses its cash requirements on a weekly basis. Consideration is given to the most appropriate form of funding prior to any acquisitions. Group treasury determines the amount of unutilised facilities in assessing the funds available to the group. The net cash balances included in current assets and current liabilities are included in the determination of the headroom available.

Full details of the long- and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of loan funds on page 112.

Available facilities

Interest bearing debt is raised to fund locomotives, property, terminals, vehicles, equipment and inventory. The facilities are fixed based on specific loan agreements and the specific assets against which the loans are secured.

The group has undrawn committed facilities as at 31 December 2018, as follows:

| | Expiry category | Currency | 2018 R000 | 2017 R000 |
|---------------------------------|--------------------|----------|----------------|--------------|
| Short-term borrowing facilities | 3 – 6 months | ZAR | 129 051 | 250 000 |
| | 6 – 9 months | USD | - | 61 950 |
| | 9 – 12 months | USD | 57 120 | - |
| | 9 – 12 months | ZAR | 300 000 | 365 000 |
| | | | 486 171 | 676 950 |

Notes to the financial statements continued

for the year ended 31 December 2018

15. Financial Services funding instruments

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Loans secured by property | 81 230 | 85 473 |
| Total secured funding | 81 230 | 85 473 |
| Loans secured by guarantee | 109 643 | 207 519 |
| Listed corporate bond secured by guarantee | 465 615 | 371 392 |
| Redeemable preference shares | 904 281 | 794 706 |
| Total unsecured funding | 1 479 539 | 1 373 617 |
| Aggregate funding | 1 560 769 | 1 459 090 |
| Amount repayable within one year | (368 895) | (738 953) |
| | 1 191 874 | 720 137 |

16. Retirement benefit plans

Post-employment benefit obligations

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

Current contributions to the group's defined contribution funds are charged against income when incurred. The cost of providing benefits to the group's defined benefit plan and the obligation in respect of post-retirement medical aid are determined and expensed using the projected unit credit actuarial valuation method. Contribution rates to the defined benefit plan are adjusted for any unfavourable experience adjustments. Favourable experience adjustments are retained within the fund. Actuarial surpluses are brought to account in the group's annual financial statements only when it is clear that economic benefits will be available to the group. These surpluses are recognised immediately in the statement of financial position with a charge or credit to the statement of comprehensive income in the period in which they occur.

The group's estimated liability in respect of post-retirement medical benefits has been fully provided for in the statement of financial position.

The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pension Funds Act, 1956.

The risks faced by the group as a result of the retirement benefit plan are actuarial risks relating to:

- Longevity risk
- Investment risk
- Market risk
- Liquidity risk
- Salary risk
- Foreign exchange rate risk

Longevity risk

The pensioners have been outsourced in the name of the Fund (GN12), thus presently the Fund is exposed to the risk that the insurer might default on pension payments. The outsource removes the longevity risk from the Fund i.e. the risk that pensioners live longer than expected, and passes this risk on to the insurer.

Investment risk

The plan assets are primarily invested in equities and bonds (with a majority in equities). This exposes the Fund to a slight concentration of market risk. If the plan assets are not adequate or suitable to fund the liabilities of the Fund (and the nature thereof) the entity will be required to fund the balance, hence exposing it to risks on the investment return.

16. Retirement benefit plans *continued*

Market risk

In order to reduce market risk, the investment portfolio is diversified by investing in equities of different companies and in different issues of bonds and deposits. Cash deposits are also invested with different institutions as well as in different geographical markets. The risk is further reduced by investing in well-researched companies and by investing in bonds with high credit ratings.

Liquidity risk

Liquidity risk, the risk of not having liquid assets to meet liabilities as they fall due, is reduced by investing in liquid assets and highly tradeable assets.

Salary risk

Salaries are assumed to depend on inflation, which means the active member liability is also exposed to inflation risk.

Foreign exchange risk

The great majority of member's retirement fund liabilities are denominated in ZAR. A currency mismatch is therefore introduced when investing in foreign investments. The risk is due to the fact that the currency invested could weaken against the ZAR. However, since inflation in South Africa is likely to be higher than in most developed countries, it is expected that the ZAR would weaken against the major investment currencies in the long-term.

The volatility risk associated with foreign investments is reduced when only a limited portion of the portfolio's assets is invested offshore as is currently required in terms of Regulation 28 and the South African Reserve Bank requirements.

The funded status of the pension fund is as follows:

| | CONSOLIDATED | |
|---|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Actuarial value of assets | 176 042 | 180 132 |
| Present value of liabilities | (41 812) | (37 744) |
| Actuarial surplus (note 7) | 134 230 | 142 388 |
| The amounts recognised in the annual financial statements in this respect are as follows: | | |
| Recognised asset at beginning of the year | 142 388 | 126 494 |
| Recognised in the income statement in the current year | 9 755 | 11 799 |
| Interest on obligation | (3 813) | (3 911) |
| Current service cost | (1 178) | (3 095) |
| Past service cost | (3 807) | - |
| Settlement cost | - | 4 188 |
| Expected return on plan assets | 18 553 | 14 617 |
| Recognised in other comprehensive income in the current year | (17 913) | 4 095 |
| Actuarial gain arising from changes in financial assumptions | (16 666) | 2 270 |
| Actuarial (loss)/gain arising from changes in experience assumptions | (1 247) | 1 825 |
| | 134 230 | 142 388 |

Notes to the financial statements continued

for the year ended 31 December 2018

16. Retirement benefit plans continued

The assets of the fund were invested as follows:

| | 2018 | 2017 |
|---------------------------|-------|-------|
| Cash and cash equivalents | 1.9% | 1.8% |
| Equity instruments | 48.9% | 48.8% |
| Debt instruments | 10.1% | 11.0% |
| Real estate | 18.4% | 18.4% |
| International instruments | 20.7% | 19.9% |
| Other | 0.1% | 0.1% |

The fair value of the above equity and debt instruments are determined based on quoted market prices in active markets.

An actuarial valuation was performed on 31 December 2018. The employer's contributions to all retirement benefit plans are charged against income when incurred.

The principal actuarial assumptions applied in the determination of fair values include:

| | 2018 | 2017 |
|--------------------|-------|-------|
| Discount rate | 10.1% | 10.4% |
| Salary increase | 7.2% | 8.2% |
| Pension increase | 6.2% | 7.2% |
| Inflation increase | 6.2% | 7.2% |

The effect of an increase or decrease of 1% in the assumed discount rates are as follows:

| 2018 | | 2017 | |
|----------------|------------|----------------|------------|
| Effect of a 1% | | Effect of a 1% | |
| Increase | (Decrease) | Increase | (Decrease) |
| (1.7%) | 2.1% | (1.9%) | 2.3% |

The effect of an increase or decrease of 1% in the assumed inflation rates are as follows:

| 2018 | | 2017 | |
|----------------|------------|----------------|------------|
| Effect of a 1% | | Effect of a 1% | |
| Increase | (Decrease) | Increase | (Decrease) |
| 2.0% | (1.6%) | 2.2% | (1.8%) |

The sensitivity analysis presented above may not be representative of the actual change in the obligation as it is unlikely that the above changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

The group and employees expect to make a contribution of R26 000 (2017: R25 000) to the retirement benefit plan during the next financial year.

Description of risk management

There has been no change in the process used by the group to manage its risks from prior years.

As a result of the disposal of the Shipping division, the pension fund administrators are in the process of assessing the active employer participants of this fund and are expecting to include Grindrod Shipping Holdings Ltd as a second employer participant to this fund.

17. Deposits from bank customers

| | CONSOLIDATED | |
|--|-------------------|--------------|
| | 2018 R000 | 2017 R000 |
| Measured at amortised cost | | |
| Call deposits | 5 719 612 | 10 565 662 |
| Notice and fixed deposits | 4 786 792 | 4 074 701 |
| | 10 506 404 | 14 640 363 |
| Amounts owed to corporate banking depositors | 8 745 738 | 7 717 084 |
| Amounts owed to retail banking depositors | 1 618 956 | 6 804 322 |
| Amounts owed to banks | 141 710 | 118 957 |
| | 10 506 404 | 14 640 363 |
| <i>Contractual maturity analysis:</i> | | |
| Withdrawable on demand | 5 719 612 | 10 565 662 |
| Maturing within one month | 1 398 650 | 1 413 312 |
| Maturing after one month but within six months | 2 519 100 | 1 844 358 |
| Maturing after six months | 869 042 | 817 031 |
| | 10 506 404 | 14 640 363 |
| The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date. | | |
| <i>Sectoral analysis:</i> | | |
| Banks | 130 347 | 118 956 |
| Government and public sector | 49 825 | 73 761 |
| Individuals | 2 305 854 | 7 543 268 |
| Business sector | 8 020 378 | 6 904 378 |
| | 10 506 404 | 14 640 363 |
| <i>Geographical analysis:</i> | | |
| South Africa | 10 506 404 | 14 640 363 |
| Included in deposits are funds from related parties earning interest at market related rates: | | |
| Directors (directly or indirectly) | 5 987 | 13 564 |

Notes to the financial statements continued

for the year ended 31 December 2018

18. Trade and other payables

Trade and other payables are financial liabilities. Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost using the EIR method.

| | CONSOLIDATED | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Trade creditors | 579 933 | 509 021 | | |
| Accrued expenses | 548 046 | 694 488 | 10 358 | 23 713 |
| Other payables | 304 766 | 436 385 | 33 995 | 35 239 |
| Amounts due to subsidiaries | - | - | 10 021 | 12 481 |
| Transferred to non-current liabilities associated with assets classified as held for sale (note 12) | - | (373 458) | | |
| | 1 432 744 | 1 266 437 | 54 374 | 71 433 |

The carrying amount of trade and other payables approximates fair value as these are predominantly short-term and non-interest bearing.

19. Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or service to a customer.

The following is a description of the principal activities from which the group generates its revenue:

Bulk terminals

The group provides the service of receiving and stockpiling cargo and loading it onto vessels for onward transport. There is a single performance obligation which is an integrated set of activities to receive, stockpile and load cargo which is satisfied at a point in time.

Container handling

The group provides various services to customers through its intermodal and seafreight businesses including container handling, transport, warehousing, loading and offloading. The group also sells and leases containers to customers. The performance obligation related to each good or service is satisfied at a point in time.

Logistics

The group provides a variety of logistics solutions for the transportation of cargo through road, rail and sea. The performance obligation from this service is satisfied at a point in time when the cargo has been delivered to the customer.

Ships agency income

The group provides clearing and forwarding of imports and exports, transportation of goods, warehousing and ship husbandry services. The performance obligation from these services is satisfied at a point in time when the cargo has been delivered to the customer.

Other services

Other services includes revenue earned from various ancillary services including training, stevedoring, clearing and forwarding etc. The performance obligation is the provision of the relevant service and is satisfied over time. This may also include dividends received, administration fees and rent.

Fee, dividend and interest income (Financial Services)

Fee income earned on origination of advances is deferred and recognised on a yield to maturity basis over the average life of the relevant advances. Where the receipt of knowledge-based fee income is deferred by contractual agreement, the present value of the fee income is recognised upfront and the accretion is recognised over the duration of the contractual receipt.

19. Revenue continued

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

At the inception of a contract with a customer, the group assesses the goods or services promised in the contract and identifies as a performance obligation each promise to transfer to the customer either a good or service (or bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

Revenue is recognised when the performance obligation relating to each specific contract has been satisfied. Performance obligations are satisfied either at a point in time or over time. Where performance obligations are satisfied over time, the entity adopts an input method based on the costs incurred to date as a percentage of the total cost of the contract as a measure of the percentage of completion of the contract. Given the nature of the contracts completed over time, this method provides a faithful depiction of the transfer of goods and services for performance obligations satisfied over time.

The performance obligation with respect to the sale of goods is recognised when the group entity has delivered its products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied. The performance obligation with respect to provision of services is recognised when the service has been provided to the customer.

When the group performs by transferring goods or services to a customer before the customer transfers any consideration, the amount receivable is disclosed separately as a contract asset. Similarly, if a customer transfers any consideration before the group transfers any corresponding goods or services, the amount received is disclosed separately as a contract liability.

Payments by customers are typically made in advance or within 30 days of revenue being recognised. Where payments are deferred for a period beyond 12 months after revenue being recognised, a significant financing component is included in the contract. Revenue is recognised at the present value of the consideration receivable over the contract period with the balance of the consideration being recognised as finance income over time.

Contracts with customers within the Port and Terminals business segment include transaction prices that have variable considerations. This is due to the existence of two types of specific contracts namely:

- take or pay arrangements whereby the customer commits to a minimum volume throughput during the contract period;
- commodity purchase price contracts whereby the price per tonne is linked to the price of the underlying commodity being hauled.

The variable amount is estimated at the inception of the contract and revenue is recognised at the estimated amount throughout the duration of the contract. When the uncertainty is resolved, the entity allocates the difference to revenue accordingly. A variable consideration is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The transaction price is allocated to each performance obligation in a contract on a relative stand-alone selling price basis where contracts have more than one performance obligation. Where discounts are issued on contracts that consist of more than one performance obligation, the group allocates the discount to each performance obligation separately. In some instances, the group provides multiple services to customers in a single contract.

Where it is the intention of the group to provide an end to end solution, these are considered as an integrated set of activities and treated as a single performance obligation.

Incremental costs incurred to acquire a contract with a customer are capitalised by the group when these costs are recoverable.

Notes to the financial statements continued

for the year ended 31 December 2018

19. Revenue continued

Revenue from each category is disaggregated in the following table:

| | CONSOLIDATED | | COMPANY | |
|---|------------------|--------------|----------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Bulk terminals | 400 528 | 357 585 | | |
| Container handling | 1 195 215 | 998 644 | | |
| Logistics | 781 104 | 774 243 | | |
| Net interest income of Financial Services | 278 954 | 173 103 | | |
| Fee income of Financial Services | 196 773 | 202 945 | | |
| Ships agency income | 301 901 | 288 096 | | |
| Other services | 269 059 | 264 806 | 295 896 | 679 587 |
| | 3 423 534 | 3 059 422 | 295 896 | 679 587 |

Analysis of Financial Services' net interest income included above:

| | | |
|---|-----------|---------|
| Interest income | 1 037 257 | 888 359 |
| Advances | 729 339 | 678 370 |
| Balances at banks and short-term funds | 240 805 | 156 656 |
| Preference share dividends, negotiable securities portfolio | 3 261 | 8 747 |
| Other short-term securities | 71 790 | 50 222 |
| Paid on derivative instruments | (7 938) | (5 636) |
| Interest expense | 758 303 | 715 256 |
| Call deposits | 290 435 | 304 512 |
| Notice and fixed deposits | 178 814 | 128 832 |
| Other interest expense | 162 185 | 107 990 |
| Prime-linked notice deposits | 126 869 | 173 922 |
| Net interest income | 278 954 | 173 103 |
| Interest income calculated using the EIR method | 278 954 | 173 103 |

20. Operating profit from continuing operations before interest and taxation

Employee benefit costs

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

20. Operating profit from continuing operations before interest and taxation *continued*

Defined benefit costs

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service costs (including current service costs, past service costs, as well as gains and losses on curtailments and settlements), net interest expense or income and rereasurement.

The group presents service costs and net interest expense or income in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The employee benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Operating profit from continuing operations before interest and taxation includes the following:

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Other income | | | | |
| Other sundry income | 35 116 | 196 121 | | |
| Net gain on financial instruments | 184 953 | 130 345 | | |
| Operating expenses | | | | |
| Voyage expenses | 105 658 | 105 845 | | |
| Cost of sales | 862 765 | 798 960 | | |
| Bunker fuels | 93 673 | 75 064 | | |
| Container handling and logistics | 673 258 | 597 708 | | |
| Other commodities | 95 834 | 126 188 | | |
| Staff costs | 1 106 475 | 986 461 | 4 388 | 12 957 |
| Provision for bad debt on intercompany loan | - | - | - | 1 050 695 |
| Depreciation | 168 764 | 158 581 | | |
| Amortisation | 24 513 | 37 263 | | |
| The above costs are arrived at after including: | | | | |
| Auditors' remuneration | | | | |
| Audit fees – current year provision | 21 933 | 14 722 | 3 000 | 4 293 |
| Prior year under provision | 276 | 4 828 | | |
| Operating lease rentals | | | | |
| Land and buildings | 161 058 | 162 996 | | |
| Ships and other | 180 315 | 200 411 | | |
| Professional fees | | | | |
| Administrative and managerial | 10 065 | 15 854 | 2 423 | 2 629 |
| Technical/projects | 17 036 | 31 463 | 1 319 | - |

In the prior year, due to the discontinuance of the Rail businesses, intercompany receivables of R1 050.7 million were written-off in Company.

Notes to the financial statements continued

for the year ended 31 December 2018

21. Non-trading items from continuing operations

Non-trading items cover those amounts that are not considered to be of an operating/trading nature, and generally include re-measurements due to:

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- gains and losses on the disposal of property, terminals, machinery, vehicles and equipment;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available for sale financial assets and the realisation of hedges of a net investment in a foreign operation; and
- the group's proportionate share of exceptional items (determined on the same basis) of associates and joint ventures.

Re-measurements to fair value of other financial instruments (including amounts recycled through profit or loss under cash flow hedges that were previously recognised directly in equity) are not included in non-trading items.

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| Impairment of property, terminals, machinery, vehicles and equipment (note 2) | (2 682) | (8 503) | | |
| Impairment of intangible assets (note 3) | (16 276) | - | | |
| Net profit on disposal of investments | 7 276 | 1 226 | 269 845 | - |
| Impairment of investments | - | (126 479) | - | (1 432 048) |
| Net profit on disposal of property, terminals, machinery, vehicles and equipment | 76 051 | 17 372 | | |
| Foreign currency translation reserve release | - | 245 656 | | |
| Gain on bargain purchase | 17 357 | - | | |
| | 81 726 | 129 272 | 269 845 | (1 432 048) |

In the prior year the discontinuance of the Shipping businesses resulted in investments of R1 432.0 million being written off in Company.

22. Net finance costs

| | | | | |
|---|----------|----------|--------|--------|
| Interest received on loans and receivables at amortised cost | 245 454 | 264 575 | 66 970 | 56 424 |
| Interest paid on financial liabilities held at amortised cost | (85 451) | (97 850) | | |

Net finance costs excludes interest from Financial Services which is shown as revenue in note 19.

23. Taxation

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

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

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| South African normal taxation | | | | |
| Current | | | | |
| On income for the year | 79 534 | 92 321 | 2 058 | 2 999 |
| Capital gains taxation (CGT) | 20 479 | - | | |
| Prior year | 9 268 | 2 755 | | |
| Withholding taxes | 2 227 | (129) | | |
| Deferred | | | | |
| On income for the year | 2 150 | 37 103 | - | (501) |
| Prior year | (1 187) | 4 332 | | |
| Foreign | | | | |
| Current | | | | |
| On income for the year | 59 942 | 36 326 | | |
| Prior year | 2 335 | 2 880 | | |
| Withholding taxes | (418) | 425 | | |
| Deferred | | | | |
| On loss for the year | (32 097) | (2 364) | | |
| Prior year | 11 718 | (712) | | |
| | 153 951 | 172 937 | 2 058 | 2 498 |
| Effective rate of taxation* | | | | |
| | % | % | % | % |
| Normal rate of taxation | 28.0 | 28.0 | 28.0 | (28.0) |
| Adjusted for: | | | | |
| Current year taxation losses (utilised)/not utilised | (0.7) | 2.0 | | |
| Exempt income | (22.5) | (20.5) | (28.7) | (11.7) |
| Non-taxable foreign items | (0.7) | 1.8 | | |
| Non-allowable items | 4.5 | 8.1 | 1.0 | 39.8 |
| CGT | 11.2 | 3.9 | | |
| Prior year | 2.1 | 1.3 | | |
| Withholding taxation and investment taxation credit | 0.3 | (0.7) | | |
| Effective rate of taxation | 22.2 | 23.9 | 0.3 | 0.1 |
| Effective rate of taxation including joint ventures and associates | 23.9 | 24.0 | | |

* Effective rate of taxation is based on profit before taxation, share of associate companies' profit and share of joint venture companies' profit.

Subsidiary companies have estimated taxation losses of R1 548.4 million (2017: R884.0 million) including discontinued operations of which R54.4 million (2017: R661.6 million) has been utilised in the calculation of deferred taxation.

Exempt income relate mainly to dividends received and capital profit on sale.

Non-allowable items mainly relate to non-deductible expenses and impairments.

Non-taxable foreign items mainly relate to differences on foreign subsidiaries taxation rates.

CGT in the current year includes tax on fair value of investments in the Financial Services division.

Notes to the financial statements continued

for the year ended 31 December 2018

24. Earnings per share

| | CONSOLIDATED | |
|---|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| 24.1 Basic earnings per share | | |
| The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows: | | |
| Profit attributable to shareholders of the Company from continuing operations | 869 093 | 713 920 |
| Less: preference dividends | (65 682) | (67 645) |
| Profit used in the calculation of basic earnings per share from continuing operations | 803 411 | 646 275 |
| Profit/(loss) for the year from discontinued operations | 2 041 870 | (1 228 970) |
| Earnings used in the calculation of basic earnings per share from total operations | 2 845 281 | (582 695) |
| Weighted average number of shares in issue for the year (000s) | 751 877 | 751 164 |
| 24.2 Diluted earnings per share | | |
| Diluted weighted average number of shares in issue for the year (000s) | 756 902 | 755 810 |
| Reconciliation of weighted average number of shares (000s) | | |
| Basic average number of shares in issue | 751 877 | 751 164 |
| Shares that will be issued for no value in terms of share option scheme | 5 025 | 4 646 |
| Diluted average number of shares in issue | 756 902 | 755 810 |
| 24.3 Headline and diluted headline earnings per share (continuing operations) | | |
| Headline earnings per share is based on headline earnings of | 716 574 | 570 801 |
| and | | |
| on the weighted average number of shares in issue for the year (000s) | 751 877 | 751 164 |
| Diluted headline earnings per share is based on the weighted average number of shares in issue for the year (000s) | 756 902 | 755 810 |
| Headline earnings per share (cents) | | |
| Basic | 95.3 | 76.0 |
| Diluted* | 94.7 | 75.5 |

* Diluted earnings per share and diluted headline earnings per share were calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive scheme shares.

24. Earnings per share continued

| | CONSOLIDATED | |
|--|-----------------|--------------|
| | 2018 R000 | 2017 R000 |
| Headline earnings reconciliation from continuing operations: | | |
| Profit attributable to shareholders of the Company from continuing operations | 803 411 | 646 275 |
| Adjusted for: | | |
| Impairment of property, terminals, machinery, vehicles and equipment | 2 235 | 7 797 |
| Impairment of property, terminals, machinery, vehicles and equipment (gross) | 2 682 | 8 503 |
| Tax effect | (447) | (706) |
| Gain on bargain purchase | (17 357) | - |
| Impairment of intangible assets | 16 276 | - |
| Net profit on disposal of investments | (7 276) | (1 226) |
| Net profit on disposal of property, terminals, machinery, vehicles and equipment | (56 883) | (11 472) |
| Net profit on disposal of property, terminals, machinery, vehicles and equipment (gross) | (76 051) | (17 372) |
| Tax effect | 19 168 | 5 900 |
| Impairment of investments | - | 126 479 |
| Foreign currency translation reserve released | - | (245 656) |
| Joint ventures: | | |
| Net (gain)/loss on disposal of investment property, intangibles, ships, property, terminals, machinery, vehicles and equipment | (1 100) | 121 |
| Net profit on disposal of investments | (28 861) | - |
| (Reversal of impairment)/impairment of investments | (2 675) | 31 748 |
| Impairment of goodwill | 832 | - |
| Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment | 7 972 | 16 735 |
| Headline earnings | 716 574 | 570 801 |

Notes to the financial statements continued

for the year ended 31 December 2018

25. Discontinued operations

In 2017 the board approved the strategy to unlock shareholder value which identified the spin-off of the Shipping division as a separate listed entity. In addition, the board also approved the exit of the remaining Rail businesses following the decision, in the prior year, to exit the rail assembly businesses. Consequently the Rail and Shipping segments were classified as held for sale in term of IFRS 5.

During the current year, the Shipping segment was disposed of.

| | CONSOLIDATED | |
|---|------------------|--------------|
| | 2018 R000 | 2017 R000 |
| Income statement – discontinued operations | | |
| for the year ended 31 December 2018 | | |
| Revenue | 1 950 514 | 5 432 486 |
| Loss before interest, taxation, depreciation and amortisation | (195 803) | (606 721) |
| Depreciation and amortisation | – | (218 564) |
| Operating loss before interest and taxation | (195 803) | (825 285) |
| Non-trading items | 3 008 897 | (587 770) |
| (Loss)/gain on remeasurement to fair value less costs to sell | (701 399) | 483 180 |
| Interest received | 25 807 | 71 646 |
| Interest paid | (60 027) | (117 382) |
| Profit/(loss) before share of joint venture and associate companies' profit/(loss) | 2 077 475 | (975 611) |
| Share of joint venture companies' profit/(loss) after taxation | 39 719 | (162 356) |
| Profit/(loss) before taxation | 2 117 194 | (1 137 967) |
| Taxation | (72 358) | (91 056) |
| Profit/(loss) for the year from discontinued operations | 2 044 836 | (1 229 023) |
| Attributable to: | | |
| Owners of the parent | 2 041 870 | (1 228 970) |
| Non-controlling interests | 2 966 | (53) |
| | 2 044 836 | (1 229 023) |
| The total comprehensive income attributable to the shareholders of the Company from discontinued operations was | (241 931) | (394 397) |

The Shipping entities within the group operate under the Singapore Approved International Shipping Enterprise Incentive ("AIS") rules, for corporate taxation purposes. The Singapore AIS regime exempts from corporate income taxes the profits of qualifying activities. Non-qualifying activities are taxed at normal corporate income taxation rates.

Included in non-trading items is R2 830.3 million relating to the release of foreign currency translation reserves and R158.8 million profit on sale on disposal of the Shipping division.

Cash flows from discontinued operations

| | | |
|---|------------------|-----------|
| Net cash outflows from operating activities | (308 113) | (102 409) |
| Net cash inflows/(outflows) from investing activities | 165 542 | (93 169) |
| Net cash inflows/(outflows) from financing activities | 226 286 | (6 859) |
| Difference arising on translation | 61 237 | (47 907) |
| Net cash inflows/(outflows) | 144 952 | (250 344) |

25. Discontinued operations continued

Leases and ship charters

Operating leases and ship charters

Income

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

| | CONSOLIDATED | | | |
|-------------|----------------|---------------------|------------------|---------------|
| | 1 year R000 | 2 – 5 years R000 | >5 years R000 | Total R000 |
| 2018 | | | | |
| Locomotives | 1 128 | - | - | 1 128 |
| 2017 | | | | |
| Ships | 107 157 | 89 904 | - | 197 061 |
| Locomotives | 201 775 | 807 103 | - | 1 008 878 |
| | 308 932 | 897 007 | - | 1 205 939 |

Expenditure

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

| | CONSOLIDATED | | | |
|-------------|----------------|---------------------|------------------|---------------|
| | 1 year R000 | 2 – 5 years R000 | >5 years R000 | Total R000 |
| 2017 | | | | |
| Ships | 829 205 | 991 314 | 76 463 | 1 896 982 |
| Properties | 9 343 | 7 657 | - | 17 000 |
| Other | 2 955 | 1 078 | - | 4 033 |
| | 841 503 | 1 000 049 | 76 463 | 1 918 015 |

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

Notes to the financial statements continued

for the year ended 31 December 2018

26. Share-based payments

Equity-settled share options

Executive directors, senior executives and other employees have been granted equity-settled share options in terms of the Grindrod Limited Forfeitable Share Plan (FSP).

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a binomial pricing model.

Cash-settled share-based payments

Share appreciation rights granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is remeasured annually until settled and any changes in value are recognised in profit or loss. Fair value is measured using a binomial pricing model.

Equity-settled forfeitable share plan

During 2012 the group introduced the Grindrod Forfeitable Share Plan (FSP). The scheme allows executive directors and senior employees to earn a long-term incentive to assist with the retention and reward of selected employees.

Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date.

The vesting of the shares is subject to continued employment for a period of three, four and five years or the employee will forfeit the shares.

On resignation, the employee will forfeit any unvested shares. On death or retirement only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period.

In terms of IFRS 2 Share-Based Payments, the transaction is measured at the fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to dividends from the grant date.

The fair value of the equity-settled shares subject to non-market conditions is the average share price at grant date.

| | 2018 | 2017 | 2017 | 2017 | 2017 |
|--|------|------------|------------|------------|------------|
| Date of grant | - | 28/02/2017 | 26/06/2017 | 26/07/2017 | 01/11/2017 |
| Number of shares granted and remaining at year end | - | 50 000 | 2 530 000 | 80 000 | 430 000 |
| Share price and estimated fair value at grant date (R) | - | 13.87 | 13.00 | 13.67 | 15.48 |

Cash-settled share-based payments

The group issues to certain employees share appreciation rights (SAR) that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. The group has recorded liabilities of R29.0 million (2017: R43.0 million inclusive of amounts disclosed in non-current assets held for sale).

The group recorded total current year expense (including discontinued operations) of R8.9 million (2017 expenses: R5.7 million).

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

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

26. Share-based payments *continued*

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

| | CONSOLIDATED | |
|---|--------------|---------|
| | 2018 | 2017 |
| Share price (cents) | 615 | 1 365 |
| Expected rolling volatility | | |
| Three year expected option lifetime | 39.6% | 34.2% |
| Four year expected option lifetime | 39.0% | 34.4% |
| Five year expected option lifetime | 39.4% | 34.1% |
| Expected option lifetime | | |
| Vesting periods three | 3 years | 3 years |
| Vesting periods four | 4 years | 4 years |
| Vesting periods five | 5 years | 5 years |
| Risk-free rate based on zero-coupon government bond yield | | |
| Three year expected option lifetime | 7.2% | 6.9% |
| Four year expected option lifetime | 7.3% | 7.0% |
| Five year expected option lifetime | 7.3% | 7.0% |
| Expected dividend yield | 1.9% | 1.5% |
| Forfeiture rate per annum compound | 10.0% | 10.0% |

27. Capital commitments

| | CONSOLIDATED | | | |
|---|--------------|-----------------|--------------|-----------------|
| | 2018 R000 | 2018 US\$000 | 2017 R000 | 2017 US\$000 |
| Authorised and contracted for | | | | |
| Due within one year | 800 | - | 29 000 | 19 000 |
| Authorised and not contracted for | 160 100 | - | - | - |
| Total | 160 900 | - | 29 000 | 19 000 |
| Financing guarantees | 99 282 | - | 197 200 | - |
| Irrevocable unutilised facilities to be advanced to Financial Services customers. | 182 750 | - | 189 184 | - |

Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.

Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by Financial Services.

The group's total capital commitments relate to property, terminals, machinery, vehicles and equipment.

These commitments will be funded by cash resources, cash generated from operations and bank financing facilities. The group has carried out a detailed liquidity planning exercise and is confident that it has the necessary resources to meet its capital and other commitments.

Notes to the financial statements continued

for the year ended 31 December 2018

28. Contingent assets/liabilities

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R3 920.9 million (2017: R4 739.8 million) of which R1 223.4 million (2017: R1 731.7 million) had been utilised at the end of the year.

Grindrod placed R249.8 million (2017: R190.6 million) on deposit as security with the funders of the B-BBEE consortium and provided a guarantee of R130.0 million (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.

In the prior year the company guaranteed loans and facilities of subsidiaries and joint ventures within discontinued operations 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.

In the prior year, the company guaranteed charter-hire payments of subsidiaries within discontinued operations 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 were no guarantees of charter-hire payments.

Due to the significant restructuring, sale and disposal processes over the last few years, there are potential legal tax and compliance risks, which may result in potential exposures. The board continues to monitor and will raise provisions where appropriate.

29. Foreign currency denominated items

All foreign currency denominated items are translated in terms of the group's policies.

| | 2018 | | 2017 | |
|---|----------------|---------------|----------------|---------------|
| | Year end rates | Average rates | Year end rates | Average rates |
| At 31 December the following exchange rates used on conversion were considered material: | | | | |
| United States Dollar (USD) | 14.38 | 13.23 | 12.39 | 13.36 |
| Pound Sterling (GBP) | 18.33 | 17.62 | 16.72 | 17.32 |
| Metical (M2M) | 0.24 | 0.22 | 0.21 | 0.20 |
| In addition, due to the group's significant operations in Mozambique, the USD/MZM rate is considered material | 61.21 | 60.01 | 58.63 | 65.82 |

30. Leases and ship charters

30.1 Operating leases and ship charters for continuing operations

30.1.1 Income

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

| | CONSOLIDATED | | | |
|----------------------|----------------|---------------------|------------------|---------------|
| | 1 year R000 | 2 – 5 years R000 | >5 years R000 | Total R000 |
| 2018 | | | | |
| Properties and other | 50 427 | 26 998 | – | 77 425 |
| 2017 | | | | |
| Properties and other | 43 441 | 72 793 | – | 116 234 |

30. Leases and ship charters continued

30.1.2 Expenditure

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

| | CONSOLIDATED | | | |
|----------------------|----------------|---------------------|------------------|------------------|
| | 1 year R000 | 2 – 5 years R000 | >5 years R000 | Total R000 |
| 2018 | | | | |
| Ships | 171 813 | 299 090 | – | 470 903 |
| Properties and other | 142 608 | 362 828 | 424 480 | 929 916 |
| | 314 421 | 661 918 | 424 480 | 1 400 819 |
| 2017 | | | | |
| Ships | 137 925 | 201 951 | – | 339 876 |
| Properties and other | 124 713 | 367 779 | 351 584 | 844 076 |
| | 262 638 | 569 730 | 351 584 | 1 183 952 |

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

31. Cash flow

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 31.1 Reconciliation of operating profit/(loss) before interest and taxation to cash generated from/(utilised in) operations | | | | |
| Operating profit/(loss) before interest and taxation | 256 314 | (399 148) | 289 455 | (388 291) |
| Adjustments for: | | | | |
| Depreciation | 168 765 | 367 055 | | |
| Share option expense | 18 990 | 12 272 | | |
| Dividends received | | | (295 896) | (679 587) |
| Amortisation of intangible assets | 24 512 | 47 353 | | |
| Non-cash financial instruments and foreign exchange (gains)/losses | (22 802) | 574 333 | 533 | – |
| Profit on sale of ships and locomotives | – | (3 311) | | |
| Fair value adjustment on Financial Services instruments | (196 410) | (136 902) | | |
| Operating profit/(loss) before working capital changes | 249 369 | 461 652 | (5 908) | (1 067 878) |
| Working capital changes | | | | |
| (Increase)/decrease in inventories | (43 745) | 116 518 | | |
| Decrease in trade and other receivables | 289 418 | 406 845 | 408 182 | 659 626 |
| (Decrease)/increase in trade and other payables | (335 839) | (425 797) | (17 059) | 9 431 |
| Cash generated from/(utilised in) operations | 159 203 | 559 218 | 385 215 | (398 821) |

Notes to the financial statements continued

for the year ended 31 December 2018

31. Cash flow continued

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 31.2 Taxation paid | | | | |
| Balance at the beginning of the year | (1 331) | (49 859) | (1 705) | (1 735) |
| Current year – continuing operations | (173 366) | (134 578) | (2 058) | (2 999) |
| Current year – discontinued operations | – | (34 667) | | |
| Foreign exchange translation | (254) | 12 958 | | |
| Businesses (acquired)/disposed | 738 | – | | |
| Transferred to non-current assets classified as held for sale (note 12) | – | 35 199 | | |
| Balance at the end of the year | (9 877) | 1 331 | 1 731 | 1 705 |
| Taxation paid from continuing operations | (184 090) | (169 616) | (2 032) | (3 029) |
| Taxation paid from discontinued operations | (20 133) | – | | |
| | (204 223) | (169 616) | (2 032) | (3 029) |
| 31.3 Ships, property, terminals, machinery, vehicles and equipment acquired | | | | |
| Additions – ships | (242 244) | (69 753) | | |
| Additions – property, terminals, machinery, vehicles and equipment | (348 846) | (145 793) | | |
| Cash flow on acquisition of property, terminals, machinery, vehicles and equipment | (591 090) | (215 546) | – | – |
| 31.4 Acquisition of subsidiaries, joint ventures and associates | | | | |
| Property, terminals, machinery, vehicles and equipment | (127 942) | – | | |
| Intangible assets | (28 890) | – | | |
| Other investments | 489 607 | (66 800) | (616 953) | (205 688) |
| Working capital | (18 905) | – | | |
| Taxation | (738) | – | | |
| Long-term borrowings | 609 582 | – | | |
| Deferred taxation | 18 880 | – | | |
| Non-controlling interests | 7 505 | – | | |
| Cash and bank | (38) | – | | |
| Bank overdraft | 37 832 | – | | |
| Total | 986 893 | (66 800) | (616 953) | (205 688) |
| Treasury shares acquired on consolidation of B-BBEE structure | (393 600) | – | | |
| Adjustment on consolidation of B-BBEE structure | (696 650) | – | | |
| Less: gain on bargain purchase | 17 357 | 33 400 | | |
| Total purchase consideration | (86 000) | (33 400) | (616 953) | (205 688) |
| Less: cash and cash equivalents | (37 794) | – | | |
| Cash disposed | (123 794) | (33 400) | (616 953) | (205 688) |

31. Cash flow continued

| | CONSOLIDATED | | COMPANY | |
|---|------------------|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| 31.5 Cash and cash equivalents | | | | |
| Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts: | 3 817 069 | 8 970 274 | 4 030 | 7 154 |
| Deposits with the SA Reserve Bank (SARB) | 264 360 | 241 093 | | |
| Interbank call deposits | 1 961 814 | 7 404 205 | | |
| Bank balances and cash | 1 590 895 | 1 324 976 | 4 030 | 7 154 |
| Bank and cash balances included in non-current assets classified as held for sale (note 12) | 30 438 | 608 055 | | |
| Bank overdrafts (note 14) | (468 258) | (19 947) | | |
| | 3 379 249 | 9 558 382 | 4 030 | 7 154 |
| Amounts included in cash and cash equivalents relating to Financial Services subsidiaries where the balances form part of the reserving requirements as required by the Banks Act. Reserving requirements do not include all liquidity with SARB. | 2 226 174 | 7 645 298 | | |

32. Business combinations

Acquisition of subsidiaries

During the year the group acquired the following interests:

| Company acquired | Nature of business | Percentage acquired | Date acquired | Purchase consideration R000 |
|-------------------------------------|--------------------|---------------------|------------------|--------------------------------|
| Novagroup | Ships Agencies | 100% | 01 October 2018 | (123 794) |
| Newshelf 1279 (Pty) Ltd | B-BBEE Consortium | 100% | 31 December 2018 | - |
| Total purchase consideration | | | | (123 794) |

Reasons for acquisitions

In the current year, the group acquired a controlling interest in the Novagroup entities to strengthen the group's position in the marine technical market and to provide a more comprehensive service offering. The transition was accounted for in terms of IFRS 3. Intangible assets relating to customer contracts were identified and recognised which resulted in a gain on bargain purchase.

In addition, during the current year, the group assisted Newshelf 1279 (Pty) Ltd, a B-BBEE consortium with additional security for its funders. The consortium continues to have voting rights; however, due to the additional security the group's rights have changed from protective to substantive and the consortium is now controlled by the group in terms of IFRS 10, effective 31 December 2018.

Notes to the financial statements continued

for the year ended 31 December 2018

32. Business combinations continued

Impact of the acquisition on the results of the group

From the dates of their acquisition, the acquired businesses contributed additional losses of R4.8 million.

Net assets acquired

| | Acquirees' carrying amount before combination at fair value R000 |
|---|--|
| Property, terminals, machinery, vehicles and equipment | (127 942) |
| Intangible assets | (28 890) |
| Other investments | 489 607 |
| Working capital | (18 905) |
| Taxation | (738) |
| Long-term borrowings | 609 582 |
| Deferred taxation | 18 880 |
| Non-controlling interests | 7 505 |
| Cash and cash equivalents | (38) |
| Bank overdraft | 37 832 |
| Total | 986 893 |
| Treasury shares acquired on consolidation of B-BBEE structure | (393 600) |
| Adjustment on consolidation of B-BBEE structure | (696 650) |
| Less: gain on bargain purchase | 17 357 |
| Total purchase consideration | (86 000) |
| Cash acquired | (37 794) |
| Net assets acquired | (123 794) |

33. Related party transactions

During each year 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.

| | CONSOLIDATED | | |
|---|--------------------|---------------------------|---|
| | Associates R000 | Joint ventures R000 | Amounts due by/(to) related party R000 |
| 2018 | | | |
| Goods and services sold to: | | | |
| Beitbridge Bulowayo Railway BEI001 | - | - | 13 672 |
| Cockett Marine Oil Pte Ltd | - | 26 984 | 512 888 |
| OTGC Holdings (Pty) Ltd | - | 229 | - |
| GPR Leasing Africa (Pty) Ltd | - | 6 496 | 153 517 |
| GPR Leasing SA (Pty) Ltd | - | - | 1 366 |
| Moneyline 992 (Pty) Ltd | 1 043 | - | - |
| Maputo Intermodal Container Depot, S.A | - | 213 | 16 426 |
| Portis Indico | - | 57 520 | - |
| RBT Grindrod Terminals (Pty) Ltd | - | 53 050 | 52 049 |
| Rohlig-Grindrod (Pty) Ltd | - | 56 184 | 677 |
| NLPI Ltd | - | - | 2 714 |
| Senwes Ltd | 21 315 | - | - |
| NWK Ltd | 15 453 | - | - |
| Shakespeare Masiza | - | 1 500 | 12 904 |
| Terminal De Carvo da Matola Ltda | - | 52 980 | 2 632 |
| Vitol Shipping Singapore Pte Ltd | - | 58 282 | 6 661 |
| | 37 811 | 313 438 | 775 506 |
| Goods and services purchased from: | | | |
| Beitbridge Bulowayo Railway BEI001 | - | - | (836) |
| Cockett Marine Oil Pte Ltd | - | (318 368) | (11 398) |
| GPR Leasing Africa (Pty) Ltd | - | - | (8) |
| GPR Leasing SA (Pty) Ltd | - | - | (5) |
| Maputo Port Development Company | - | - | (58) |
| Maputo Intermodal Container Depot, S.A | - | - | (3 394) |
| Terminal De Carvo da Matola Ltda | - | - | (131) |
| RBT Grindrod Terminals (Pty) Ltd | - | (4 367) | (28 925) |
| Rohlig-Grindrod (Pty) Ltd | - | (958) | - |
| | - | (323 693) | (44 755) |

Notes to the financial statements continued

for the year ended 31 December 2018

33. Related party transactions continued

| | CONSOLIDATED | | | |
|---|-------------------------------|--------------------|------------------------|---|
| | Other related parties R000 | Associates R000 | Joint ventures R000 | Amounts due by/(to) related party R000 |
| 2017 | | | | |
| Goods and services sold to: | | | | |
| Cockett Marine Oil Pte Ltd | - | - | 6 869 | 420 203 |
| IM Shipping Pte Ltd | - | - | 40 | 58 853 |
| GPR Leasing Africa (Pty) Ltd | - | - | 63 | 2 998 |
| GPR Leasing SA (Pty) Ltd | - | - | 529 | 682 |
| Moneyline 992 (Pty) Ltd | - | 2 598 | - | - |
| Maputo Port Development Company | - | - | - | 462 |
| Maputo Intermodal Container Depot, S.A | - | - | 565 | 308 |
| Newshelf 1279 (Pty) Ltd | 56 099 | - | - | 548 954 |
| NWK Ltd | - | 1 178 | - | 3 860 |
| Leopard Tankers Pte Ltd | - | - | - | 243 800 |
| Leopard Tankers (Pty) Ltd | - | - | - | 2 726 |
| Petrochemical Shipping Ltd | - | - | 4 675 | 4 852 |
| RBT Grindrod Terminals (Pty) Ltd | - | - | 52 165 | 27 429 |
| Rohlig-Grindrod (Pty) Ltd | - | - | 79 114 | 4 184 |
| Senwes Ltd | - | 27 252 | - | - |
| Terminal De Carvo da Matola Ltda | - | - | 1 355 | 5 486 |
| Tri-view Shipping Pte Ltd | - | - | 3 327 | 30 839 |
| Vitol Shipping Singapore Pte Ltd | - | - | 111 163 | - |
| IVS Bulk Pte Ltd | - | - | 51 423 | 283 632 |
| Island Bulk Carriers Pte Ltd | - | - | 2 405 | 10 036 |
| | 56 099 | 31 028 | 313 693 | 1 649 304 |
| Goods and services purchased from: | | | | |
| Cockett Marine Oil Pte Ltd | - | - | (723 787) | (23 964) |
| IM Shipping Pte Ltd | - | - | (99 626) | - |
| Maputo Port Development Company | - | - | (3 087) | (1 547) |
| Terminal De Carvo da Matola Ltda | - | - | - | (9) |
| Rohlig-Grindrod (Pty) Ltd | - | - | (99) | (11) |
| NLPI Ltd | - | - | - | (3 348) |
| | - | - | (826 599) | (28 879) |

33. Related party transactions continued

| | COMPANY | | |
|--|----------------------------|-------------------------------------|---|
| | Dividends received R000 | Net guarantee fees received R000 | Amounts due by/(to) related party R000 |
| 2018 | | | |
| Subsidiaries | | | |
| Grindrod Freight Services (Pty) Ltd | 228 174 | - | - |
| Grindrod Financial Holdings Ltd | 58 568 | 5 034 | (75) |
| Grindrod (South Africa) (Pty) Ltd | - | 42 | 1 094 281 |
| Grindrod Property Leasing (Pty) Ltd | - | 45 | 8 |
| Canosa Holdings Ltd | - | - | (20) |
| Grindrod Shipping Pte Ltd | - | - | - |
| Grindrod Shipping South Africa (Pty) Ltd | - | 682 | - |
| Calulo Logistics Holdings (Pty) Ltd | - | - | (6 986) |
| Unicorn Calulo Bunker Services (Pty) Ltd | - | 117 | - |
| Sturrock Grindrod Maritime Holdings Ltd | - | 885 | 257 |
| Grindrod Trading Holdings (Pty) Ltd | 9 154 | - | 394 |
| | 295 896 | 6 805 | 1 087 859 |
| 2017 | | | |
| Subsidiaries | | | |
| Grindrod Freight Services (Pty) Ltd | 216 791 | - | - |
| Grindrod Financial Holdings Ltd | 82 695 | 6 681 | 8 491 |
| Grindrod Freight Investments (Pty) Ltd | 241 617 | - | - |
| Grindrod (South Africa) (Pty) Ltd | - | 31 | 1 591 177 |
| Grindrod Property Holdings Ltd | - | 88 | (936) |
| Grindrod Property Leasing (Pty) Ltd | - | 87 | 21 |
| Canosa Holdings Ltd | - | - | (2 176) |
| Grindrod Shipping Pte Ltd | - | 1 661 | 427 |
| Grindrod Shipping South Africa (Pty) Ltd | 21 793 | 47 | 12 |
| Calulo Logistics Holdings (Pty) Ltd | - | - | (6 986) |
| Unicorn Calulo Bunker Services (Pty) Ltd | - | 597 | - |
| Sturrock Grindrod Maritime Holdings Ltd | - | 885 | 257 |
| Grindrod Trading Holdings (Pty) Ltd | 12 388 | - | - |
| Grindrod Management Services (Pty) Ltd | 104 303 | - | - |
| Grindrod Trading Asia Pte Ltd | - | 695 | 703 |
| | 679 587 | 10 772 | 1 590 990 |

Notes to the financial statements continued

for the year ended 31 December 2018

33. Related party transactions continued

Associates

Details of material investments in associates are set out in note 6.

Joint ventures

Details of interests in joint ventures are set out in note 5.

Subsidiaries

Details of investments in subsidiaries are set out in note 4 and in the schedule of interest in subsidiaries on page 110.

Directors

Details of directors' interests in the company and directors' emoluments are set out in note 35 and the remuneration report on pages 110 to 127 of the integrated annual report.

Further, details on balances due by/(to) directors are disclosed in notes 9 and 17.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on page 148 of the integrated annual report.

Financial Services related parties

Parties related to the Financial Services division are disclosed in note 9.

34. Financial instruments risk management objectives and policies

The principal risks to which the group is exposed through financial instruments are:

- foreign currency risk;
- commodity risk;
- interest rate risk;
- credit risk;
- counterparty risk;
- liquidity risk; and
- capital adequacy risk.

The group's overall strategy with regard to liquidity and financial risk is guided by the corporate objective to maximise the group's cash flow, actively manage its risk and reduce earnings volatility in a cost effective manner.

Divisional and group treasury aim to negotiate better rates for borrowings and avoid restrictive covenants, which limit the board's flexibility to act. The group also aims to minimise transaction charges from the company's banks, maximise interest income and minimise interest cost through efficient cash management practices.

Commodity price exposure is managed by senior management. Main risk exposures are thermal coal, iron ore and copper.

Treasury function

The treasury function incorporates the following main sections:

- foreign exchange management;
- cash management;
- funding and liquidity management;
- counterparty and credit risk management;
- interest rate exposure management; and
- bank relationship management.

34. Financial instruments risk management objectives and policies *continued*

Treasury risk management

Treasury risks are managed through the implementation of effective policies and regular interactions between the group and divisional treasuries. In addition group treasury performs the following functions:

- forecast liquidity and funding requirements;
- foreign exchange cover levels based on the exchange rate views;
- performance of market risk management;
- interest rate exposure and cover levels; and
- reporting on divisional treasury positions.

CFO

The group CFO together with the divisional executives are responsible for the ultimate approval of day-to-day treasury activities, and reporting on treasury matters.

Executive committee

The executive committee reviews all treasury related proposals and strategies that require board approval prior to submission.

Board of directors

The board of directors is the highest approval authority for all treasury matters. Material changes to the policies and treasury matters as determined by the group's limits of authority are required to be submitted to the board.

34.1 Financial instruments by category and fair value hierarchy

The group's financial instruments consist mainly of cash deposits with banks, investments, trade and other receivables and payables, bank borrowings and loans to and from subsidiaries. Derivative instruments are used by the group for hedging purposes. Such instruments include interest rate swap agreements.

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- the fair values of financial instruments (except financial instruments when carrying amount approximates their fair value; and
- fair value hierarchy levels of financial assets and liabilities for which fair value was disclosed.

Fair value for measurement and/or disclosure purposes in these consolidated annual financial statements is 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 reassess the earnings or yield multiples at least annually based on their assessment of the macro- and micro-economic environment.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.1 Financial instruments by category and fair value hierarchy continued

| | CONSOLIDATED | | | | | | | |
|---|----------------------|-------|----------------|---------|-----------------------|----------------|----------|------------------|
| | 2018 CARRYING AMOUNT | | | | 2018 CARRYING AMOUNT | | | |
| | Financial assets | | | | Financial liabilities | | | |
| | FVTPL | FVOCI | Amortised cost | Other* | FVTPL | Amortised cost | Other* | Fair value level |
| Cash and cash equivalents | - | - | 3 817 069 | - | - | - | - | - |
| Investments | | | | | | | | |
| Listed investments (note 7) | 138 629 | - | - | - | - | - | - | 1 |
| Unlisted investments (note 7) | 1 422 195 | 7 820 | - | - | - | - | - | 3 |
| Pension fund surplus | - | - | - | 134 230 | - | - | - | 2 |
| Loans to related parties (note 7) | - | - | 304 092 | - | - | - | - | - |
| Investment property | - | - | - | 120 113 | - | - | - | 3 |
| Loans and advances (note 9) | 2 260 447 | - | 5 495 297 | - | - | - | - | 3 |
| Trade and other receivables (note 11) | 335 829 | - | 1 780 112 | - | - | - | - | 3 |
| Borrowings (note 14) | - | - | - | - | - | (3 587 101) | - | - |
| Derivative financial instruments | - | - | - | - | (7 911) | - | - | 2 |
| Provision for post-retirement medical aid | - | - | - | - | - | - | (25 510) | 2 |
| Provisions | - | - | - | - | - | - | (29 038) | 2 |
| Trade and other payables (note 18) | - | - | - | - | - | (1 049 621) | - | - |
| Deposits from bank customers (note 17) | - | - | - | - | - | (10 506 404) | - | - |
| | 4 157 100 | 7 820 | 11 396 570 | 254 343 | (7 911) | (15 143 126) | (54 548) | |
| | | | | | | | | |
| | 2017 CARRYING AMOUNT | | | | 2017 CARRYING AMOUNT | | | |
| | Financial assets | | | | Financial liabilities | | | |
| | FVTPL | FVOCI | Amortised cost | Other* | FVTPL | Amortised cost | Other* | Fair value level |
| Cash and cash equivalents | - | - | 8 970 274 | - | - | - | - | - |
| Investments | | | | | | | | |
| Listed investments (note 7) | - | - | - | - | - | - | - | 1 |
| Unlisted investments (note 7) | 1 292 705 | 9 263 | - | - | - | - | - | 3 |
| Pension fund surplus | - | - | - | 142 388 | - | - | - | 2 |
| Loans to related parties (note 7) | - | - | 819 213 | - | - | - | - | - |
| Investment property | - | - | - | 125 649 | - | - | - | 3 |
| Derivative financial assets | 1 617 | - | - | - | - | - | - | 2 |
| Loans and advances (note 9) | 669 029 | - | 6 480 168 | - | - | - | - | 2 |
| Trade and other receivables (note 11) | - | - | 2 986 627 | - | - | - | - | - |
| Borrowings (note 14) | - | - | - | - | - | (2 101 400) | - | - |
| Derivative financial instruments | - | - | - | - | (20 744) | - | - | 2 |
| Provision for post-retirement medical aid | - | - | - | - | - | - | (52 417) | 2 |
| Provisions | - | - | - | - | - | - | (43 026) | 2 |
| Trade and other payables (note 18) | - | - | - | - | - | (685 203) | - | - |
| Deposits from bank customers (note 17) | - | - | - | - | - | (14 640 363) | - | - |
| | 1 963 351 | 9 263 | 19 256 282 | 268 037 | (20 744) | (17 426 966) | 95 443 | |

* Other refers to items outside the scope of IFRS 7 Financial instruments: Disclosures.

The carrying amounts of the group financial instruments approximate their fair value.

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.1 Financial instruments by category and fair value hierarchy continued

| Reconciliation of Level 3 fair value measurement of financial assets | 2018 Level 3 | 2017 Level 3* |
|---|-------------------------|------------------|
| Opening balance | 1 427 617 | 1 084 948 |
| IFRS 9 Financial Instruments 1 January 2018 | | |
| – Loans and receivables designated as fair value | 1 388 959 | – |
| Purchases | 427 694 | 236 750 |
| Settlements | (271 290) | (19 900) |
| Total gains recognised in: | | |
| – Other comprehensive income | (2 734) | (1 221) |
| – Profit or loss | 377 534 | 127 040 |
| Closing balance | 3 347 780 | 1 427 617 |

* Comparative figures have been revised to reflect more appropriate disclosures of financial instruments.

Fair value gains recognised in the consolidated statement of other comprehensive income for Level 3 financial instruments were R374.8 million (2017: R125.8 million).

34.2 Foreign currency risk

The objective of the foreign exchange exposure management policy is to ensure that all foreign exchange exposures are identified as early as possible and that the identified exposures are actively managed to reduce risk. All exposures are to reflect underlying foreign currency commitments arising from trade and/or foreign currency finance. Under no circumstances are speculative positions, not supported by normal trade flows, permitted.

The group is subject to economic exposure, transaction exposure and translation exposure.

- Economic exposure consists of planned net foreign currency trade in goods and services not yet manifested in the form of actual invoices and orders. Economic exposure is initially identified at the time of budget preparation and is progressively reviewed on a quarterly basis at the time of each budget revision.
- Transaction exposure consists of all transactions entered into which will result in a flow of cash in foreign currency at a future time, such as payments under foreign currency, long- and short-term loan liabilities, purchases and sales of goods and services (from invoice date to cash payment or receipt), capital expenditure (from approval date until cash payment) and dividends (from declaration date to payment date). Commercial transactions shall only be entered in currencies that are readily convertible by means of formal external forward contracts.
- Translation exposure relates to the group's investments and earnings in non-ZAR currencies which are translated in the ZAR reporting currency. Translation exposure is not hedged.

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

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

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

34. Financial instruments risk management objectives and policies *continued*

34.2 Foreign currency risk *continued*

Foreign currency balances

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

| | CONSOLIDATED | | | |
|--|-----------------|--------------|-----------------|--------------|
| | 2018 US\$000 | 2018 R000 | 2017 US\$000 | 2017 R000 |
| Loans | (24 993) | (359 399) | (158 344) | (1 961 880) |
| Trade and other receivables | 28 103 | 404 121 | 132 506 | 1 641 744 |
| Trade and other payables | (22 453) | (322 874) | (40 167) | (497 663) |
| Bank balances | 55 205 | 793 848 | 78 553 | 973 272 |
| Short-term borrowings and bank overdraft | (19 099) | (274 644) | - | - |
| | 16 763 | 241 052 | 12 548 | 155 473 |
| Less: non-current liabilities associated with assets classified as held for sale | (1 975) | (28 401) | (45 516) | (563 938) |
| | 18 738 | 269 452 | 58 064 | 719 411 |

Sensitivity analysis

At year-end the sensitivity of the net open exposure on the operating profit is as follows:

| | CONSOLIDATED | |
|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Net exposure | | |
| +10% | 77 323 | 62 062 |
| -10% | (77 323) | (62 062) |

34.3 Interest rate risk

34.3.1 Interest rate risk of the group (excluding Financial Services)

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

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

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Loans linked to LIBOR | 356 322 | 1 758 434 |
| Loans linked to SA prime rate | 917 343 | 1 275 192 |
| Loans linked to JIBAR | - | 578 911 |
| Loans linked to Mozambique FPC | 3 070 | 1 455 |
| Short-term borrowings linked to LIBOR | 274 647 | 231 856 |
| Short-term borrowings linked to SA prime rate | 453 475 | 61 717 |
| Short-term borrowings linked to Namibian prime rate | 17 814 | - |
| Loans with a fixed interest rate | 3 661 | 348 |
| | 2 026 332 | 3 907 913 |
| Less: non-current liabilities associated with assets classified as held for sale (note 12) | - | (1 803 512) |
| | 2 026 332 | 2 104 401 |

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 112.

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.3 Interest rate risk continued

34.3.1 Interest rate risk of the group (excluding Financial Services) continued

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2018 is as follows: local rates are between 7.0% and 10.3% (2017: 7.3% and 13.5%), foreign rates are between 5.3% and 27.3% (2017: 3.8% and 29.0%). Floating rates of interest are based on LIBOR (London inter-bank offered rate – for USD borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

Sensitivity analysis

At year-end the sensitivity of the net open exposure of floating interest rates on the operating profit is as follows:

| | CONSOLIDATED | |
|--------------|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Net exposure | | |
| +50 BPS | (2 257) | 3 574 |
| -50 BPS | 2 257 | (3 574) |

The interest rate sensitivity results in higher income as there was a greater impact in interest received compared to interest paid.

34.3.2 Interest rate risk of Financial Services

There is a risk that fluctuating interest rates will unfavourably affect a financial institution's earnings and the value of its assets, liabilities and capital. The risk is due to assets and liabilities maturing or repricing at different times, or against different base rates. The amount at risk is a function of the magnitude and direction of interest rate changes, and the size and maturity structure of the mismatch position.

Interest rate risk management

Traditional gap analysis is used to measure interest rate exposure. Financial Services has a conservative policy on interest rate risk arising from gapping and the duration of this exposure is limited to three months for material aggregated positions or hedged using derivative instruments. The static interest rate gap report is prepared monthly for review by the Asset and Liability Committee and the model assumes each asset class will reprice in full in the relevant repricing timeband.

| Interest rate repricing gap | <3 months R000 | >3 months <6 months R000 | >6 months <1 year R000 | >1 year <5 years R000 | >5 years R000 | Non-rate sensitive R000 | Total R000 |
|---|-------------------|--------------------------------|------------------------------|-----------------------------|------------------|----------------------------|---------------|
| 2018 | | | | | | | |
| Assets | 11 166 704 | 551 789 | 3 309 | 406 400 | 378 831 | 384 625 | 12 891 658 |
| Equity and liabilities | (10 367 544) | (243 457) | (433 644) | (338 140) | - | (1 508 873) | (12 891 658) |
| Interest rate hedging activities | 782 681 | (4 188) | - | (403 328) | (375 165) | - | - |
| Repricing profile | 1 581 841 | 304 144 | (430 335) | (335 068) | 3 666 | (1 124 248) | - |
| Cumulative repricing profile | 1 581 841 | 1 885 985 | 1 455 650 | 1 120 582 | 1 124 248 | - | - |
| Expressed as a percentage of total assets of Financial Services | 12.3% | 14.6% | 11.3% | 8.7% | 8.7% | | |

34. Financial instruments risk management objectives and policies *continued*

34.3 Interest rate risk *continued*

34.3.2 Interest rate risk of Financial Services *continued*

| Interest rate repricing gap | <3 months R000 | >3 months <6 months R000 | >6 months <1 year R000 | >1 year <5 years R000 | >5 years R000 | Non-rate sensitive R000 | Total R000 |
|---|------------------------------|---|---|--|-----------------------------|--|-----------------------|
| 2017 | | | | | | | |
| Assets | 15 174 107 | 503 064 | – | 369 812 | 281 974 | 350 598 | 16 679 555 |
| Equity and liabilities | (14 162 619) | (363 591) | (667 684) | (144 347) | – | (1 341 314) | (16 679 555) |
| Interest rate hedging activities | 647 001 | – | – | (396 029) | (250 972) | – | – |
| Repricing profile | 1 658 489 | 139 473 | (667 684) | (170 564) | 31 002 | (990 716) | – |
| Cumulative repricing profile | 1 658 489 | 1 797 962 | 1 130 278 | 959 714 | 990 716 | – | – |
| Expressed as a percentage of total assets of Financial Services | 9.9% | 10.8% | 6.8% | 5.8% | 5.9% | | |

| Interest income sensitivity | <3 months | >3 months <6 months | >6 months <1 year | Total |
|------------------------------------|---------------------|--------------------------------------|------------------------------------|-----------------|
| 2018 | | | | |
| 2% interest rate increase | | 12 205 | 12 060 | 50 775 |
| 2% interest rate decrease | | (12 091) | (11 839) | (49 408) |
| 2017 | | | | |
| 2% interest rate increase | | 8 517 | 13 105 | 50 557 |
| 2% interest rate decrease | | (8 139) | (13 113) | (49 755) |

Hedging

Hedging is a technique used to reduce risk by simultaneously entering into a transaction to be hedged and a transaction with equivalent characteristics in terms of size, duration and interest rate but with opposite financial effect.

All fixed rate transactions are required to be hedged, either within the book or synthetically with derivative instruments, whenever a 1% parallel shift in the yield curve could result in a loss exceeding the amounts specified in the policy matrix (maximum loss tolerance R200 000).

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.4 Credit risk

Credit risk refers to the risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations. Potential areas of credit risk consist of cash and cash equivalents, bank advances, trade debtors and other receivables. The group limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. In order to minimise credit risk, the group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit risk management

Trade debtors

The group aims to minimise loss caused by default of our customers through specific group-wide policies and procedures. Compliance with these policies and procedures is the responsibility of the divisional and other financial managers. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and accounted for and are provided against as doubtful debts. Certain divisions have obtained Credit Guarantee Insurance Cover to manage the risk of default by debtors.

Granting credit

The group assesses the credit worthiness of potential and existing customers by obtaining trade references, credit references and evaluating the business acumen of the client. Once this review has been performed, the applied credit limit is reviewed and approved.

Credit risk management

The Credit Committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposures and any irregular or problem loans.

Credit risk mitigation

Financial Services does not have material netting arrangements.

Financial Services actively manages and monitors risk concentrations resulting from credit mitigation activities and these tend to arise where guarantees have been taken in addition to other classes of security. Financial Services tends to deal with small to medium size corporates and guarantees and suretyships tend to come from similar types of entities.

Exposure to credit risk

The company's maximum exposure to credit risk in respect of loans and advances is the balance of outstanding advances, before taking into account the value of collateral held as security against such exposures (see table below). The collateral held as security for the advances exposures are disclosed in the note 9.

| 2018 | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|-----------------------|-------------------------|-------------------------|-------------------------|-----------|
| Gross carrying amount | 7 002 722 | 399 173 | 68 646 | 7 470 541 |
| Less: ECL allowance | (22 977) | (6 447) | (24 566) | (53 990) |
| Net carrying amount | 6 979 745 | 392 726 | 44 080 | 7 416 551 |

The measurement of credit risk of the portfolio of advances entails estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) on an individual basis, in line with the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

PDs are allocated to loans according to:

- product type
- internal credit rating based on approved scoring templates

34. Financial instruments risk management objectives and policies *continued*

34.4 Credit risk *continued*

The determination of the PDs to be allocated according to the above is based on the following:

- default history
- professional judgement and knowledge of Grindrod Bank's loan book and client base
- views on future economic conditions and the impact on our client base

Key drivers of the LGD are:

- credit exposure including off balance sheet exposure
- value of collateral held in line with the approved credit policy
- future economic indicators and impact on specific industries

LGDs are determined using 3 scenarios (poor, stable and good) on a weighted average basis.

Significant increase in credit risk (SICR)

The following additional qualitative factors amongst others are considered in determining SICR:

- facility being in arrears
- facility being in default
- classification and appearance on watch list
- significant changes in value of collateral
- acts of insolvency (liquidation/business rescue proceedings)
- changes in business and economic conditions

The following table explains the factors that have resulted in the changes in the ECL allowance between the beginning and the end of the annual period due to these factors:

| Loan and advances | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|--------------|---------------|---------------|
| ECL allowance at 1 January 2018 | 29 264 | 6 120 | 3 670 | 39 054 |
| Movements with a profit or loss impact | | | | |
| Originated "new" impairments raised | 8 934 | 5 769 | - | 14 703 |
| Subsequent changes in ECL | (5 608) | (1 675) | 24 281 | 16 998 |
| Derecognised including write-offs | (9 276) | (3 859) | (3 630) | (16 765) |
| Total net profit or loss charge during the period | (5 950) | 235 | 20 651 | 14 936 |
| Impaired accounts written-off | - | - | (3 630) | (3 630) |
| Other changes | (337) | 92 | 3 875 | 3 630 |
| Transfer from stage 1 | (107) | 107 | - | - |
| Transfer from stage 2 | 15 | (15) | - | - |
| Transfer to stage 3 | (245) | - | 245 | - |
| Loss allowance as at 31 December 2018 | 22 977 | 6 447 | 24 566 | 53 990 |

Analysis of credit-impaired advances

The company closely monitors collateral held for advances considered to be credit-impaired. Advances that are credit-impaired and the fair value of the related collateral held to mitigate potential losses are shown below:

| Credit impaired assets | Gross carrying amount R000 | ECL allowance R000 | Carrying amount R000 | Fair value of collateral held R000 |
|------------------------|----------------------------|--------------------|----------------------|------------------------------------|
| Advances | 68 646 | (24 565) | 44 081 | 44 081 |

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.4 Credit risk continued

Monitoring exposure

The group monitors exposures on an ongoing basis utilising the various reporting tools and flagging potential risks. The following reports are used to monitor credit risk: overdue report, age analysis and late payment history.

| | CONSOLIDATED | |
|---|-------------------|-------------------|
| | 2018 R000 | 2017 R000 |
| Carrying amount of financial assets impaired during the year | 334 840 | 51 843 |
| Maximum credit risk exposure to the group is: | | |
| Other investments | 1 872 736 | 2 121 181 |
| Loans and advances | 7 755 744 | 7 149 198 |
| Trade and other receivables before allowance for doubtful debts | 2 760 947 | 3 280 859 |
| Liquid assets and short-term negotiable securities | 2 843 541 | 1 763 875 |
| Cash and cash equivalents | 3 817 069 | 8 970 274 |
| | 19 050 037 | 23 285 387 |
| Analysis of the ageing of financial assets which are past due but have not been impaired: | | |
| Current | 102 352 | 10 924 |
| 30 days | 23 344 | 43 669 |
| 60 days | 20 481 | 15 281 |
| 90 days | 14 932 | 3 189 |
| 120+ days | 96 650 | 122 715 |
| Total | 257 759 | 195 778 |

Refer to note 9 for an analysis of the ageing of loans and advances.

34. Financial instruments risk management objectives and policies *continued*

34.5 Liquidity risk

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

Daily cash management systems are in place with the three local banks in order to optimise the group's short-term net cash position.

To ensure access to additional funding and hedging facilities, Grindrod maintains relationships with a number of existing and potential funding banks and procures additional facilities where required. Negotiations of facilities are considered carefully to limit the potential restrictions imposed as a result of financial covenants and margining requirements. Contingency funding capacity in the form of committed but undrawn on-demand facilities is maintained.

In the banking environment liquidity risk may be defined as the risk of a bank not being able to repay its maturing deposits or meet its obligations under a loan agreement. Liquidity risk in a bank includes the risk of incurring excessively high interest costs or being forced to sell assets at a loss in order to meet its obligations.

Financial Services has a prudent liquidity management policy and the Asset and Liability Committee is responsible for monitoring the stability of funding, surplus cash or near cash assets, anticipated cash outflows, exposure to large depositors and exposure to connected parties. Financial Services is exposed to a maturity mismatch due to the duration of the lending book when compared against the duration of the funding book. To date Financial Services has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book. Financial Services intends to continue to adopt a conservative liquidity policy in the future.

Group liquidity analysis (excluding Financial Services)

The contractual maturities of the group's (including Financial Services) financial liabilities are as follows:

| | CONSOLIDATED | | | | | Total R000 |
|-----------------------------|-------------------|---------------------------------|------------------------------|-----------------------------|------------------|---------------|
| | <3 months R000 | >3 months < 6 months R000 | >6 months <1 year R000 | >1 year <5 years R000 | >5 years R000 | |
| 2018 | | | | | | |
| Liabilities | | | | | | |
| Provisions | - | - | - | 9 352 | - | 9 352 |
| Trade and other payables | 1 205 696 | - | - | - | - | 1 205 696 |
| Post-retirement medical aid | - | - | - | 25 510 | - | 25 510 |
| Interest-bearing debt | 128 912 | 627 006 | 120 142 | 433 169 | 83 889 | 1 393 118 |
| Short-term borrowings | 457 653 | 4 454 | 283 829 | - | - | 745 936 |
| | 1 792 261 | 631 460 | 403 971 | 468 031 | 83 889 | 3 379 612 |
| 2017 | | | | | | |
| Liabilities | | | | | | |
| Provisions | - | - | - | 27 741 | - | 27 741 |
| Trade and other payables | 792 819 | - | 4 846 | - | - | 797 665 |
| Post-retirement medical aid | - | - | - | 52 717 | - | 52 717 |
| Interest-bearing debt | 49 907 | 25 070 | 30 629 | 202 099 | 93 944 | 401 649 |
| Short-term borrowings | 11 805 | - | 231 856 | - | - | 243 661 |
| | 854 531 | 25 070 | 267 331 | 282 557 | 93 944 | 1 523 433 |

Notes to the financial statements continued

for the year ended 31 December 2018

34. Financial instruments risk management objectives and policies continued

34.5 Liquidity risk continued

Group liquidity analysis (Financial Services)

| | CONSOLIDATED | | | | | | Total R000 |
|--------------------------|-------------------|--------------------------------|------------------------------|-----------------------------|------------------|-----------------------------|---------------|
| | <3 months R000 | >3 months <6 months R000 | >6 months <1 year R000 | >1 year <5 years R000 | >5 years R000 | Non- contractual R000 | |
| 2018 | | | | | | | |
| Liabilities | | | | | | | |
| Provisions | - | - | - | 19 686 | - | - | 19 686 |
| Trade and other payables | - | - | - | - | - | 256 689 | 256 689 |
| Interest-bearing debt | - | 17 151 | 351 380 | 1 191 873 | - | - | 1 560 404 |
| Financial liabilities | - | 42 | - | 5 241 | 2 628 | - | 7 911 |
| Deposits | 9 055 440 | 511 031 | 599 774 | 266 979 | 73 180 | - | 10 506 404 |
| | 9 055 440 | 528 224 | 951 154 | 1 483 779 | 75 808 | 256 689 | 12 351 094 |
| 2017 | | | | | | | |
| Liabilities | | | | | | | |
| Provisions | - | - | - | 28 092 | - | - | 28 092 |
| Trade and other payables | - | - | - | - | - | 468 786 | 468 786 |
| Interest-bearing debt | - | 107 511 | 619 546 | 646 560 | 85 473 | - | 1 459 090 |
| Financial liabilities | - | - | - | 10 328 | 8 611 | - | 18 939 |
| Deposits | 13 439 550 | 305 725 | 750 741 | 144 347 | - | - | 14 640 363 |
| | 13 439 550 | 413 236 | 1 370 287 | 829 327 | 94 084 | 468 786 | 16 615 270 |

The holding company has guaranteed a facility of R115.0 million (2017: R810.7 million) to Financial Services as additional liquidity.

34.6 Capital adequacy risk

Capital adequacy refers to the risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses and losing confidence in the bank and/or the banking sector. The capital adequacy risk asset ratio of Financial Services at 31 December 2018 was 14.1% (2017: 13.4%).

34.7 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from the prior year.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of Grindrod, comprising share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.

Financial Services will raise additional capital as and when required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

Gearing ratio

The group reviews the capital structure on a quarterly basis. As part of the review the group considers the cost of capital and the risks associated with each class of capital. The group has a target gearing ratio of 75% determined as the proportion of net debt to equity.

34. Financial instruments risk management objectives and policies continued

34.7 Capital risk management continued

The group defines net debt as being comprised of borrowings, less cash and cash equivalents and assets classified as held for sale. The gearing ratio at year-end was:

| | CONSOLIDATED | |
|--|--------------|--------------|
| | 2018 R000 | 2017 R000 |
| Debt | 3 587 105 | 2 104 400 |
| Deposits from bank customers | 10 506 404 | 14 640 363 |
| Cash and cash equivalents | (3 817 069) | (8 970 274) |
| Loans and advances to bank customers | (7 755 744) | (7 149 198) |
| Liquid assets and short-term negotiable securities | (2 843 541) | (1 763 875) |
| Net non-current assets classified as held for sale | (30 438) | 1 145 549 |
| Net (cash)/debt | (353 283) | 6 965 |
| Equity (including minority interest) | 9 677 661 | 14 197 482 |
| Net (cash)/debt to equity ratio | (3.7%) | 0.0% |

Notes to the financial statements continued

for the year ended 31 December 2018

35. Directors' emoluments

35.1 Emoluments paid to directors and prescribed officers

The tables below provide an analysis of the emoluments, split between local and offshore remuneration package approvals, paid to executive and non-executive directors and prescribed officers of the company in relation to the 2018 and 2017 financial years.

Current directors – local

2018

| | Directors' fees R000 | Committee fees R000 | Basic remuneration R000 | Retirement medical and other benefits R000 | Total package R000 | Performance bonus ¹ R000 | 2018 Total R000 | % increase from 2017 excluding bonus ¹³ |
|--------------------------------|-------------------------|------------------------|----------------------------|---|-----------------------|--|--------------------|--|
| Executive directors | | | | | | | | |
| MJ Hankinson ² | 1 457 | 8 | 6 083 | 587 | 8 135 | 5 265 | 13 400 | 66.2 |
| XF Mbambo ³ | – | – | 2 388 | 639 | 3 027 | 2 200 | 5 227 | |
| B Ntuli ⁴ | – | – | 4 287 | 1 913 | 6 200 | 2 385 | 8 585 | 38.0 |
| DA Polkinghorne | – | – | 4 210 | 1 040 | 5 250 | 3 392 | 8 642 | 25.7 |
| AG Waller ⁵ | – | – | 4 745 | 866 | 5 611 | 3 400 | 9 011 | 16.9 |
| Sub-total | 1 457 | 8 | 21 713 | 5 045 | 28 223 | 16 642 | 44 865 | |
| Non-executive directors | | | | | | | | |
| H Adams ⁶ | 334 | 192 | – | – | 526 | – | 526 | |
| MR Faku | 367 | – | – | – | 367 | – | 367 | |
| WD Geach ^{6,7} | 452 | 310 | – | – | 762 | – | 762 | |
| G Gelink | 367 | 275 | – | – | 642 | – | 642 | |
| G Kotze ⁸ | – | – | – | – | – | – | – | |
| Z Malinga | 531 | 308 | – | – | 839 | – | 839 | |
| R Ndlovu ^{9, 10} | 185 | 660 | – | – | 845 | – | 845 | |
| NL Sowazi | 699 | 174 | – | – | 873 | – | 873 | |
| PJ Uys ¹⁰ | 552 | 485 | – | – | 1 037 | – | 1 037 | |
| SDM Zungu | 367 | – | – | – | 367 | – | 367 | |
| Sub-total | 3 854 | 2 404 | – | – | 6 258 | – | 6 258 | |
| Total emoluments local | 5 311 | 2 404 | 21 713 | 5 045 | 34 481 | 16 642 | 51 123 | |

Prescribed officer – offshore

| | Currency | Directors' fees 000 | Committee fees 000 | Basic remuneration 000 | Retirement medical and other benefits 000 | 2018 Total 000 |
|---------------------------|----------|------------------------|-----------------------|---------------------------|--|-------------------|
| Executive director | | | | | | |
| MR Wade ^{11, 12} | SGD | – | – | 398 | 66 | 464 ¹⁴ |

¹ Short-term incentive performance bonuses in respect of services rendered in 2018 accrued as at year-end.

² Resigned as executive chairman effective 22 November 2018.

³ Appointed as CFO on 1 September 2018.

⁴ Resigned as executive director on 31 December 2018.

⁵ Appointed as CEO on 1 September 2018.

⁶ Retired as independent non-executive director on 30 November 2018.

⁷ Includes fees paid by Grindrod Bank.

⁸ Resigned as independent non-executive director on 1 September 2018.

⁹ Alternate to PJ Uys. Fees in respect of member of Audit committee and chairman of Social and Ethics committee.

¹⁰ Fees ceded to Remgro.

¹¹ Singapore resident. Emoluments paid in SGD. Includes accommodation costs in Singapore as part of the employment contract.

¹² Resigned as executive director on 1 November 2017, resigned as a member of the executive committee effective 19 June 2018.

¹³ Increases are based on performance and responsibilities and include role complexity, level of experience and contribution to group performance. Remuneration is benchmarked by independent consultants.

¹⁴ Not a true measure as current year remuneration is for the period up to Shipping spin-off effective 18 June 2018.

35. Directors' emoluments continued

35.1 Emoluments paid to directors and prescribed officers continued

Current directors – local

2017

| | Directors' fees R000 | Committee fees R000 | Basic remuneration R000 | Retirement medical and other benefits R000 | Total package R000 | Performance bonus ¹ R000 | Severance and leave pay on retirement R000 | 2017 Total R000 | % increase from 2016 excluding bonus ⁸ |
|--------------------------------|-------------------------|------------------------|----------------------------|---|-----------------------|--|---|--------------------|---|
| Executive directors | | | | | | | | | |
| MJ Hankinson ² | 940 | 455 | 3 500 | – | 4 895 | 4 895 | – | 9 790 | |
| AK Olivier ³ | – | – | 4 144 | 964 | 5 108 | – | 9 795 | 14 903 | |
| B Ntuli | – | – | 3 081 | 1 413 | 4 494 | 2 800 | – | 7 294 | 6.9 |
| DA Polkinghorne | – | – | 3 350 | 827 | 4 177 | 3 450 | – | 7 627 | 7.9 |
| AG Waller | – | – | 4 057 | 743 | 4 800 | 2 500 | – | 7 300 | 6.2 |
| Sub-total | 940 | 455 | 18 132 | 3 947 | 23 474 | 13 645 | 9 795 | 46 914 | |
| Non-executive directors | | | | | | | | | |
| H Adams | 302 | 90 | – | – | 392 | – | – | 392 | |
| MR Faku | 302 | – | – | – | 302 | – | – | 302 | |
| WD Geach | 380 | 286 | – | – | 666 | – | – | 666 | |
| G Gelink | 302 | 242 | – | – | 544 | – | – | 544 | |
| G Kotze | – | – | – | – | – | – | – | – | |
| Z Malinga | 384 | 93 | – | – | 477 | – | – | 477 | |
| R Ndlovu ⁴ | 112 | 481 | – | – | 593 | – | – | 593 | |
| NL Sowazi ⁵ | 302 | 237 | – | – | 539 | – | – | 539 | |
| PJ Uys ⁶ | 433 | 391 | – | – | 824 | – | – | 824 | |
| SDM Zungu | 302 | – | – | – | 302 | – | – | 302 | |
| Sub-total | 2 819 | 1 820 | – | – | 4 639 | – | – | 4 639 | |
| Total emoluments local | 3 759 | 2 275 | 18 132 | 3 947 | 28 113 | 13 645 | 9 795 | 51 553 | |

Prescribed officer – offshore

| | Currency | Directors' fees R000 | Committee fees R000 | Basic remuneration R000 | Retirement medical and other benefits R000 | Total package R000 | Performance bonus ¹ R000 | 2017 Total R000 | % increase excluding bonus ⁸ |
|---------------------------|----------|-------------------------|------------------------|----------------------------|---|-----------------------|--|--------------------|---|
| Executive director | | | | | | | | | |
| MR Wade ⁷ | SGD | – | – | 768 | 133 | 901 | 307 | 1 208 | Nil |

¹ Bonus payment in respect of services rendered in 2017 accrued as at year-end. Amounts restated to reflect TC0E at year-end based on the approval of the remuneration committee.

² Appointed as executive chairman 1 June 2017.

³ Retired 30 July 2017.

⁴ Alternate to PJ Uys.

⁵ Appointed as lead independent non-executive director 1 June 2017.

⁶ Fees ceded to Remgro.

⁷ Resigned as executive director 1 November 2017.

⁸ Increases are based on performance and responsibilities and include role complexity, level of experience and contribution to group performance. Remuneration is benchmarked by independent consultants.

Notes to the financial statements continued

for the year ended 31 December 2018

35. Directors' emoluments continued

35.2 Share option scheme

The details of awards granted to executives as at 31 December 2018 are as follows:

| Director | Options at 1 January 2018 | Options granted during the year | Adjustment as a result of Shipping spin-off | Options forfeited/ Shipping spin-off settlement during the year | Options vested during the year | Vesting price R | Options at 31 December 2018 ¹ | Option price R | Vesting dates |
|------------------|---------------------------|---------------------------------|---|---|--------------------------------|-----------------|--|----------------|---------------|
| | 27 333 | | | | 27 333 | 13.39 | | 16.68 | February 2018 |
| | 19 333 | | | | 19 333 | 13.39 | | 26.97 | February 2018 |
| | 19 334 | | 15 665 | | | | 34 999 | 14.90 | February 2019 |
| | 40 667 | | | | 40 667 | 13.39 | | 18.97 | February 2018 |
| | 40 667 | | 32 951 | | | | 73 618 | 10.48 | February 2019 |
| | 40 666 | | 32 950 | | | | 73 616 | 10.48 | February 2020 |
| | 36 000 | | 29 170 | | | | 65 170 | 5.09 | February 2019 |
| XF Mbambo | 36 000 | | 29 170 | | | | 65 170 | 5.09 | February 2020 |
| | 36 000 | | 29 170 | | | | 65 170 | 5.09 | February 2021 |
| | 37 333 | | 30 250 | | | | 67 583 | 7.65 | February 2020 |
| | 37 333 | | 30 250 | | | | 67 583 | 7.65 | February 2021 |
| | 37 334 | | 30 251 | | | | 67 585 | 7.65 | February 2022 |
| | | 53 000 | 42 944 | | | | 95 944 | 7.40 | February 2021 |
| | | 53 000 | 42 944 | | | | 95 944 | 7.40 | February 2022 |
| | | 53 000 | 42 944 | | | | 95 944 | 7.40 | February 2023 |
| | 408 000 | 159 000 | 388 659 | - | 87 333 | | 868 326 | | |
| | 111 400 | | | | 111 400 | 13.39 | | 16.68 | February 2018 |
| | 82 667 | | | | 82 667 | 13.39 | | 18.97 | February 2018 |
| | 82 667 | | 66 983 | 149 650 | | | | 10.48 | February 2019 |
| | 82 666 | | 66 982 | 149 648 | | | | 10.48 | February 2020 |
| | 108 667 | | 88 050 | 196 717 | | | | 5.09 | February 2019 |
| | 108 667 | | 88 050 | 196 717 | | | | 5.09 | February 2020 |
| B Ntuli | 108 666 | | 88 049 | 196 715 | | | | 5.09 | February 2021 |
| | 228 333 | | 185 012 | 413 345 | | | | 7.65 | February 2020 |
| | 228 333 | | 185 012 | 413 345 | | | | 7.65 | February 2021 |
| | 228 334 | | 185 012 | 413 346 | | | | 7.65 | February 2022 |
| | | 125 000 | 101 284 | 226 284 | | | | 7.40 | February 2021 |
| | | 125 000 | 101 284 | 226 284 | | | | 7.40 | February 2022 |
| | | 125 000 | 101 284 | 226 284 | | | | 7.40 | February 2023 |
| | 1 370 400 | 375 000 | 1 257 002 | 2 808 335 | 194 067 | | - | | |

¹ At 31 December 2018, the fair value of these options was R2.8 million.

35. Directors' emoluments continued

35.2 Share option scheme continued

| Director | Options at 1 January 2018 | Options granted during the year | Adjust- ment as a result of Shipping spin-off | Options forfeited/ Shipping spin-off settlement during the year | Options vested during the year | Vesting price R | Options at 31 December 2018 ¹ | Option price R | Vesting dates |
|-----------------|---------------------------------|--|--|---|---|-----------------------|---|----------------------|---------------|
| | 54 333 | | | | 54 333 | 13.39 | | 16.68 | February 2018 |
| | 12 667 | | | | 12 667 | 13.39 | | 26.97 | February 2018 |
| | 12 666 | | 10 263 | | | | 22 929 | 14.90 | February 2019 |
| | 37 300 | | | | 37 300 | 13.39 | | 18.97 | February 2018 |
| | 37 300 | | 30 223 | | | | 67 523 | 10.48 | February 2019 |
| | 37 400 | | 30 304 | | | | 67 704 | 10.48 | February 2020 |
| | 84 000 | | 68 063 | | | | 152 063 | 5.09 | February 2019 |
| DA Polkinghorne | 84 000 | | 68 063 | | | | 152 063 | 5.09 | February 2020 |
| | 84 000 | | 68 063 | | | | 152 063 | 5.09 | February 2021 |
| | 79 333 | | 64 281 | | | | 143 614 | 7.65 | February 2020 |
| | 79 333 | | 64 281 | | | | 143 614 | 7.65 | February 2021 |
| | 79 334 | | 64 282 | | | | 143 616 | 7.65 | February 2022 |
| | | 64 667 | 52 398 | | | | 117 065 | 7.40 | February 2021 |
| | | 64 667 | 52 398 | | | | 117 065 | 7.40 | February 2022 |
| | | 64 666 | 52 397 | | | | 117 063 | 7.40 | February 2023 |
| | 681 666 | 194 000 | 625 015 | - | 104 300 | | 1 396 381 | | |
| | 50 000 | | | | 50 000 | 13.39 | | 16.68 | February 2018 |
| | 107 667 | | | | 107 667 | 13.39 | | 26.97 | February 2018 |
| | 107 667 | | | 107 667 | | | | 10.48 | February 2019 |
| | 107 666 | | | 107 666 | | | | 10.48 | February 2020 |
| MR Wade | 144 000 | | | 144 000 | | | | 5.09 | February 2019 |
| | 144 000 | | | 144 000 | | | | 5.09 | February 2020 |
| | 144 000 | | | 144 000 | | | | 5.09 | February 2021 |
| | 146 667 | | | 146 667 | | | | 7.65 | February 2020 |
| | 146 667 | | | 146 667 | | | | 7.65 | February 2021 |
| | 146 666 | | | 146 666 | | | | 7.65 | February 2022 |
| | 1 245 000 | - | - | 1 087 333 | 157 667 | | - | | |

¹ At 31 December 2018, the fair value of these options was R2.8 million.

Notes to the financial statements continued

for the year ended 31 December 2018

35. Directors' emoluments continued

35.2 Share option scheme continued

| Director | Options at 1 January 2018 | Options granted during the year | Adjust- ment as a result of Shipping spin-off | Options forfeited/ Shipping spin-off settlement during the year | Options vested during the year | Vesting price R | Options at 31 December 2018 ¹ | Option price R | Vesting dates |
|---------------|---------------------------------|--|--|---|---|-----------------------|---|----------------------|---------------|
| | 137 000 | | | | 137 000 | 13.39 | | 16.68 | February 2018 |
| | 79 334 | | | | 79 334 | 13.39 | | 18.97 | February 2018 |
| | 79 333 | | 64 281 | | | | 143 614 | 10.48 | February 2019 |
| | 79 333 | | 64 281 | | | | 143 614 | 10.48 | February 2020 |
| | 195 667 | | 158 543 | | | | 354 210 | 5.09 | February 2019 |
| | 195 667 | | 158 543 | | | | 354 210 | 5.09 | February 2020 |
| AG Waller | 195 666 | | 158 542 | | | | 354 208 | 5.09 | February 2021 |
| | 185 000 | | 149 900 | | | | 334 900 | 7.65 | February 2020 |
| | 185 000 | | 149 900 | | | | 334 900 | 7.65 | February 2021 |
| | 185 000 | | 149 900 | | | | 334 900 | 7.65 | February 2022 |
| | | 123 667 | 100 204 | | | | 223 871 | 7.40 | February 2021 |
| | | 123 667 | 100 204 | | | | 223 871 | 7.40 | February 2022 |
| | | 123 666 | 100 203 | | | | 223 869 | 7.40 | February 2023 |
| | 1 517 000 | 371 000 | 1 354 502 | - | 216 334 | | 3 026 168 | | |
| Totals | 5 222 066 | 1 099 000 | 3 625 178 | 3 895 668 | 759 701 | | 5 290 875 | | |

¹ At 31 December 2018, the fair value of these options was R2.8 million.

The cost of scheme settlements is hedged against 13 260 494 treasury shares (2017: 6 287 384), not allocated to the forfeitable share plan. During 2018, 8 720 000 shares (2017: 100 000 shares) were bought back at an average price of R6.65 (2017: R13.87).

35. Directors' emoluments continued

35.3 Grindrod Limited forfeitable share plan

The table below shows the executive participants in the scheme. No forfeitable shares were granted to the executives during 2018.

| Director | Opening balance 1 January 2018 | Number of forfeitable shares vested | Adjustment as a result of Shipping spin off | Number of forfeitable shares forfeited | Total forfeitable shares ¹ |
|----------------------|-----------------------------------|---|--|---|---|
| XF Mbambo | 250 000 | – | 202 568 | – | 452 568 |
| B Ntuli ² | 383 400 | (100 000) | 229 631 | (513 031) | – |
| DA Polkinghorne | 161 400 | (33 333) | 103 747 | – | 231 814 |
| MR Wade ³ | 311 200 | (216 580) | – | (94 620) | – |
| AG Waller | 393 400 | (100 000) | 237 733 | – | 531 133 |
| | 1 499 400 | (449 913) | 773 679 | (607 651) | 1 215 515 |

¹. At 31 December 2018, the fair value of these options was R7.5 million.

². Resigned as executive director on 31 December 2018.

³. Resigned as executive director on 1 November 2017.

Notes to the financial statements continued

for the year ended 31 December 2018

35. Directors' emoluments continued

35.4 Grindrod Financial Services group share-price-linked option scheme

A summary of options granted to executives and senior management of Grindrod Bank, still to vest as at 31 December 2018, is as follows:

| Date option granted | Number of options granted | Option price R | Lapse | Vested | Net total |
|---------------------|---------------------------|----------------|-----------|-------------|-----------|
| 2014 | 2 207 000 | 9.88 | (31 000) | (1 820 667) | 355 333 |
| 2015 | 1 309 000 | 13.04 | (92 000) | (543 000) | 674 000 |
| 2016 | 945 000 | 15.60 | | (69 000) | 876 000 |
| 2017 | 1 109 000 | 16.93 | | | 1 109 000 |
| 2018 | 1 194 000 | 17.96 | | | 1 194 000 |
| | 6 764 000 | | (123 000) | (2 432 667) | 4 208 333 |

Bonus payments totalling R7.4 million were made on Grindrod Bank options vesting and settled in 2018. This included payments made to D Polkinghorne of R0.9 million.

The details of awards granted to an executive as at 31 December 2018 are as follows:

| Director | Options at 1 January 2018 | Options granted during the year | Options vested during the year | Vesting price | Options at 31 December 2018 | Option price R | Vesting dates |
|-----------------|---------------------------|---------------------------------|--------------------------------|---------------|-----------------------------|----------------|---------------|
| | 28 000 | | 28 000 | 17.96 | | 7.55 | February 2018 |
| | 49 000 | | 49 000 | 17.96 | | 9.88 | February 2018 |
| | 49 000 | | | | 49 000 | 9.88 | February 2019 |
| | 47 000 | | 47 000 | 17.96 | | 13.04 | February 2018 |
| | 47 000 | | | | 47 000 | 13.04 | February 2019 |
| | 47 000 | | | | 47 000 | 13.04 | February 2020 |
| | 46 000 | | | | 46 000 | 15.60 | February 2019 |
| DA Polkinghorne | 46 000 | | | | 46 000 | 15.60 | February 2020 |
| | 46 000 | | | | 46 000 | 15.60 | February 2021 |
| | 48 333 | | | | 48 333 | 16.93 | February 2021 |
| | 48 333 | | | | 48 333 | 16.93 | February 2022 |
| | 48 334 | | | | 48 334 | 16.93 | February 2023 |
| | | 176 000 | | | 58 667 | 17.96 | February 2021 |
| | | | | | 58 667 | 17.96 | February 2022 |
| | | | | | 58 666 | 17.96 | February 2023 |
| | 550 000 | 176 000 | 124 000 | | 602 000 | | |

35. Directors' emoluments continued

35.5 Directors' interests in the company

At 31 December 2018, the directors held interests in the company as follows:

| Ordinary shares | 2018 | | | 2017 | | |
|----------------------|---------------------|-------------------|-------------------------|---------------------|-------------------|-------------------------|
| | Beneficial indirect | Beneficial direct | Non-beneficial indirect | Beneficial indirect | Beneficial direct | Non-beneficial indirect |
| MJ Hankinson | - | 27 000 | 8 000 | - | 27 000 | 8 000 |
| B Ntuli ¹ | - | 110 000 | - | - | 10 000 | - |
| DA Polkinghorne | - | 162 262 | - | - | 128 929 | - |
| AG Waller | - | 457 858 | - | - | 357 858 | - |
| SDM Zungu | - | 4 228 | - | - | 4 228 | - |
| | - | 761 348 | 8 000 | - | 528 015 | 8 000 |

¹ Resigned as executive director on 31 December 2018.

The beneficial direct shareholdings increased by 304 609 after year end further to vesting in terms of the forfeitable share plan.

35.6 Incentive schemes – once-off value-realisation incentive

| Executive directors local | Freight Services | Financial Services | Shipping | Total |
|---------------------------|------------------|--------------------|--------------|---------------|
| | 2018 | 2018 | 2018 | 2018 |
| | R000 | R000 | R000 | R000 |
| MJ Hankinson | 3 000 | - | 3 750 | 6 750 |
| B Ntuli | 6 000 | - | - | 6 000 |
| DA Polkinghorne | - | - | - | - |
| AG Waller | 3 000 | - | 3 750 | 6 750 |
| Total | 12 000 | - | 7 500 | 19 500 |

| Prescribed officer offshore | Currency | Freight Services | Financial Services | Shipping | Total |
|-----------------------------|----------|------------------|--------------------|----------|-------|
| | | 2018 | 2018 | 2018 | 2018 |
| | | R000 | R000 | R000 | R000 |
| MR Wade | SGD | - | - | 741 | 741 |

36. Subsequent events

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

Interest in subsidiaries

as at 31 December 2018

At 31 December 2018, the company had the following subsidiaries carrying on business which principally affected the profits and assets of the group.

They have the same year-end date as the company and have been included in the consolidated financial statements.

| | | SHARE CAPITAL | | EFFECTIVE HOLDING | | INVESTMENTS SHARES AT ORIGINAL COST | | SHARE-BASED PAYMENTS TO EMPLOYEES | |
|--|---|---------------|--------------|-------------------|-----------|-------------------------------------|--------------|-----------------------------------|--------------|
| | | 2018 R000 | 2017 R000 | 2018 % | 2017 % | 2018 R000 | 2017 R000 | 2018 R000 | 2017 R000 |
| INCORPORATED IN SOUTH AFRICA | | | | | | | | | |
| Grindrod Freight Investments (Pty) Ltd | F | 1 495 | 1 495 | 100 | 100 | 203 500 | 203 500 | 610 | 610 |
| Grindrod Management Services (Pty) Ltd | G | | | - | - | | | 3 585 | 3 585 |
| Grincor Shipping Holdings Ltd | D | - | 53 | - | 100 | - | 1 | - | - |
| Grindrod Shipping South Africa (Pty) Ltd | S | - | 5 | - | 100 | - | 506 308 | 1 090 | 1 090 |
| Unilog (Pty) Ltd | F | | | - | 100 | | | | |
| Unicorn Shipping Holdings Limited | D | 15 020 | 15 020 | 100 | 100 | | | | |
| Unicorn Shipping Operations (Pty) Ltd | D | | | - | 100 | | | | |
| Grindrod Financial Holdings Ltd | B | 1 923 | 1 923 | 96 | 96 | 322 900 | 322 900 | | |
| Grindrod Financial Services Holdings (Pty) Ltd | B | | | 96 | 96 | 774 864 | 774 864 | | |
| Grindrod Trading Holdings (Pty) Ltd | T | | | 100 | 100 | 1 408 343 | 1 408 343 | | |
| Grindrod Freight Services (Pty) Ltd | F | 1 | 1 | 100 | 100 | 5 602 372 | 4 984 536 | 10 753 | 10 753 |
| AAS Logistics (Pty) Ltd | F | | | 100 | 100 | | | | |
| Calulo Logistics Holdings (Pty) Ltd | F | | | 100 | 100 | | | | |
| INCORPORATED IN BRITISH VIRGIN ISLANDS | | | | | | | | | |
| Canosa Holdings Ltd | G | | | 100 | 100 | 23 290 | 23 290 | | |
| INCORPORATED IN ISLE OF MAN | | | | | | | | | |
| Grindrod Shipping Ltd | S | | | - | 100 | | | | |
| Grindrod Property Holdings Ltd | G | | | 100 | 100 | 34 344 | 34 344 | | |
| INCORPORATED IN SINGAPORE | | | | | | | | | |
| Grindrod Shipping Pte Ltd | S | - | 4 606 077 | - | 100 | - | 4 289 364 | 911 | 911 |
| IMPAIRMENTS | | | | | | (607 978) | (1 432 048) | | |
| INTEREST IN SUBSIDIARIES | | | | - | - | 7 761 634 | 11 115 402 | 16 949 | 16 949 |

Nature of Business
B – Financial Services
D – Dormant
F – Freight and Property Services
G – Group Services
S – Shipping Services
T – Trading

Loan funds

as at 31 December 2018

| CONSOLIDATED | | | | | | |
|--|--------------------|---|-------------------------|---------|-------------------------|---------|
| | Date of redemption | Current rate of interest per annum (%) | 2018 Carrying amount | | 2017 Carrying amount | |
| | | | R000 | US\$000 | R000 | US\$000 |
| Secured | | | | | | |
| Foreign currency funding | | | | | | |
| <i>Financial liabilities measured at amortised cost</i> | | | | | | |
| Loans secured by mortgage bonds over ships | 03/2018 – 11/2022 | 3.81 – 4.57 | - | - | 1 445 969 | 116 705 |
| Loans secured by guarantee | 06/2018 | 4.48 | - | - | 1 002 | 81 |
| Asset finance and capitalised finance leases secured by vehicles and equipment | 01/2019 – 06/2022 | 6.38 – 23.25 | 359 458 | - | 315 761 | 25 485 |
| Local currency funding | | | | | | |
| <i>Financial liabilities measured at amortised cost</i> | | | | | | |
| Loans secured by mortgage bond over property, terminals and machinery | 09/2021 – 04/2024 | 9.25 – 9.45 | 203 095 | | 238 093 | |
| Asset finance and capitalised finance leases secured by vehicles and equipment | 01/2019 – 12/2022 | 8.75 – 10.25 | 123 054 | | 154 424 | |
| Loans secured by guarantee | 06/2019 | 8.4 | 594 788 | | - | |
| Aggregate secured long-term borrowings | | | 1 280 395 | | 2 155 249 | |
| Unsecured foreign currency funding | | | - | | - | |
| Included in non-current liabilities associated with assets classified as held for sale | | | - | | (1 753 600) | |
| Amount repayable within one year | | | (825 173) | | (106 220) | |
| Net long-term borrowings | | | 455 222 | | 295 429 | |
| Closing ZAR/USD exchange rate at 31 December 2018 | | | 14.38 | | 12.39 | |
| Security | | | | | | |
| Net book values of assets encumbered to secure long-term loans are as follows: | | | | | | |
| | | | 491 404 | | 4 254 320 | |
| Ships | | | - | | 3 143 189 | |
| Property | | | 313 925 | | 163 726 | |
| Terminals, machinery, vehicles and equipment | | | 177 479 | | 947 405 | |

Financial Services funding instruments

as at 31 December 2018

| CONSOLIDATED | | | | | | |
|---|--------------------|---|------------------|---------|-----------------|---------|
| | Date of redemption | Current rate of interest per annum % | 2018 | | 2017 | |
| | | | Carrying amount | | Carrying amount | |
| | | | R000 | US\$000 | R000 | US\$000 |
| Secured | | | | | | |
| Local funding | | | | | | |
| Financial liabilities measured at amortised cost | | | | | | |
| Loans secured by mortgage bond over property | 12/2023 | 9.25 | 81 230 | | 85 473 | |
| Aggregate secured Financial Services funding instruments | | | 81 230 | | 85 473 | |
| Loans secured by guarantee | 03/2020 – 12/2021 | 9.40 – 9.75 | 109 643 | | 207 519 | |
| Listed corporate bond secured by guarantee | 11/2020 – 06/2021 | 10.15 | 465 615 | | 371 392 | |
| Redeemable preference shares | | 7.69 | 904 281 | | 794 706 | |
| Aggregate Financial Services funding instruments | | | 1 560 769 | | 1 459 090 | |
| Amount repayable within one year | | | (368 895) | | (738 953) | |
| Net Financial Services funding instruments | | | 1 191 874 | | 720 137 | |

Rates linked to published South African market rates.

Value added statement

for the year ended 31 December 2018

| | CONSOLIDATED | | | |
|--|--------------|-------|-----------|-------|
| | 2018 | | 2017 | |
| | R000 | % | R000 | % |
| Continuing operations | | | | |
| Revenue | 3 423 534 | | 3 059 422 | |
| Net cost of services | (1 075 751) | | (963 588) | |
| Value added by operations | 2 347 782 | | 2 095 834 | |
| Non-trading items | 81 726 | | 129 272 | |
| Total value added | 2 429 508 | | 2 225 106 | |
| Applied as follows: | | | | |
| Employees' remuneration and service benefits | 1 106 475 | 45.5 | 986 461 | 44.3 |
| Taxation on income | 109 530 | 4.5 | 163 386 | 7.3 |
| Providers of share capital | 65 682 | 2.7 | 67 645 | 3.1 |
| Providers of loan capital | 85 451 | 3.5 | 97 850 | 4.4 |
| Reinvested in the business | | | | |
| Depreciation and amortisation | 193 277 | 7.9 | 195 844 | 8.8 |
| Retained income | 869 093 | 35.8 | 713 920 | 32.1 |
| Total | 2 429 508 | 100.0 | 2 225 106 | 100.0 |

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