2017

Audited Annual Financial Statements

for the year ended 31 December 2017

Grindrod Limited

FINANCIAL + FREIGHT + SHIPPING

Group

01 Approval of the annual financial statements

for the year ended 31 December 2017

The preparation of the annual financial statements that fairly represent the results of the group in accordance with the Companies Act and 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 consolidated financial statements. No major breakdown in controls that could influence the reliability of the consolidated financial statements was experienced during 2017. Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2018, 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 consolidated financial statements were consequently prepared on a going concern basis.

At the board meeting held on 23 March 2018, the board of directors approved the consolidated financial statements and further authorised Mr NL Sowazi and Mr MJ Hankinson in their respective capacities as lead independent non-executive director and executive chairman to sign off the consolidated financial statements. The annual financial statements which appear on pages 13 to 124, are therefore signed:

NL Sowazi
Lead independent non-executive director
Durban

23 March 2018

MJ Hankinson
Executive chairman
Durban

23 March 2018

02 Compliance statement by the group company secretary

for the year ended 31 December 2017

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 2017.

CI Lewis
Group company secretary
Durban

23 March 2018

03 Preparation of the annual financial statements

for the year ended 31 December 2017

The preparation of the annual financial statements for the year ended 31 December 2017, which appear on pages 13 to 124, has been supervised by the group financial director of Grindrod Limited, Mr AG Waller.

Andrew Waller

AG Waller CA(SA)
Group financial director
Durban

23 March 2018

04 Report of the audit committee

The audit committee is a formal, 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.

At its meeting held in February 2017, the committee reviewed and approved the terms of reference as amended in accordance with the provisions of King IV.

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 24 May 2017 and appointed as chairperson 26 November 2014), Walter Geach (re-appointed 24 May 2017) and Raymond Ndlovu (re-appointed 24 May 2017). More details of these directors are given on pages 84 to 88 of the integrated annual report.

The independence of the audit committee and performance of its members were evaluated by the nomination committee during 2017. 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 executive chairman, the group financial director, group risk and internal audit manager and representatives of the external auditors to attend its meetings as required.

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 2017.

Attendance of committee members at the meetings of the committee during the year is listed on page 89 of the integrated annual report.

Fees paid to the committee members are reflected on page 110 in the remuneration report of the integrated annual report and the proposed fees for 2018 are detailed on page 143 of the integrated annual report.

The group company secretary serves as secretary to the committee.

Key activities

In terms of its mandate, matters considered by the audit committee based on its annual work plan for 2017 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;
- assessing the suitability, expertise and experience of the group financial director 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;
- 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;

- nominating for approval by shareholders at the annual general meeting, the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit and non-audit services;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, key audit risks, audit findings 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 2017;
- reviewing the annual financial statements and results for the year ended 31 December 2017 and the 2017 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 2016, dated 13 February 2017;
- evaluating the performance of the audit committee; and
- approving its annual work plan for 2018

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 18 to 21. The external auditor was nominated for each material subsidiary company for re-appointment.

The chairman of the committee met formally with the internal and external auditors during the year. During these meetings no matters of concern were raised.

External audit

Deloitte & Touche served as the company's registered external auditors for the 2017 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.

The external auditors have unrestricted access to the chairman of the committee and met formally on two occasions in 2017.

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 fourteen 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; independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management and concluded that the transition to the incoming group audit partner was efficient and effective.

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 2017 financial year to Deloitte & Touche amounted to R22.2 million (2016: R19.1 million); US$252 073 (2016: US$205 100); SGP$1.0 million (2016: SGP$904 000) and P819 000 (2016: P608 000).

The approved audit fee accounts for 34 audit partners in 31 countries in order to perform the 200+ global statutory audits. The total non-audit services for the 2017 financial year performed by and paid to Deloitte & Touche amounted to R3.6 million (2016: R3.0 million), of which 94 percent relates to permitted tax services. In addition the committee has 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.

Report of the audit committee continued

Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in the accounting policies to 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 key audit matters are highlighted:

- valuation of goodwill;
- valuation of investments in joint ventures;
- valuation of ships and bunker barges; and
- classification and measurement of non-current assets held-for-sale and discontinued operations.

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 was in agreement with the impairment of the goodwill and intangible assets and that the carrying value of the goodwill is fairly stated. Please refer to the accounting policies and note 4 of the annual financial statements for further detail.

Annual impairment tests are conducted to assess the recoverability of the carrying value 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 that no impairment was required and that the carrying value of the investments in joint ventures is fairly stated.

Annual impairment tests are conducted to assess the valuation of ships and bunker barges using a value-in-use model as well as comparisons to traded market values. A number of key assumptions are considered, including charter-in and freight market rates, operating margins, residual value of the ships and discount rates applied to the projected future cash flows. The committee considered the impairment test conducted, and is in agreement with the impairment of ships and bunker barges and that the carrying value of ships and bunker barges 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 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 17 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 2017, 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 2017.

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 2017.

On behalf of the audit committee

Grant Gelink
Chairman

22 March 2018

05 Directors' report

for the year ended 31 December 2017

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 2017.

Nature of business

The nature of the group's business is set out under the divisional reviews on pages 46 to 56 of the integrated annual report 2017.

Review of operations

The financial results for the year ended 31 December 2017, including the results of operations are dealt with in the consolidated income statements, statements of comprehensive income and segmental analysis on pages 14 to 23 and operational review on pages 46 to 56 of the integrated annual report.

The year under review is fully covered in the executive chairman's and the financial director's reviews, included in the integrated annual report.

Acquisitions and disposals

During the year the group acquired a controlling interest (50%) in the New Limpopo Bridge Project (NLP) Limited which effectively increased its shareholding in the strategic North South Rail corridor.

During the year the group disposed of railway construction and mineral logistics businesses. These were classified as non-current assets held-for-sale in the prior year

- 100% in Oreport (Pty) Ltd
- 100% in Grindrod Rail Construction

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 have been classified as held-for-sale in terms of IFRS 6 Non-current assets held-for-sale and discontinued operations. In light of this significant change, the operating segments for the remaining Grindrod group had to be reassessed. Refer to the segmental analysis in the annual financial statements for the new segments.

Share capital

Details of the authorised and issued shares are shown on page 71 and the share analysis is shown on pages 139 to 140 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 10% of the number of ordinary shares in issue and that a general authority be granted to issue shares for cash.

Dividends

No ordinary dividends have been declared for the current year and prior year.

The directors have also declared a dividend of 456.0 (2016: 466.0) cents per preference share which was paid on 19 March 2018.

Special resolutions

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

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.

Directors' report continued

Subsidiary companies

Information on subsidiary and associated companies is contained in notes 5, 6 and 7, respectively on pages 51 to 57. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 46 to 56 of the integrated annual report.

Directorate and Company Secretary

Brief curricula vitae of the current directors are disclosed on pages 84 to 88 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear on pages 104 to 116 of the integrated annual report.

Mr AK Olivier took early retirement as CEO on 31 July 2017. Mr MJ Hankinson was appointed executive chairman and Mr NL Sowazi as lead independent non-executive director on 1 August 2017. Mr MR Wade stepped down as executive director effective 1 November 2017. According to the company's Memorandum of Incorporation, at the forthcoming annual general meeting, Messrs G Kotze and RSM Ndlovu and Ms ZN Malinga 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 21 on pages 74 to 78.

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 pages 139 to 140 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 as the company's independent registered auditors and K Peddie as designated audit partner.

Subsequent events

Except for the impact to separating list the shipping business, 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 has 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 is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

06 Independent auditor's report

for the year ended 31 December 2017

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 123, which comprise the statements of financial position as at 31 December 2017, 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 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of goodwill	
As required by IAS 36: Impairment of Assets ("IAS 36"), the directors conduct annual impairment tests to assess the recoverability of the carrying value 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: • Operating margins; • Growth rates; • Future cash flows; and • The discount rates applied to the projected future cash flows. As a result of the key judgements made in determining the inputs, the valuation of goodwill is considered to be a key audit matter. Goodwill is disclosed in note 4 of the consolidated and separate financial statements.	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. Our audit procedures included: • Testing 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. • Subjecting the key judgements to sensitivity analysis. We found that the inputs used by the directors were comparable with historical performance and the expected future performance and the inputs used were appropriate in the circumstances. We consider the valuation of the goodwill to be appropriate. We found that the disclosure requirements required by IAS 36 were sufficient and appropriate in all material respects.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of investments in joint ventures</td></tr>
<tr><td>As required by IAS 36, the directors conduct annual impairment tests to assess the recoverability of the carrying value 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:
• Revenue growth rates;
• Operating margins;
• Future cash flows; and
• The discount rates applied to the projected future cash flows.

As a result of the key judgment made in determining the inputs, the impairment of investments in joint ventures is considered to be a key audit matter.

Investments in joint ventures is disclosed in note 6 of the consolidated and separate financial statements.</td><td>We focused our testing of the valuation of investments in joint ventures on the key judgements made by the directors regarding the inputs used.

Our audit procedures included:
• Testing 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.
• Engaging our internal specialists to assist with 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.
• Subjecting the key judgements to sensitivity analyses.

We found that the inputs used by the directors were comparable with historical performance and 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 consider the valuation of 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.</td></tr>
<tr><td colspan="2">Classification and measurement of non-current assets held for sale and discontinued operations</td></tr>
<tr><td>As required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations ("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.

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.

Non-current assets held for sale is disclosed in note 17 of the consolidated and separate financial statements.</td><td>We focused our testing of the classification and measurement of the disposal group held for sale on the key judgements made by the directors.

Our audit procedures included:
• 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.
• 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.

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.</td></tr>
</table>

Key audit matter	How the matter was addressed in the audit
Valuation of ships	
As required by IAS 36, the directors conduct annual impairment tests to assess the valuation of the ships. The impairment assessment is performed using a value in use model as well as comparisons to traded market values. A number of key judgements are made by the directors in determining the inputs into these models which include: • Charter in and freight market rates; • Operating margins; • Residual value of the ships; and • The discount rates applied to the projected future cash flows. As a result of the key judgements made in determining the inputs, the impairment test of ships is considered to be a key audit matter. Ships is disclosed in note 3 (ships, property, terminals, machinery, vehicles and equipment) of the consolidated and separate financial statements.	We focused our testing of the valuation of ships on the key judgements made by the directors. Our audit procedures included: • Testing the entity's relevant controls relating to the preparation of the cash flow forecasts. • Critically evaluating whether the model used by the directors to calculate the value in use of the individual ships complies with the requirements of IAS 36. • Ensuring that the method and judgements used by the directors are consistently applied from year to year and are appropriate in the circumstances. • Engaging our internal specialists to assist with assessing the judgements used to calculate the discount rates and recalculating these rates. • Analysing the future charter in and freight market rates used in the models against published charter in and freight market rate forecasts to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance. • Retrospective analysis of the directors' historical judgements in respect of future charter in and freight market rates, operating margins and residual values against current performance. • Subjecting the key judgements to sensitivity analyses. We found that the inputs used by the directors were comparable with historical performance and the expected future performance and the discount rates used were appropriate in the circumstances. We consider the valuation of the ships to be appropriate. We found that the disclosure requirements required by IAS 36 were sufficient and appropriate in all material respects.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Report of the Audit Committee and the Compliance Statement by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the 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 International Financial Reporting Standards 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.

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 14 years.

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per Kim Peddie CA (SA), RA
Partner
23 March 2018

07 Statements of financial position

as at 31 December 2017

	Notes	CONSOLIDATED 2017 R000	CONSOLIDATED 2016* R000	COMPANY 2017 R000	COMPANY 2016 R000
ASSETS					
Non-current assets					
Ships, property, terminals, machinery, vehicles and equipment	3	**1 478 003**	5 610 562		
Intangible assets	4	**710 909**	1 030 281		
Investments in subsidiaries	5	**–**	–	**7 160 747**	10 300 605
Investments in joint ventures	6	**2 453 230**	3 947 765		
Investments in associates	7	**867 220**	852 225		
Investment property	8	**125 649**	128 891		
Other investments	9	**2 263 569**	1 819 107	**556 668**	500 569
Deferred taxation	10	**59 313**	87 062	**3 389**	2 888
Derivative financial assets	11	**–**	–		
Finance lease receivables	12	**–**	730		
Total non-current assets		**7 957 893**	13 476 623	**7 720 804**	10 804 062
Loans and advances to bank customers	13	**7 149 198**	5 854 734		
Current assets					
Liquid assets and short-term negotiable securities	14	**1 763 875**	1 801 065		
Inventories	15	**56 510**	204 099		
Trade and other receivables	16	**2 377 229**	3 748 461	**579 756**	3 366 884
Taxation		**32 592**	67 040		
Cash and cash equivalents		**8 970 274**	9 478 073	**7 154**	3 154
		13 200 480	15 298 738	**586 910**	3 370 038
Non-current assets classified as held-for-sale	17	**6 641 399**	1 549 072	**3 971 605**	
Total current assets		**19 841 879**	16 847 810	**4 558 515**	3 370 038
Total assets		**34 948 970**	36 179 167	**12 279 319**	14 174 100
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	18	**5 992 756**	5 971 721	**6 407 374**	6 407 374
Equity compensation reserve		**58 364**	68 513	**20 133**	17 679
Non-distributable reserves		**3 461 715**	4 494 721		
Accumulated profit		**4 639 988**	5 217 482	**5 778 674**	7 612 731
Equity attributable to owners of the company		**14 152 823**	15 752 437	**12 206 181**	14 037 784
Non-controlling interests		**44 659**	48 919		
Total equity		**14 197 482**	15 801 356	**12 206 181**	14 037 784
Non-current liabilities					
Long-term borrowings	19	**295 429**	1 423 339		
Financial services funding instruments	20	**720 137**	803 489		
Derivative financial liabilities	11	**18 939**	10 521		
Deferred taxation	10	**244 655**	264 744		
Provision for post-retirement medical aid	21	**25 403**	55 373		
Provisions	22	**21 857**	55 552		
Total non-current liabilities		**1 326 420**	2 613 018	**–**	–
Deposits from bank customers	23	**14 640 363**	13 610 140		
Current liabilities					
Trade and other payables	24	**1 256 433**	1 626 901	**71 433**	134 581
Provisions	22	**10 004**	87 520		
Current portion of long-term borrowings	19	**106 220**	634 240		
Current portion of financial services funding instruments	20	**738 953**	191 187		
Short-term borrowings and overdraft	19	**243 661**	274 797		
Taxation		**33 923**	116 899	**1 705**	1 735
		2 389 194	2 931 544	**73 138**	136 316
Non-current liabilities associated with assets classified as held-for-sale	17	**2 395 511**	1 223 109		
Total current liabilities		**4 784 705**	4 154 653	**73 138**	136 316
Total equity and liabilities		**34 948 970**	36 179 167	**12 279 319**	14 174 100

* Restated in accordance with provisional accounting related to the fair value on prior year acquisition and ships held-for-sale, disclosed under inventory, have been reclassified to ships, property, terminals, machinery, vehicles and equipment in terms of IAS 16 Property, plant and equipment. Refer to note 2.

08 Income statements

for the year ended 31 December 2017

	Notes	CONSOLIDATED 2017 R000	CONSOLIDATED 2016* Re-presented R000	COMPANY 2017 R000	COMPANY 2016 R000
CONTINUING OPERATIONS					
Revenue	25	**3 059 422**	3 287 820	**679 587**	120 366
Earnings before interest, taxation, depreciation and amortisation	26	**621 981**	687 849	**(388 290)**	107 152
Depreciation and amortisation	26	**(195 844)**	(231 135)	**–**	–
Operating profit/(loss) before interest and taxation		**426 137**	456 714	**(388 290)**	107 152
Non-trading items	27	**129 272**	(59 672)	**(1 432 048)**	–
Interest received	28	**264 575**	283 035	**56 424**	46 413
Interest paid	28	**(97 850)**	(133 580)	**–**	–
Profit/(loss) before share of associate and joint venture companies' profit		**722 134**	546 497	**(1 763 914)**	153 565
Share of joint venture companies' profit/(loss) after taxation	6	**111 475**	(159 058)		
Share of associate companies' profit after taxation	7	**60 481**	20 604		
Profit/(loss) before taxation		**894 090**	408 043	**(1 763 914)**	153 565
Taxation	29	**(172 937)**	(195 345)	**(2 498)**	(2 286)
Profit/(loss) for the year from continuing operations		**721 153**	212 698	**(1 766 412)**	151 279
DISCONTINUED OPERATIONS					
Loss after taxation from discontinued operations	31	**(1 229 023)**	(2 052 203)	**–**	–
Loss for the year		**(507 870)**	(1 839 505)	**(1 766 412)**	151 279
Attributable to:					
Owners of the parent/company		**(515 050)**	(1 839 725)	**(1 766 412)**	151 279
From continuing operations		**713 920**	212 371		
From discontinued operations		**(1 228 970)**	(2 052 096)		
Non-controlling interests		**7 180**	220		
From continuing operations		**7 233**	327		
From discontinued operations		**(53)**	(107)		
		(507 870)	(1 839 505)	**(1 766 412)**	151 279
Basic earnings/(loss) per share (cents)	30				
From continuing operations		**86.0**	19.2		
From discontinued operations		**(163.6)**	(273.4)		
		(77.6)	(254.2)		
Diluted earnings/(loss) per share (cents)	30				
From continuing operations		**85.5**	19.2		
From discontinued operations**		**(163.6)**	(273.4)		
		(78.1)	(254.2)		
Dividends per share (cents)		**–**	–		
Interim		**–**	–		
Final		**–**	–		

* Re-presented for discontinued operations as detailed in note 2.
** Diluted loss per share from discontinued operations was calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive scheme shares.

09 Statements of other comprehensive income

for the year ended 31 December 2017

	CONSOLIDATED		COMPANY	
	2017 R000	2016 R000	**2017 R000**	2016 R000
(Loss)/profit for the year	**(507 870)**	(1 839 505)	**(1 766 412)**	151 279
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	**(799 595)**	(1 387 904)		
Net movement in cash flow hedges	**760**	54 636		
Business combination	**1 946**	3 469		
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains/(losses)	**7 102**	(2 184)		
Fair value loss arising on available-for-sale investments	**(1 901)**	(2 420)		
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1 299 558)**	(3 173 908)	**(1 766 412)**	151 279
Total comprehensive (loss)/income attributable to:				
Owners of the parent/company	**(1 304 522)**	(3 182 753)	**(1 766 412)**	151 279
Non-controlling interests	**4 964**	8 845		
	(1 299 558)	(3 173 908)	**(1 766 412)**	151 279

10 Statements of cash flows

for the year ended 31 December 2017

	Notes	CONSOLIDATED 2017 R000	CONSOLIDATED 2016 R000	COMPANY 2017 R000	COMPANY 2016 R000
OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	37.1	**559 218**	491 709	**(398 821)**	(7 755)
Interest received		**245 164**	274 752	**327**	382
Interest paid		**(206 829)**	(257 864)	**–**	–
Dividends received		**132 371**	142 946	**679 587**	120 366
Dividends paid	37.2	**(76 801)**	(113 495)	**(68 376)**	(113 801)
Taxation paid	37.3	**(169 616)**	(110 343)	**(3 029)**	(2 726)
		483 507	427 705	**209 688**	(3 534)
Proceeds on disposal of ships		**238 097**	180 843		
Capital expenditure on ships	37.4	**(69 753)**	(368 145)		
Cash flows from operating activities of financial institution					
Advances to customers		**(1 294 464)**	(938 880)		
Liquid assets and short-term negotiable securities		**37 190**	(735 335)		
Deposits from customers		**1 030 223**	3 630 401		
Net cash flows generated from/(utilised in) operating activities		**424 800**	2 196 589	**209 688**	(3 534)
INVESTING ACTIVITIES					
Property, terminals, machinery, vehicles and equipment acquired	37.4	**(145 793)**	(233 621)		
Acquisition of other investments		**(222 664)**	(105 636)	**–**	(517)
Acquisition of subsidiaries, joint ventures and associates	37.5	**(33 400)**	(32 979)	**(205 688)**	(50 000)
Acquisition of additional investments in subsidiaries, joint ventures and associates		**(49 048)**	(11 261)		
Proceeds on disposal of property, terminals, machinery, vehicles and equipment		**79 768**	82 873		
Proceeds from disposal of non-current assets and liabilities held-for-sale		**90 132**	116 149		
Proceeds from disposal of investments	37.6	**–**	67 460		
Intangible assets acquired		**(4 110)**	(25 253)		
Proceeds on disposal of intangible assets		**7 948**	602		
Loans advanced to joint ventures and associate companies		**(22 144)**	(644 288)		
Acquisition of preference share capital		**–**	(5 367)		
Net receipts from finance lease receivable		**–**	11 160		
Net advances from subsidiaries				**–**	51 528
Net cash flows (utilised in)/generated from investing activities		**(299 311)**	(780 161)	**(205 688)**	1 011
FINANCING ACTIVITIES					
Repurchase of ordinary share capital		**(1 386)**	(8 671)		
Proceeds from disposal of treasury shares		**–**	914		
Long-term interest-bearing debt raised		**1 277 549**	821 780		
Payment of capital portion of long-term interest-bearing debt		**(1 030 371)**	(952 600)		
Short-term interest-bearing debt repaid		**–**	(132 726)		
Net cash flows (utilised in)/generated from financing activities		**245 792**	(271 303)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**371 281**	1 145 125	**4 000**	(2 523)
Cash and cash equivalents at beginning of year		**9 294 457**	8 340 917	**3 154**	5 677
Difference arising on translation		**(107 356)**	(191 585)		
Cash and cash equivalents at end of year	37.7	**9 558 382**	9 294 457	**7 154**	3 154

11 Statements of changes in equity

for the year ended 31 December 2017

	CONSOLIDATED		COMPANY	
	2017 R000	2016 R000	2017 R000	2016 R000
Share capital and share premium	**5 992 754**	5 971 719	**6 407 372**	6 407 372
Balance at beginning of the year	**5 971 719**	5 970 727	**6 407 372**	6 407 372
Share options vested	**22 421**	6 892		
Treasury shares sold	**–**	2 771		
Treasury shares acquired	**(1 386)**	(8 671)		
Preference share capital	**2**	2	**2**	2
Balance at beginning of the year	**2**	2	**2**	2
Equity compensation reserve	**58 364**	68 513	**20 133**	17 679
Balance at beginning of the year	**68 513**	63 643	**17 679**	16 771
Share-based payments	**12 272**	11 762	**2 454**	908
Share options vested	**(22 421)**	(6 892)		
Foreign currency translation reserve	**3 505 281**	4 546 313	**–**	–
Balance at beginning of the year	**4 546 313**	6 063 103		
Foreign currency translation realised	**(243 653)**	(120 261)		
Foreign currency translation adjustments	**(797 379)**	(1 396 529)		
Other non-distributable reserves	**(43 566)**	(51 592)	**–**	–
Balance at beginning of the year	**(51 592)**	(126 302)		
Financial instrument hedge settlement	**3 005**	53 873		
Foreign currency translation adjustments	**2 035**	6 006		
Net business combination acquisition	**5 320**	16 605		
Deferred tax effect on cash flow hedge	**(2 132)**	(6 415)		
Fair value adjustment on hedging reserve	**(202)**	4 641		
Movement in accumulated profit	**4 639 988**	5 217 482	**5 778 674**	7 612 731
Balance at beginning of the year	**5 217 482**	7 174 992	**7 612 731**	7 575 253
Fair value gain arising on available-for-sale financial instruments	**(1 901)**	(2 420)	**–**	–
Actuarial gain/(loss) recognised	**7 102**	(2 184)	**–**	–
(Loss)/income for the year	**(515 050)**	(1 839 725)	**(1 766 412)**	151 279
Ordinary dividends paid	**–**	(45 211)	**–**	(45 753)
Preference dividends paid	**(67 645)**	(67 970)	**(67 645)**	(68 048)
Total interest of shareholders of the company	**14 152 823**	15 752 437	**12 206 181**	14 037 784
Equity attributable to non-controlling interests of the company	**44 659**	48 919	**–**	–
Balance at beginning of the year	**48 919**	(6 274)		
Foreign currency translation adjustments	**(2 216)**	8 625		
Non-controlling interests disposed	**244**	49 860		
Income for the year	**7 180**	220		
Dividends paid	**(9 468)**	(3 512)		
Total equity attributable to all shareholders of the company	**14 197 482**	15 801 356	**12 206 181**	14 037 784

12 Segmental analysis

for the year ended 31 December 2017

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 and the exit of the remaining Rail businesses. In light of this significant change, the operating segments for the remaining Grindrod group have been reassessed. Consequently the information reported to the chief operating decision-maker has been provided in the following segments, namely Port and Terminals, Logistics, Financial Services, Marine Fuel and Agricultural Logistics, and Group. These divisions are the basis on which the group reports its primary segment information. All prior year information has been re-presented to reflect the change in operating segments.

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 fuels, bunkers and agricultural commodities worldwide.

BUSINESS SEGMENTS	PORT AND TERMINALS	
	2017 R000	2016 Re-presented R000
Revenue – External	874 607	768 671
Revenue – Internal	55 154	33 644
Trading profit/(loss) (excluding amortisation)	309 247	168 909
Depreciation and amortisation	(104 934)	(118 928)
Operating profit/(loss)	204 313	49 981
Non-trading Items	(8 456)	130 255
Share of associate companies' profit after taxation	54 077	71 526
Segment result excluding net interest and taxation	249 934	251 762
Interest received	68 130	67 725
Interest paid	(56 939)	(45 630)
Taxation	(73 956)	(38 879)
Profit/(loss) for the year	187 169	234 978
Non-controlling interest shareholders	(442)	505
Profit/(loss) attributable to shareholders	186 727	235 483
Preference dividends	(4 590)	(10 252)
Profit/(loss) attributable to ordinary shareholders	182 137	225 231
Capital expenditure	164 484	119 778
Total segment assets	2 532 933	2 588 479
Segment assets excluding investments in associates	1 992 821	2 047 360
Investments in associates	540 112	541 119
Segment liabilities	(363 967)	(357 367)

LOGISTICS		FINANCIAL SERVICES		MARINE FUEL AND AGRICULTURAL LOGISTICS	
2017	2016	**2017**	2016	**2017**	2016
	Re-presented		Re-presented		Re-presented
R000	R000	**R000**	R000	**R000**	R000
2 336 408	2 540 740	**467 039**	492 216	**17 585 797**	14 806 358
93 187	147 367	**–**	–	**357 762**	583 703
339 738	331 525	**362 952**	337 720	**65 061**	(176 812)
(174 463)	(188 455)	**(5 245)**	(5 901)	**(14 321)**	(19 912)
165 275	143 070	**357 707**	331 819	**50 740**	(196 724)
142 208	(144 353)	**–**	–	**(4 118)**	(5 892)
(10 130)	(18 899)	**–**	–	**55 093**	6 988
297 353	(20 182)	**357 707**	331 819	**101 715**	(195 628)
76 353	96 112	**–**	–	**4 284**	14 745
(63 765)	(62 935)	**(36 953)**	(63 863)	**(34 347)**	(21 045)
(81 719)	(116 296)	**(70 944)**	(47 648)	**(13 875)**	12 093
228 222	(103 301)	**249 810**	220 308	**57 777**	(189 835)
(408)	22 265	**(6 752)**	(6 153)	**–**	–
227 814	(81 036)	**243 058**	214 155	**57 777**	(189 835)
(6 005)	(10 252)	**(54 100)**	(43 149)	**–**	–
221 809	(91 288)	**188 958**	171 006	**57 777**	(189 835)
295 260	177 670	**7 766**	6 547	**1 130**	5 605
3 125 488	2 843 916	**18 233 927**	16 224 466	**3 093 653**	1 588 214
3 123 620	2 682 997	**18 233 927**	16 224 466	**2 295 768**	818 752
1 868	160 919	**–**	–	**797 885**	769 462
(1 447 062)	(1 345 201)	**(16 423 623)**	(14 847 910)	**(1 988 578)**	(477 391)

Segmental analysis continued

BUSINESS SEGMENTS	GROUP	
	2017	2016*
	R000	Re-presented R000
Revenue – External	12 045	52 074
Revenue – Internal	93 825	123 580
Trading (loss)/profit (excluding amortisation)	(123 392)	(2 449)
Depreciation and amortisation	(1 133)	(1 621)
Operating (loss)/profit	(124 525)	(4 070)
Non-trading items	(16 253)	(33 091)
Share of associate companies' profit/(loss) after taxation	–	–
Segment result excluding net interest and taxation	(140 778)	(37 161)
Interest received	80 862	167 283
Interest paid	81 873	21 710
Taxation	4 025	(20 221)
Profit/(loss) for the year	25 982	131 611
Loss after taxation from discontinued operations	–	–
Non-controlling interest shareholders	–	(16 524)
Profit/(loss) attributable to shareholders	25 982	115 087
Preference dividends	(2 950)	(4 317)
Profit/(loss) attributable to ordinary shareholders	23 032	110 770
Capital expenditure	–	930
Total segment assets	3 635 590	5 480 207
Segment assets excluding investments in associates	3 635 590	5 468 773
Investments in associates	–	11 434
Segment liabilities **	(534 005)	(824 526)

* All segments include proportionate consolidation of joint ventures and are reviewed together with subsidiaries by the key decision-makers. Segmental adjustments relate to joint ventures and are necessary to reconcile to IFRS presentation. All segment revenue, expenses, assets and liabilities are all directly attributable to the segments. All intersegment transactions are eliminated on consolidation.

** Adjustments relate to amounts lent to divisions by Group but are treated as external debt for segmental purposes.

CONSOLIDATED

2017 Total R000	2017 Discontinued Operations R000	2017 Adjustments* R000	2017 Total R000	2016 Re-presented Total R000	2016 Re-presented Discontinued Operations R000	2016 Re-presented Adjustments* R000	2016 Re-presented Total R000
21 275 896	–	(18 216 474)	3 059 422	18 660 059	–	(15 372 239)	3 287 820
599 928	–	(599 928)	–	888 294	–	(888 294)	–
953 606	–	(331 625)	621 981	658 893	–	28 956	687 849
(300 096)	–	104 252	(195 844)	(334 817)	–	103 682	(231 135)
653 510	–	(227 373)	426 137	324 076	–	132 638	456 714
113 381	–	15 891	129 272	(53 081)	–	(6 591)	(59 672)
99 040	–	72 916	171 956	59 615	–	(198 069)	(138 454)
865 931	–	(138 566)	727 365	330 610	–	(72 022)	258 588
229 629	–	34 946	264 575	345 865	–	(62 830)	283 035
(110 131)	–	12 281	(97 850)	(171 763)	–	38 183	(133 580)
(236 469)	–	63 532	(172 937)	(210 951)	–	15 606	(195 345)
748 960	–	(27 807)	721 153	293 761	–	(81 063)	212 698
–	(1 229 023)	–	(1 229 023)	–	(2 052 203)	–	(2 052 203)
(7 602)	53	369	(7 180)	93	107	(420)	(220)
741 358	(1 228 970)	(27 438)	(515 050)	293 854	(2 052 096)	(81 483)	(1 839 725)
(67 645)	–	–	(67 645)	(67 970)	–	–	(67 970)
673 713	(1 228 970)	(27 438)	(582 695)	225 884	(2 052 096)	(81 483)	(1 907 695)
468 640	189 460	(268 628)	389 472	310 530	816 566	(450 469)	676 627
30 621 591	8 503 767	(4 176 389)	34 948 970	28 725 282	10 337 470	(2 883 585)	36 179 167
29 281 726	8 503 767	(3 703 743)	34 081 750	27 242 348	10 337 470	(2 252 876)	35 326 942
1 339 865	–	(472 646)	867 220	1 482 934	–	(630 709)	852 225
(20 757 235)	(4 157 706)	4 163 453	(20 751 488)	(17 852 395)	(5 394 283)	2 868 867	(20 377 811)

Segmental analysis continued

The group's divisions operate in 7 principal geographical areas – North America/Bermuda, South America, the Middle East, United Kingdom/Europe/Isle of Man, Singapore/Asia/Far East/Australia and South Africa.

GEOGRAPHIC SEGMENTS	NORTH AMERICA/BERMUDA	
	2017 R000	2016 R000
Revenue – External	315 084	1 583 675
Profit/(loss) attributable to ordinary shareholders	23 128	(26 560)
Capital expenditure	–	–
Segment assets	48 097	273 416

GEOGRAPHIC SEGMENTS	SINGAPORE/ASIA/ FAR EAST/AUSTRALIA	
	2017 R000	2016 R000
Revenue – External	11 747 868	9 980 447
(Loss)/profit attributable to ordinary shareholders	(827 652)	(1 093 188)
Capital expenditure	141 814	760 054
Segment assets	7 681 122	9 306 540

GEOGRAPHIC SEGMENTS	CONSOLIDATED	
	2017 R000	2016 R000
Revenue – External	27 151 651	24 930 543
Loss attributable to ordinary shareholders	(582 695)	(1 907 696)
Capital expenditure	658 100	1 127 097
Segment assets	39 125 360	39 059 879

	SOUTH AMERICA		MIDDLE EAST		UNITED KINGDOM/EUROPE/ ISLE OF MAN	
	2017 R000	2016 R000	**2017 R000**	2016 R000	**2017 R000**	2016 R000
	121 212	111 060	**8 418 511**	5 761 798	**1 775 956**	1 821 903
	(2 450)	(47 434)	**22 285**	(141 293)	**(22 445)**	5 656
	–	–	**–**	–	**–**	–
	34 096	49 027	**1 475 695**	544 179	**883 459**	521 915

	REST OF AFRICA		SOUTH AFRICA	
	2017 R000	2016 R000	**2017 R000**	2016 R000
	1 132 948	1 244 734	**3 640 072**	4 426 926
	39 691	131 089	**184 748**	(735 966)
	261 362	138 846	**254 924**	228 197
	3 779 011	2 550 736	**25 223 880**	25 814 066

13 Accounting policies

for the year ended 31 December 2017

Basis of preparation

Accounting framework

The consolidated and separate financial statements (annual financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), and 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 Listings Requirements of the JSE Limited and 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 per note 1 to the annual financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated annual financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventory* or value in use in IAS 36 *Impairment of Assets*.

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.

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.

Changes in accounting estimates are recognised in profit or loss. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the entity and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has been discharged, cancelled or expired.

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 foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 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, 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 re-attributed 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.

Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of the consolidated annual financial statements. 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, 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 ships, property, terminals, 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.

Events after the reporting period date

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting period date that provide additional evidence of conditions that existed at such date. Events after the reporting period date that are indicative of conditions that arose after the reporting period date are dealt with by way of a note.

Comparative figures

Comparative figures are restated in the event of a change in accounting policy or a prior period error.

Accounting policies continued

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

The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the company and all entities controlled by the company (its subsidiaries) as if they were a single economic entity. Control is obtained by a company if it has power over the acquired entity, it has exposure or rights to variable returns from its involvement with the acquired entity and it has the ability to use its power over the acquired entity to affect the amount of the entity's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 inter-company balances and transactions are eliminated. Foreign currency transaction reserves are not reversed against the carrying amount of the respective asset relating to inter-company 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. It consists of the amount of those interests at acquisition plus the non-controlling interests' subsequent share of changes in equity of the subsidiary. 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. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company. 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 and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally 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, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* are measured in accordance with that Standard.

When a business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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.

The group accounting policy relating to the treatment of Restructure Reserves and Business Combination Reserves where a partial disposal of an investment occurs is that such reserves will be proportionally transferred.

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.

Interests in associate companies

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture or joint operation. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. 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. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. 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.

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

Interests in joint ventures

A joint arrangement is either a joint operation or a joint venture, with a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. 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 control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. 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 IAS 39 *Financial instruments; Recognition and Measurement* are applied to determine whether it is necessary to recognised 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 *Impairment of Assets* 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.

Accounting policies continued

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held-for-sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture has directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Insurance cell captive

The group has determined that it does not have control of its insurance cell captive arrangement as the current insurance legislative framework regards all the assets and liabilities in the cell as that of the insurer. Therefore the cell captive is not considered to be a silo in accordance with IFRS 10 *Consolidated Annual financial statements*. The group has therefore not consolidated the cell captive. The group is exposed to financial risk rather than insurance risk and has therefore accounted for its investment in the cell captive as an available-for-sale financial asset in accordance with IAS 39 *Financial instruments*.

Financial statement items

Statement of financial position

Ships, property, terminals, vehicles and equipment

Ships are measured at cost less accumulated depreciation and any impairment losses. Cost comprising acquisition costs and costs directly related to the acquisition up until the time when the asset is ready for use, include interest expense incurred during the period. The market average useful life of a ship is estimated to range from 25 to 30 years at which point it would usually be scrapped. The group maintains a young fleet compared to the market average and estimates useful life as 15 years from date of delivery for new ships. Ships are depreciated on the straight line basis to an estimated residual value over their useful lives to the group. Borrowing costs incurred in the financing of the acquisition of ships prior to their delivery are capitalised to the cost of the ships.

From time to time the group's vessels are required to be dry-docked for inspection and re-licensing at which time major repairs and maintenance that cannot be performed while the vessels are in operation are generally performed. The group capitalises the costs associated with dry-docking as they occur by adding them to the cost of the vessel and amortises these costs on the straight-line basis over 3-5 years, which is generally the period until the next scheduled dry-docking.

In cases where dry-docking takes place earlier than 5 years since the previous one, the carrying amount of the previous dry-docking is derecognised. In the event of a vessel sale, the respective carrying values of dry-docking costs are derecognised together with the vessel's carrying amount at the time of sale. At the date of acquisition of a vessel, management estimates the component of the cost that corresponds to the economic benefit to be derived until the next scheduled dry-docking of the vessel under the ownership of the group, and this component is depreciated on the straight-line basis over the remaining period to the estimated dry-docking date.

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:

Locomotives	15 years
Terminals and machinery	5 – 20 years
Information technology equipment	3 – 5 years
Vehicles	3 – 10 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.

Assets that are held for rental are initially classified as ships, property, terminals, 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 value of these assets 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. Where the estimated residual value exceeds the cost, depreciation is not provided.

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.

An item of property, plant 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, plant 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.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous SA GAAP amounts subject to being tested for impairment at that date.

If, on a business combination, the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, this excess is recognised in profit or loss immediately.

Accounting policies continued

Other intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It includes purchased long-term contracts, and certain costs of purchase and installation of major information systems (including packaged software).

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

Deferred taxation assets and liabilities

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.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. 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.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. 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.

Loans and advances

Advances designated as loans and receivables are recognised at amortised cost using the effective interest method less any impairment. Fixed rate advances which have been hedged are held at fair value through profit or loss and are remeasured to fair value through profit or loss at each subsequent reporting date.

Exposures are considered past due where the facility has expired and the Bank is not considering renewal of the facility or where expected cash flows on the facility are more than one month in arrears. Past due exposures are considered impaired and a specific provision/impairment amount is raised based on the carrying amount less the expected realisable value of the security held, but as a minimum the amount should be equivalent to the regulatory requirement.

Advances are assessed for indicators of impairment and impairments are accounted for when there is objective evidence that the estimated future cash flows from the assets/ advances have been negatively impaired by events occurring subsequent to initial recognition. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Advances considered to be irrecoverable are written off to the extent that the loss can be reliably measured.

Minimum funding requirements are recognised as an asset in the form of prepaid minimum funding contributions.

Non-current assets 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 group) 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.

Inventories

Inventories are assets held-for-sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories which include merchandise, bunkers on board ships and other consumable stores are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined on a weighted average or first-in, first-out basis. Spares on board ships are charged against income when issued to the ships.

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.

Agricultural and other commodities are valued at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

Accounting policies continued

Financial assets

A financial asset is an asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets designated as held at fair value through profit or loss are expensed.

Investments classified as held-to-maturity financial assets are measured at amortised cost, using the effective interest method, less any impairment losses recognised to reflect irrecoverable amounts.

Financial assets are accounted for at fair value through profit or loss where the financial asset is either classified as held for trading or is designated as held at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity.

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Listed redeemable notes held by the group that are traded in an active market are classified as held for trading and are stated at fair value at the end of each reporting period. The group also has investments in unlisted shares that are not traded in an active market but that are also classified as available-for-sale financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Investment banking portfolio assets are classified as held for trading and are recognised on a settlement basis. These investments are initially measured at cost, including transaction costs, and are re-measured to fair value at each subsequent reporting date. Changes in fair value are recognised in profit or loss when they arise.

Trade and other receivables are classified as loans and receivables and are measured at amortised cost, using the effective interest method, less provision for doubtful debts, which is determined as set out under impairment of assets below. Items with extended terms are initially recorded at the present value of future cash flows and interest income is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Other investments are classified as available-for-sale financial assets. These investments are carried at fair value with any gains or losses being recognised through the statement of comprehensive income and accumulated in equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Derivatives that are assets are measured at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges. Derivative assets at fair value are classified as non-current assets if the remaining maturities of the instruments are more than, and they are not expected to be realised within, 12 months.

Cash and cash equivalents are measured at fair value.

The group derecognises a financial asset 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 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.

Financial liabilities

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial liabilities are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial liabilities designated as held at fair value through profit or loss are expensed.

Financial liabilities are accounted for at fair value through profit or loss where the financial liability is either held for trading or it is designated as held at fair value through profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item.

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at amortised cost, using the effective interest method. Items with extended terms are initially recorded at the present value of future cash flows. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs.

Non-derivative financial liabilities that are designated on initial recognition as financial liabilities held at fair value through profit or loss or classified as held for trading are measured at fair value, with changes in fair value being included in net profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not designated as held at fair value through profit or loss.

Financial liabilities extinguished with equity instruments will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

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 provided 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.

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

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.

Accounting policies continued

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the 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. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

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.

Onerous contracts

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are recognised if the present obligation from past events and fair value can be reliably measured. After initial recognition and until the liability is settled, cancelled or expires the acquirer shall measure the contingent liability recognised in a business combination at the higher of the amount that would be recognised in terms of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with IAS 18, Revenue.

Equity

Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the annual financial statements provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.

Income statement

Revenue

Revenue represents the gross inflow of economic benefits during the period arising in the course of the ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Included in revenue are net invoiced sales to customers for goods and services, ship sales, freight, charter hire, handling fee revenue, commission and financial institution interest and fee income.

Revenue is measured at the fair value of the consideration received or receivable. Cash and settlement discounts, rebates, value added taxation and other indirect taxes are excluded from revenue. Where extended terms are granted, interest income is accounted for over the term until payment is received.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Charter hire is recognised on a daily accrual basis. Freight revenue is recognised on completion of the voyage and for uncompleted voyages at year-end on the percentage of completion basis. Results of uncompleted voyages are included based on the estimated voyage result and the voyage time elapsed. Anticipated losses for contracts arising on uncompleted voyages are provided in full.

Where the group acts as agent and is remunerated on a commission basis, only the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

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.

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.

Ship and locomotive sales are recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Cost of sales

When inventories and 'held-for-sale' 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.

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.

The group operates a share option scheme. The proceeds on share options are credited to share capital when exercised.

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.

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 cost (including current service costs, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The group presents service cost 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.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Accounting policies continued

Borrowing costs

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of 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.

Non-trading items

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, 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.

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.

Transactions and events

Hedge accounting

If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

If a cash flow hedge meets the conditions for hedge accounting the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

If a hedge of a net investment in a foreign entity meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. On disposal of a foreign entity, the gain or loss accumulated in equity is transferred to profit or loss.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

Derivatives

The group enters into derivative financial instruments in order to manage its exposure to interest rate and foreign exchange rate risk which have a cash flow impact. This includes forward exchange contracts, cross currency and interest rate swaps, futures, options and forward freight swap agreements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The resultant gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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. 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.

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 value, 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 effective interest rate 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.

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.

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 lessor

Amounts due from lessees under a finance lease are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Accounting policies continued

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. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

Government grants

Government grants towards staff re-training 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.

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 Share Option Scheme and 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.

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, vehicles and equipment are depreciated over their estimated useful life 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 a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. 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 and losses on the disposal of similar assets.

Shipping maintains a young fleet of ships and generally aims to replace ships that are 15 years or older. As a result ships are depreciated over 15 years to the expected residual value of a ship of a similar age and specification. Management reassess the depreciation period of ships that surpass this limit with special consideration of the condition of the vessel and the purpose for which the ship was retained in the fleet. The estimated life is considered at each reporting date.

Residual values of the ships are reassessed by management at each reporting date based on the current shipping markets and the movement of the markets over the previous five years, the age of the vessel, the specifications and the condition of the ship. The current market related scrap values for demolitions in the Far East and India are used for older ships.

Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Three-year business plans are prepared annually and approved by the boards of the company and its major operating subsidiaries. These plans include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

The plans contain profit forecasts and cash flows which are utilised in the assessment of the recoverability of deferred taxation assets.

Management also exercises judgment in assessing the likelihood that business plans will be achieved and that the deferred taxation assets are recoverable.

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.

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 units weighted average cost of capital and takes into account both the cost of equity and cost of debt. The cost of equity is determined based 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.

In the current year the group impaired investments in joint ventures by Rnil (2016: R141.0 million). The carrying value of the intangible assets, investments in joint ventures and associate is disclosed in notes 4, 6 and 7 respectively.

Impairment of property, terminals, vehicles and equipment

Property, terminals, 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 value of property, terminals and equipment is disclosed in note 3.

Accounting policies continued

Impairment of ships

Ships (owned and leased) and ships under construction are considered for impairment annually. Management measures the recoverability of an asset by comparing its carrying amount against its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and value in use, which is the future cash flows that the ships are expected to generate from charter hire of the ships and the expected running costs thereof over its remaining useful life, with a cash inflow in the final year equal to the residual value of the ships. The future cash flows are discounted to their present value using an appropriate discount rate to reflect the time value of money. If the ship is considered to be impaired, an impairment loss is recognised to an amount in excess of the carrying value of the asset over its recoverable amount. The carrying value of ships is disclosed in note 3.

Significant joint arrangements

Refer to note 5 for 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.

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 date to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualifies 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 40.

Onerous contract provisions

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed. Note 24 provides more detail on these provisions.

Management has estimated the onerous contract provisions based on the present value of the future charter payments that the group is expected to make under non-cancellable onerous operating charter agreements and contracts of affreightment, less charter revenue expected to be earned on the charter, the estimate is very sensitive to changes in the freight rates.

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.

Percentage completion of voyages

The stage of completion of a voyage is determined by calculating the total number of actual days from the loading of the cargo at the commencement of a voyage to the period end, divided by the total estimated number of days from loading to discharging the cargo.

The duration of a voyage depends on the size of the vessel being loaded, cargo type and quantity, vessel speed as well as delays occasioned by weather or due to congestion at load or discharge ports.

Valuations of forward freight agreements ("FFAs")

The FFAs are valued by comparing the strike price of the instrument against the estimated market spot earnings for the period that the instrument has been contracted. Management makes use of projected market earnings from reliable shipping brokers in order to assess the expected profits or losses from the transaction. Note 41 provides more detail.

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 sales, 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 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.

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 IAS 39 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 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.

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 is re-presented in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

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

Refer to notes 17 and 31 for details regarding non-current assets held for sale and discontinued operations.

14 Notes to the financial statements

for the year ended 31 December 2017

1 NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR

The following new and revised IFRSs have been applied in the current year and have had no material effect on the annual financial statements.

1.1 New and revised IFRSs applied with no material effect on the annual consolidated 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	*Disclosure Initiative*
Amendment to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRSs	*Annual Improvements to IFRSs 2014-2016 Cycle*

1.2 New and revised IFRSs in issue but not yet effective

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between and investor and its Associate or Joint Venture*[3]
Amendments to IAS 40	*Transfer of Investment Property*[1]
Amendments to IFRS	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018 and replaces the old IAS 39 Financial Instruments: Recognition and Measurement. The group will adopt the revised standard on 1 January 2018 and has completed an analysis of the expected impact of the adoption.

IFRS 9 consists of 3 significant modifications viz. the classification and measurement of financial instruments, a revision on the impairment of financial instruments and modifications to hedge accounting.

The revised standard requires that all financial assets be classified either at fair value through profit and loss, fair value through other comprehensive income for 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 fair value. In relation to impairment, IFRS 9 requires the use of an expected credit loss model as opposed to an incurred credit loss model as required under IAS 39. This requires an entity to account for expected credit losses at each reporting date since initial recognition based on the level of increase in credit risk. 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 viz. 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.

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.

1 NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (continued)

Impact on Grindrod Group

Classification
The group does not expect any changes in the classification and measurement of financial instruments when transitioning to the new standards.

Under the current Financial Services business model, financial assets are measured at amortised cost, that is held to collect the contractual cash flows rather than held to realise fair value gains. Certain assets are designated at FVTPL under the fair value option. No change is anticipated for initial recognition of either assets or liabilities.

Impairment
For the Financial Services business, a detailed impairment assessment has been performed by management and the impact is not expected to be material.

The group will adopt the simplified approach for the impairment of trade receivables without a significant financing component and the general approach for all other financial assets including trade receivables that have a significant financing component.

Hedge accounting
The group does not anticipate any changes in terms of hedge accounting and will adopt IFRS 9 for hedging from the date of initial application prospectively.

A modified approach will be applied whereby prior year financial information will not be restated. Any differences between the carrying amount of financial instruments on transition will be recorded in opening retained earnings on the date of initial application.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue* IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15 an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Further to the above IFRS 15 *Revenue from Contracts with Customers* has been amended to clarify three aspects of the standard (identifying performance obligations principal versus agent considerations and licensing) and to provide some transition relief for modified contracts and completed contracts.[2]

[2] Effective for annual periods beginning on or after 1 January 2019.

Notes to the financial statements continued

for the year ended 31 December 2017

1 NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (continued)

Management has embarked on a detailed assessment of the group's diverse revenue streams and the impact on the group results. Based on these assessments management have identified the following items that will result in change to the current revenue recognition.

Estimation of variable payments
Certain divisions within the group engage in contracts with its customers whereby the price is linked volume i.e. take or pay contracts, the impact of which is separately addressed.

Performance obligation of freight revenue
Management have preliminarily assessed the performance obligation of each voyage under a freight revenue contract. The new standard will affect the revenue recognition at reporting the reporting date and is not anticipated to have a material impact on the financial results.

A modified approach will be applied whereby prior year financial information will not be restated.

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognise measure present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessee accounting

IFRS introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right- of- use asset and a lease liability at lease commencement for all leases except for short- term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any reimbursement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated to those leases as an expense on either a straight- line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor accounting

In contrast to lessee accounting the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as either an operating lease or finance lease.

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. The profit and loss will be affected as the relevant lease expenses will be recognised as amortisation and interest. The Cash Flow Statement 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.

1 NEW AND REVISED STANDARDS AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR (continued)

Additional amendments to standards

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*	The directors of the company do not anticipate that the application of these amendments will have a significant impact on the group's consolidated financial statements
Amendments to IFRS 10 and IAS 28 *Sale or contributions 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 group's consolidated financial statements
Amendments to IAS 40 *Transfers of Investment Property*	The directors of the company do not anticipate that the application of these amendments will have a significant impact on the group's consolidated financial statements
Annual Improvements to IFRSs 2014 – 2016 Cycle and other Amendments The annual improvements make amendments to the following standards: • **IFRS 1** – Removes the short-term exemptions in paragraphs E3–E7 of IFRS 1, as they are no longer required. • **IAS 28** – Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.	The directors of the company do not anticipate that the application of these amendments will have a significant impact on the group's consolidated financial statements
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	The directors of the company do not anticipate that the application of these amendments will have a significant impact on the group's consolidated financial statements

2 RESTATEMENT OF THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Restatement

In the prior year, the group acquired a 75% share in Nacala Intermodal Terminal Investments on 31 October 2017. The initial accounting for this business combination was prepared using provisional values as permitted in term of IFRS 3 paragraph 45. The provisional account has now been finalised. Consequently the comparative figures have been adjusted retrospectively. The effect of the adjustment resulted in an increase in the value of leasehold land and buildings, intangible assets and the related deferred tax liability offset by a decrease in goodwill. There is no impact on profit or loss.

In the prior year, ships held-for-sale was incorrectly disclosed as held-for-sale assets under inventory instead of remaining in ships, property, terminals, machinery, vehicles and equipment. This prior period error was due to an incorrect interpretation of the treatment of a change in intention relating to dual purpose assets under IAS 16 Property, plant and equipment. The effect of the adjustment resulted in an increase in the value of ships offset by a decrease in inventory. There is no impact on profit or loss.

Notes to the financial statements continued

for the year ended 31 December 2017

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED		
	2016		
	As previously stated R'000	Adjustment R'000	Restated R'000
ASSETS			
Non-current assets			
Ships property terminals, machinery, vehicles and equipment	5 351 224	259 338	5 610 562
Intangible assets	1 060 807	(30 526)	1 030 281
Investments in subsidiaries	–		–
Investments in joint ventures	3 947 765		3 947 765
Investments in associates	852 225		852 225
Investment property	128 891		128 891
Other investments	1 819 107		1 819 107
Deferred taxation	87 062		87 062
Derivative financial assets	–		–
Finance lease receivables	730		730
Recoverables on cancelled ships	–		–
Total non-current assets	13 247 811	228 812	13 476 623
Loans and advances to bank customers	5 854 734		5 854 734
Current assets			
Liquid assets and short-term negotiable securities	1 801 065		1 801 065
Inventories	429 984	(225 885)	204 099
Trade and other receivables	3 748 461		3 748 461
Taxation	67 040		67 040
Short-term loans	–		–
Cash and cash equivalents	9 478 073		9 478 073
Non-current assets classified as held-for-sale	1 549 072		1 549 072
Total current assets	17 073 695	(225 885)	16 847 810
Total assets	36 176 240	2 927	36 179 167
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	5 971 721		5 971 721
Equity compensation reserve	68 513		68 513
Non-distributable reserves	4 494 721		4 494 721
Accumulated profit	5 217 482		5 217 482
Equity attributable to owners of the company	15 752 437		15 752 437
Non-controlling interests	48 919		48 919
Total equity	15 801 356		15 801 356
Non-current liabilities			
Long-term borrowings	1 423 339		1 423 339
Financial services funding instruments	803 489		803 489
Derivative financial liabilities	10 521		10 521
Deferred taxation	261 817	2 927	264 744
Provision for post-retirement medical aid	55 373		55 373
Provisions	55 552		55 552
Total non-current liabilities	2 610 091	2 927	2 613 018
Deposits from bank customers	13 610 140		13 610 140
Current liabilities			
Trade and other payables	1 626 901		1 626 901
Provisions	87 520		87 520
Current portion of long-term borrowings	634 240		634 240
Current portion of financial services funding instruments	191 187		191 187
Short-term borrowings and overdraft	274 797		274 797
Taxation	116 899		116 899
Non-current liabilities associated with assets classified as held-for-sale (note 17)	1 223 109		1 223 109
Total current liabilities	4 154 653		4 154 653
Total equity and liabilities	36 176 240	2 927	36 179 167

		Cost / valuation	Accumulated depreciation, amortisation and impairment	CONSOLIDATED 2017 R000 Carrying value	2016* R000 Carrying value
3	**SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT**				
	Freehold and leasehold properties				
	Opening balance	1 083 779	(234 045)	849 734	830 828
	Translation (loss)/gain	(17 453)	4 616	(12 837)	(21 793)
	Reclassification	50 986	–	50 986	41 437
	Additions and improvements	6 961	–	6 961	11 065
	Acquisition of businesses	–	–	–	11 152
	Prior period adjustment	–	–	–	33 453
	Disposals	(4 173)	2 166	(2 007)	(5 403)
	Depreciation and amortisation	–	(37 006)	(37 006)	(34 561)
	Transferred to non-current assets classified as held-for-sale (note 17)	(14 178)	3 915	(10 263)	(16 444)
	Closing balance	1 105 922	(260 354)	845 568	849 734
	Ships				
	Opening balance	7 461 390	(3 313 467)	4 147 923	4 759 779
	Translation (loss)/gain	(648 909)	300 427	(348 482)	(576 955)
	Additions	69 753	–	69 753	56 237
	Disposals	–	–	–	–
	Depreciation and amortisation	–	(190 358)	(190 358)	(295 677)
	Impairment	–	(265 408)	(265 408)	(199 487)
	Reclassification	(621 253)	400 813	(220 440)	404 026
	Transferred to non-current assets classified as held-for-sale (note 17)	(6 260 981)	3 067 993	(3 192 988)	–
	Closing balance	–	–	–	4 147 923
	Ships under construction				
	Opening balance	–	–	–	237 001
	Translation (loss)/gain	–	–	–	(13 217)
	Additions	–	–	–	368 145
	Reclassification	–	–	–	(591 929)
	Closing balance	–	–	–	–
	Property under construction				
	Opening balance	79 594	(24 813)	54 781	61 978
	Translation (loss)/gain	(6 976)	–	(6 976)	(1 359)
	Additions	69 347	–	69 347	54 360
	Impairment	–	–	–	(2 187)
	Transferred to non-current assets classified as held-for-sale (note 17)	(26 272)	24 813	(1 459)	(11 773)
	Disposals	(2 357)	–	(2 357)	–
	Reclassification	(53 239)	–	(53 239)	(46 238)
	Closing balance	60 097	–	60 097	54 781

Notes to the financial statements continued

for the year ended 31 December 2017

		Cost/ valuation	Accumulated depreciation, amortisation and impairment	CONSOLIDATED 2017 R000 Carrying value	2016* R000 Carrying value
3	**SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT** (continued)				
	Terminals, machinery, vehicles and equipment				
	Opening balance	1 469 730	(943 917)	**525 813**	1 705 069
	Translation (loss)/gain	(17 923)	14 316	**(3 607)**	(151 561)
	Reclassification	86 332	(5 533)	**80 799**	21 493
	Additions	158 432	–	**158 432**	110 264
	Acquisition of businesses	–	–	**–**	1 585
	Impairment	–	(8 503)	**(8 503)**	(28 572)
	Disposals	(273 956)	224 919	**(49 037)**	(74 883)
	Disposal of business	–	–	**–**	573
	Depreciation	–	(139 267)	**(139 267)**	(182 224)
	Transferred to non-current assets classified as held-for-sale (note 17)	(126 063)	114 128	**(11 935)**	(875 931)
	Closing balance	1 296 552	(743 857)	**552 695**	525 813
	Leased terminals, machinery, vehicles and equipment				
	Opening balance	74 386	(42 075)	**32 311**	37 834
	Translation gain/(loss)	621	(157)	**464**	225
	Reclassification	(20 999)	8 289	**(12 710)**	–
	Disposals	(13 272)	13 272	**–**	–
	Depreciation	–	(422)	**(422)**	(5 748)
	Closing balance	40 736	(21 093)	**19 643**	32 311
	Aggregate	2 503 307	(1 025 304)	**1 478 003**	5 610 562

2016 CONSOLIDATED	Cost/ valuation	Accumulated depreciation, amortisation and impairment	Carrying value
Freehold and leasehold properties	1 083 779	(234 045)	849 734
Ships	7 461 390	(3 313 467)	4 147 923
Property under construction	79 594	(24 813)	54 781
Ships under construction	–	–	–
Terminals, machinery, vehicles and equipment	1 469 730	(943 917)	525 813
Leased terminals, machinery, vehicles and equipment	74 386	(42 075)	32 311
	10 168 879	(4 558 317)	5 610 562

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.

* Restated in accordance with provisional accounting related to the fair value on prior year acquisition and ships held-for-sale, dislcosed under inventory, have been reclassified to ships, property, terminals, machinery, vehicles and equipment in terms of IAS 16 Property, plant and equipment. Refer to note 2.

3 SHIPS, PROPERTY, TERMINALS, MACHINERY, VEHICLES AND EQUIPMENT (continued)

Certain assets are encumbered in respect of capitalised lease and loan liabilities details of which are shown under loan funds on page 122.

Hull and machinery insurance in respect of loss or damage to owned and bareboat chartered ships is insured at replacement value and the sum insured is US$515 464 500 (2016:US$618 160 000).

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 R11 398 757 000 (2016: R9 441 912 000).

Impairment

In the Shipping segment, two tanker and three dry bulk vessels were impaired by R171 674 000 to market value of R560 647 500. Market value is based on estimated sales price as the intention is to recover the value through sale. This is categorised as Level 2 in terms of IFRS 13, being fair value less costs to sell for similar assets. The fair value for similar assets was determined with reference to the current selling price of ships of similar location, age and condition.

Further to this, three tanker vessels were impaired by R93 733 717 to value in use of R694 073 150, determined on a discounted cash flow basis and was largely due to continued depressed charter rates.

Due to the cessation of certain projects, the assets relating to these projects were fully impaired. Consequently impairments of R1 187 287 and R668 000 were recorded in the Port and Terminals and Logistics segments respectively.

In addition, an impairment of R6 648 000 was recorded in the Logistics segment based on market value. This is categorised as Level 2 in terms of IFRS 13, being the fair value less cost to sell for similar assets. The fair value for similar assets was determined with reference to the current selling price of trucks of similar location, age and condition

In the prior year an impairment of R30 766 000 was recorded against assets in the Rail segment. This was based on the value in use determined on a discounted cash flow basis.

In the prior year the Shipping segment impaired a tanker and two dry bulk carriers by R199 481 000 to its market value. Market value is based on estimated sales price as the intention is to recover the value through sale. This is categorised as Level 2 in terms of IFRS 13.

For details of the methods and assumptions used, please refer to the significant judgements relating to impairments of property, terminals, machinery, vehicles, equipment and ships included on pages 39 to 40.

				CONSOLIDATED	
				2017	2016*
				R000	R000
		Cost / valuation	Accumulated amortisation & impairment losses	**Carrying value**	Carrying value
4	**INTANGIBLE ASSETS**				
4.1	**GOODWILL**				
	Opening balance	1 442 254	(652 429)	**789 825**	1 299 503
	Translation loss	(8 782)	–	**(8 782)**	(11 976)
	Acquired	–	–	**–**	42 559
	Disposal of business	–	–	**–**	(54 608)
	Impairment	–	(108 094)	**(108 094)**	(445 982)
	Prior period measurement adjustment	–	–	**–**	(39 671)
	Transferred to non-current assets classified as held-for-sale (note 17)	(209 762)	108 094	**(101 668)**	–
	Closing balance	1 223 710	(652 429)	**571 281**	789 825

Notes to the financial statements continued

for the year ended 31 December 2017

4 INTANGIBLE ASSETS (continued)

			CONSOLIDATED	
			2017	2016*
			R000	R000
	Cost / valuation	Accumulated amortisation & impairment losses	**Carrying value**	Carrying value
4.2 OTHER INTANGIBLE ASSETS				
Opening balance	534 963	(294 508)	**240 455**	304 656
Translation loss	(76)	(174)	**(250)**	(2 054)
Reclassification	–	–	**–**	11 694
Additions	4 110	–	**4 110**	25 253
Prior period measurement adjustment	–	–	**–**	9 145
Disposals	(16 463)	9 064	**(7 399)**	(603)
Impairment	–	(48 571)	**(48 571)**	(41 237)
Amortisation	–	(47 353)	**(47 353)**	(65 849)
Transferred to non-current assets classified as held-for-sale (note 17)	(105 926)	104 562	**(1 364)**	(549)
Closing balance	416 608	(276 980)	**139 628**	240 456
Total	1 640 318	(929 409)	**710 909**	1 030 281

* Restated in accordance with provisional accounting related to the fair value on prior year acquisition. Refer note 2

Impairment of goodwill

In the current year an impairment of R108 094 000 was recognised in the group's Shipping business based on the value in use determined on a discounted cash flow basis.

In the prior year an impairment of R350 146 000 was recognised in the group's Rail business based on the market value of the business which was classified as non-current assets held-for-sale. An impairment of R95 836 000 was recognised in the group's Rail business based on the value in use determined on a discounted cash flow basis.

Impairment testing of goodwill

The recoverable amounts of the cash generating units was determined using the value in use 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 7.55% – 18% per annum applied as follows:

- 10.86% - 18.0% for the Logistics segment
- 12.24% for the Port and Terminals segment
- 7.55% - 15.0% for the Shipping segment (disclosed as discontinued operations).

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 0% – 5.5% per annum. The directors believe that any reasonably possible change in key assumptions on which recoverable amounts are based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the cash generating unit.

Impairment of intangible assets

In the current year, customer relationships related to the group's Shipping business were fully impaired by R48 571 429 based on the value in use. The impairment arose from the unfavourable change in market conditions and following which, the group performed a reassessment and the recoverable amount of the customer relationship was less than the carrying amount, resulting in an impairment.

In the prior year, an impairment of R38 291 000 was recognised for other intangible assets based on the market value of the business which was classified as non-current assets held-for-sale. This is categorised as Level 2 in terms of IFRS 13, being fair value less costs to sell for similar assets. In the prior year, an impairment of R2 946 0000 was recognised in the group's Carrier Logistics business based on value in use determined on a discounted cash flow basis.

4 INTANGIBLE ASSETS (continued)

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:

	CONSOLIDATED	
	2017 R000 Carrying value	2016* R000 Carrying value
Shipping	**101 668**	213 436
Port and Terminals	**12 290**	12 290
Logistics	**558 991**	564 099
Transferred from non-current assets classified as held-for-sale (note 17)	**(101 668)**	–
	571 281	789 825

Significant other intangible assets

Included in other intangible assets above, before the transfer to non-current assets held-for-sale, are:

Leases		
Intangible asset raised on acquisition of businesses in respect of the inherent value attached to beneficial lease agreements	**28 452**	31 930
SAP systems		
Financial systems implemented for processing	**54 785**	72 230
Software	**9 677**	23 092
Contractual and non-contractual customer contracts	**40 370**	108 666

Write-off periods of other intangible assets

Intangible assets are written off over periods ranging from 3 (2016: 2) to 30 (2016: 20) years.

	COMPANY	
	2017 R000	2016 R000
5 INVESTMENTS IN SUBSIDIARIES		
Investments in subsidiaries	**11 115 403**	10 283 656
Share–based payments	**16 949**	16 949
Transferred to non–current assets classified as held-for-sale (note 17)	**(3 971 605)**	–
	7 160 747	10 300 605

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on pages 120 to 121.

Details of share-based payments are shown in note 32.

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report on pages 24 to 27.

The non-current asset classified as held-for-sale relates to the Shipping investment held in company.

Notes to the financial statements continued

for the year ended 31 December 2017

6 INVESTMENTS IN JOINT VENTURES

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

Petrochemical Shipping Ltd	Shipowning and operating*
Rohlig-Grindrod (Pty) Ltd	Clearing and forwarding
Tri-View Shipping Pte Ltd	Shipowning and operating*
IM Shipping Pte Ltd	Shipowning and operating*
Portus Indico-Sociedade de Servicos Portuarios SA	Port operations
GPR Leasing Africa Ltd	Rail leasing*
Island Bulk Carriers Pte Ltd	Shipowning and operating*
Maputo Intermodal Container Depot SA	Storage and logistics
All Blue Technologies and Grindrod Rail Construction (SA) (Pty) Ltd JV	Construction
Leopard Tankers Pte Ltd	Shipowning and operating*
Cockett Marine Oil Pte Ltd	Marine fuel and lubricants
Cockett Marine South Africa (Pty) Ltd	Marine fuel and lubricants
Terminal De Carvo da Matola Limitada	Terminals
Oiltanking Grindrod Calulo Holdings (Pty) Ltd	Liquid bulk storage and trading
RBT Grindrod Terminals (Pty) Ltd	Terminals
New Limpopo Bridge Projects Ltd	Rail
IVS Bulk Pte Ltd	Shipowning and operating*

*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 integrated annual report on pages 24 to 27.

The proportionate interest in the joint ventures has been incorporated into the investment in joint venture line item as follows:

	PORT AND TERMINALS	
	2017 R000	2016 R000
STATEMENT OF PROFIT/(LOSS)		
Revenue	**469 557**	388 424
Operating income before interest and taxation and after non-trading items and non-controlling interests	**181 973**	104 012
Net interest paid	**(31 458)**	(34 503)
Taxation	**(41 274)**	2 952
Net income after taxation	**109 241**	72 461
STATEMENT OF FINANCIAL POSITION AT 100%		
Non-current assets	**2 656 004**	2 703 837
Current assets	**361 374**	384 888
Non-current liabilities	**(232 452)**	(142 151)
Current liabilities	**(732 701)**	(791 749)
Net assets	**2 052 225**	2 154 825
Proportion of Group's ownership in joint venture	**1 164 614**	1 189 974
Goodwill	**294 031**	320 455
Loans	**244 347**	246 463
Other	**13 000**	14 128
Transferred to non-current assets classified as held-for-sale (note 17)	**–**	–
Group's share of net assets of joint ventures	**1 715 992**	1 771 020

	CONSOLIDATED	
	2017	2016
	R000	R000
Isle of Man	**50.0%**	50.0%
South Africa	**44.8%**	42.5%
Singapore	**51.0%**	51.0%
Singapore	**51.0%**	51.0%
United Arab Emirates	**48.5%**	48.5%
Mauritius	**55.0%**	55.0%
Singapore	**65.0%**	65.0%
Mozambique	**50.0%**	50.0%
South Africa	**0.0%**	50.0%
Singapore	**50.0%**	50.0%
Singapore	**50.0%**	50.0%
South Africa	**50.0%**	50.0%
Mozambique	**65.0%**	65.0%
South Africa	**30.5%**	30.5%
South Africa	**59.7%**	49.9%
Mauritius	**74.4%**	50.0%
Singapore	**33.5%**	33.5%

LOGISTICS		MARINE FUEL AND AGRICULTURAL LOGISTICS		TOTAL CONTINUING OPERATIONS		TOTAL DISCONTINUED OPERATIONS	
2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
R000	R000	**R000**	R000	**R000**	R000	**R000**	R000
222 479	318 534	**17 943 559**	13 394 234	**18 635 595**	14 101 192	**710 437**	836 893
14 886	6 751	**46 621**	(202 616)	**243 480**	(91 853)	**(69 434)**	26 384
(6 952)	(8 624)	**(30 063)**	(6 299)	**(68 473)**	(49 426)	**(92 590)**	(85 348)
(8 383)	(32 825)	**(13 875)**	12 093	**(63 532)**	(17 780)	**(332)**	(6 852)
(449)	(34 698)	**2 683**	(196 822)	**111 475**	(159 059)	**(162 356)**	(65 816)
745 125	847 751	**328 540**	322 733	**3 729 669**	3 874 321	**6 044 953**	6 962 241
1 120 849	908 935	**4 839 481**	1 899 936	**6 321 704**	3 193 759	**677 878**	1 316 820
(68 847)	(87 434)	**(26 641)**	(43 756)	**(327 940)**	(273 341)	**(1 669 268)**	(3 872 857)
(1 412 872)	(1 099 363)	**(4 543 960)**	(1 561 302)	**(6 689 533)**	(3 452 414)	**(2 982 028)**	(1 484 817)
384 255	569 889	**597 420**	617 611	**3 033 900**	3 342 325	**2 071 535**	2 921 387
214 856	265 483	**298 710**	308 806	**1 678 180**	1 764 263	**712 582**	1 040 689
1 886	1 886	**28 869**	31 897	**324 786**	354 238	**–**	–
106 799	–	**148 680**	–	**499 826**	246 463	**465 367**	529 233
(42 161)	60 274	**(20 401)**	–	**(49 562)**	74 402	**–**	(15 140)
–	–	**–**	–	**–**	–	**(1 177 949)**	(46 383)
281 380	327 643	**455 858**	340 703	**2 453 230**	2 439 366	**–**	1 508 399

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED			
		2017 R000	**2017 US$000**	2016 R000	2016 US$000
6	**INVESTMENTS IN JOINT VENTURES** (continued)				
	Authorised and contracted for	**18 000**	**–**	68 326	10 825
	Due within one year	**18 000**	**–**	68 326	10 825
	Due between years one and two	**–**	**–**	–	–
	Due between years two and three	**–**	**–**	–	–
	Authorised and not contracted for	**–**	**–**	–	2 420
	Total	**18 000**	**–**	68 326	13 245

DISPOSAL OF JOINT VENTURES

Refer to note 38 for disposals.

Included in joint ventures reflected under discontinued operations are cash and bank amounts of R341 964 000 pledged to certain banks to secure loans and other banking facilities.

7 INVESTMENTS IN ASSOCIATES

The group has associate interests in the following companies:

Moneyline 992 (Pty) Ltd	Property investments
Grindrod Namibia Stevedoring (Pty) Ltd	Stevedoring
Empresa De Dragagem Do Porto de Mozambique S.A.	Port dredging
Senwes Ltd	Agricultural logistics
NWK Ltd	Agricultural logistics
Sturrock Flex Shipping Ltd	Clearing and forwarding

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report on pages 24 to 27.

	CONSOLIDATED	
	2017	2016
	R000	R000
South Africa	**47.41%**	47.41%
Namibia	**49.00%**	49.00%
Mozambique	**25.50%**	25.50%
South Africa	**20.68%**	20.66%
South Africa	**20.38%**	20.25%
Tanzania	**49.00%**	49.00%

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The proportionate interest in the associates has been incorporated into the investment in associates line item as follows:

		PORT AND TERMINALS	
		2017	2016
		R000	R000
7	**INVESTMENTS IN ASSOCIATES** (continued)		
	STATEMENT OF PROFIT/(LOSS)		
	Revenue	**32 017**	36 281
	Operating income before interest and taxation	**22 746**	20 347
	Net interest (paid)/received	**(14 082)**	73
	Taxation	**(3 255)**	(7 381)
	Net income/(loss) after taxation	**5 409**	13 039
	STATEMENT OF FINANCIAL POSITION AT 100%		
	Non-current assets	**1 038 197**	1 314 958
	Current assets	**98 985**	203 161
	Non-current liabilities	**(343 941)**	(488 639)
	Current liabilities	**(531 911)**	(739 220)
	Net assets	**261 330**	290 260
	Proportion of Group's ownership in associate	**68 552**	80 957
	Loans	**–**	–
	Other	**(1 241)**	(1 372)
	Goodwill	**–**	–
	Group's share of net assets of associates	**67 311**	79 585

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.

LOGISTICS		MARINE FUEL AND AGRICULTURAL LOGISTICS		TOTAL	
2017 R000	2016 R000	2017 R000	2016 R000	2017 R000	2016 R000
5 883	6 919	2 594 246	2 717 038	2 632 146	2 760 238
84	964	126 355	5 801	149 185	27 112
–	–	(43 154)	22 679	(57 236)	22 752
(524)	(386)	(27 689)	(21 492)	(31 468)	(29 259)
(440)	578	55 512	6 988	60 481	20 605
1 418	894	1 965 367	2 931 231	3 004 982	4 247 083
23 020	17 518	7 860 158	5 779 316	7 982 163	5 999 995
–	(61)	(1 049 221)	(1 361 295)	(1 393 162)	(1 849 995)
(19 557)	(16 414)	(5 245 362)	(4 001 832)	(5 796 830)	(4 757 466)
4 881	1 937	3 530 942	3 347 420	3 797 153	3 639 617
2 392	949	725 851	685 975	796 795	767 881
–	2 078	–	–	–	2 078
(369)	149	–	–	(1 610)	(1 223)
–	–	72 035	83 489	72 035	83 489
2 023	3 176	797 886	769 464	867 220	852 225

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED 2017 R000	CONSOLIDATED 2016 R000
8	**INVESTMENT PROPERTY**		
	Balance at beginning of year	**128 891**	111 925
	Additions	**4 068**	1 486
	Disposals	**(9 881)**	–
	Fair value gain on revaluation	**2 571**	15 480
	Balance at end of year	**125 649**	128 891

The investment properties are categorised as level 3 in the fair value hierarchy. The investment properties were independently valued as at 31 December 2017 by a professional valuer registered with the South African Council for the Property Valuers Profession based on net rentals and a suitable market capitalisation rate.

	CONSOLIDATED 2017	CONSOLIDATED 2016
Market capitalisation rate	**10%**	10%
	R000	R000
If the market capitalisation rate was 2% higher then:		
statement of financial position effect	**(31 851)**	(26 812)
income statement effect	**(31 851)**	(26 812)
Rental income of R5 418 577 was received for 2017 (2016: R5 516 366).		

		CONSOLIDATED 2017 R000	CONSOLIDATED 2016 R000	COMPANY 2017 R000	COMPANY 2016 R000
9	**OTHER INVESTMENTS**				
	Held for trading				
	Listed equities at fair value	**–**	772		
	Unlisted equities at fair value*	**1 292 705**	944 799	**7 714**	7 714
	Other financial assets				
	Fair value through profit or loss				
	Pension fund surplus recognised**	**142 388**	126 494		
	Financial assets at amortised cost	**819 213**	739 544	**548 954**	492 855
	Financial assets at fair value	**9 263**	10 484		
	Transferred to non-current assets classified as held-for-sale (note 17)	**–**	(2 986)		
		2 263 569	1 819 107	**556 668**	500 569
	Directors' valuation	**2 263 569**	1 819 107	**556 668**	500 569

* Included in unlisted equities at fair value is Group Risk Holdings
** Details of the pension fund are included in note 21.
Refer to Note 40.10 for fair value hierarchy.

Group Risk Holdings (GRH) is a South African based holding company which wholly owns an offshore captive insurance company being Group Risk Mutual Ltd in the Isle of Man. GRH has a number of shareholders of varying proportions. The directors' fair value of the investment equals the carrying amount. Other loans are interest free and have no fixed repayment terms. The group does not consider there to be any significant credit risk regarding the loans.

		CONSOLIDATED		COMPANY	
		2017	2016*	**2017**	2016*
		R000	R000	**R000**	R000
10	**DEFERRED TAXATION**				
	Deferred taxation analysed by major category:				
	Capital allowances	**(110 206)**	(408 909)		
	Other timing differences	**(93 458)**	14 474	**3 389**	2 888
	Estimated taxation losses	**18 322**	216 753		
		(185 342)	(177 682)	**3 389**	2 888
	Reconciliation of deferred taxation:				
	Opening balance	**(177 682)**	(18 970)	**2 888**	2 461
	Income statement effect – continuing	**(38 358)**	(70 965)	**501**	427
	Income statement effect – discontinuing	**(56 394)**	–		
	Translation adjustment	**7 399**	4 355		
	Reclassification	**(14 065)**	–		
	Acquisition of businesses	**–**	151		
	Deferred tax on cash flow hedge transferred to hedging reserve	**–**	(6 415)		
	Deferred tax on fair value gains/losses recognised directly in equity	**(1 897)**	–		
	Prior period measurement adjustment	**–**	(2 927)		
	Transferred to non-current assets classified as held-for-sale (note 17)	**95 655**	(82 911)		
	Closing balance	**(185 342)**	(177 682)	**3 389**	2 888
	Comprising:				
	Deferred taxation assets	**59 313**	87 062	**3 389**	2 888
	Deferred taxation liabilities	**(244 655)**	(264 744)		
		(185 342)	(177 682)	**3 389**	2 888

Deferred taxation assets have been recognised on assessed losses in the relevant entities 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.

* Restated in accordance with provisional accounting related to the fair value on prior year acquisition. Refer note 2

Notes to the financial statements continued

for the year ended 31 December 2017

11 FINANCIAL INSTRUMENTS

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 forward exchange contracts, cross currency swaps, forward freight agreements, bunker swaps and currency futures contracts, options and interest rate swap agreements.

Financial instruments by category

The carrying value of the group's financial instruments by category are as follows:

	CONSOLIDATED		COMPANY	
	2017 R000	2016* R000	2017 R000	2016 R000
Financial assets				
Loans and receivables (including cash and cash equivalents)	19 863 985	11 279 138	586 910	3 370 038
Held for trading	1 961 734	1 527 555		
Derivative financial instruments designated as cash flow hedges	1 618	3 256		
Total financial assets	21 827 337	12 809 949	586 910	3 370 038
Total non-financial assets	13 121 633	23 369 218	11 692 409	10 804 062
Total assets	34 948 970	36 179 167	12 279 319	14 174 100
Financial liabilities				
Held at amortised cost	18 011 200	18 645 279	73 138	136 316
Derivative financial liabilities	18 939	20 031		
Derivative financial instruments designated as cash flow hedges	1 804	6 334		
Total financial liabilities	18 031 943	18 671 644	73 138	136 316
Total non-financial liabilities and equity	16 917 027	17 507 523	12 206 181	14 037 784
Total liabilities and equity	34 948 970	36 179 167	12 279 319	14 174 100

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

DERIVATIVE FINANCIAL INSTRUMENTS

11.1 FORWARD EXCHANGE CONTRACTS

The group had entered into the following forward exchange contracts which are accounted for as cash flow hedges in the prior year. The amounts represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The average rates shown include the cost of forward cover.

Valuation technique

Quoted forward points to the contract date are allocated to the spot rate at year-end and this rate is applied to the foreign currency amount in order to determine the fair value of the derivative.

This is categorised as Level 2 in terms of the fair value hierarchy.

	CONSOLIDATED	
	2017 R000	2016 R000
Total change in fair value recognised in profit/loss	–	(17 229)

* Restated in accordance with provisional accounting related to the fair value on prior year acquisition and ships held-for-sale, dislcosed under inventory, have been reclassified to ships, property, terminals, machinery, vehicles and equipment in terms of IAS 16 Property, plant and equipment. Refer to note 2.

11 FINANCIAL INSTRUMENTS (continued)

11.2 FORWARD FREIGHT AGREEMENTS

The group has entered into a number of forward freight agreements which are designated as cash flow hedges covering the handysize ships to hedge against shipping market price risk in the Shipping segment. These are entered into in the normal course of business in order to hedge against open positions in the fleet from contracts of affreightment (these FFA's hedge sales based on volumes shipped) and exposure on earnings for the handysize ships trading in a pool on the spot market. The basis for valuation of the FFA's is set out in managements critical judgements. At 31 December 2017 there were 9 (2016: 5) open forward freight agreements designated as cash flow hedges maturing as follows:

This is categorised as Level 2 in terms of the fair value hierarchy.

Settlement Periods	Hedged item	Strike price US$	Duration	Nominal value US$000	**2017 Asset/ (liability) R000**	2016 Asset/ (liability) R000
January 2018 – March 2018	Handysize	8 900	30 Days	267	**(330)**	–
January 2018 – March 2018	Handysize	9 150	90 Days	824	**(712)**	–
January 2018 – March 2018	Handysize	9 800	30 Days	294	**(100)**	–
February 2018	Handysize	9 800	15 Days	147	**107**	–
January 2018	Handysize	10 000	10 Days	100	**14**	–
January 2018	Handysize	10 400	30 Days	312	**190**	–
January 2018 – March 2018	Handysize	8 050	90 Days	725	**(497)**	–
January 2018 – March 2018	Handysize	8 100	15 Days	122	**(74)**	–
January 2018 – March 2018	Handysize	8 250	30 Days	248	**(91)**	–
January 2017 – March 2017	Handysize	5 100	90 days	459	**–**	(2 234)
January 2017 – March 2017	Handysize	5 000	90 days	450	**–**	(2 357)
January 2017	Handysize	7 000	15 days	105	**–**	(166)
February 2017 – March 2017	Handysize	7 000	30 days	210	**–**	220
January 2017 – March 2017	Handysize	4 675	90 days	421	**–**	(1 576)
				4 684	**(1 493)**	(6 114)

At 31 December 2017 the sensitivity of the forward freight agreements to a 10% (2016: 10%) movement in the shipping market prices would have the following effect:

	CONSOLIDATED	
	2017 R000	2016 R000
10% increase		
Increase in FFA liability	**(3 915)**	(2 601)
Decrease in hedging reserve deficit	**3 915**	2 601
Decrease in profit	**–**	–
10% decrease		
Decrease in FFA liability	**3 915**	2 601
Increase in hedging reserve deficit	**(3 915)**	(2 601)
Increase in profit	**–**	–

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for the year ended 31 December 2017

11 FINANCIAL INSTRUMENTS (continued)

11.3 FUTURES

The group entered into certain futures and options in order to commercially hedge the price risk in respect of currency exposure during the year.

These contracts were not accounted for using hedge accounting and all fair value gains/(losses) are recognised in the statement of comprehensive income. This is categorised as Level 2 in terms of the fair value hierarchy.

Details of the group's dealings in open futures and options and forward contracts at year-end are as follows:

	Currency	Nominal value	Contract value R000	2017 Asset/ (liability) R000	2016 Asset/ (liability) R000
	USD				(9 510)
				–	–
				–	(9 510)
Mark to market settled through margin account – asset				–	–
				–	(9 510)

	CONSOLIDATED 2017 R000	2016 R000
Total change in fair value recognised in profit/(loss)	9 510	21 654

11.4 INTEREST RATE SWAPS

The group has entered into the following interest rate swaps on Rand-denominated loans, whereby variable interest rates have been fixed as indicated below. Various subsidiaries enter into various interest rate swaps in the normal course of business. This is categorised as Level 2 in terms of the fair value hierarchy.

Maturity date	Interest rate	Nominal value R000	2017 Asset/ (liability) R000	2016 Asset/ (liability) R000
Between February 2017 and November 2026	JIBAR	568 440	(18 939)	(10 521)
			(18 939)	(10 521)

11 FINANCIAL INSTRUMENTS (continued)

11.5 BUNKER SWAPS

The group has entered into the following bunker swaps in the shipping segment. This is categorised as Level 2 in terms of the fair value hierarchy. Certain bunker swaps are classified as cash flow hedges as detailed below:

			2017			2016		
Settlement period	Quantity	Strike Price	Asset	Income statement	Equity	Asset	Income statement	Equity
	MT	$000	R000	R000	R000	R000	R000	R000
February 2016	400	188	–		–	–	221	–
March 2016	400	193	–		–	–	103	–
January 2015 – December 2015	10 800	561	–		–	–	–	–
January 2015 – August 2015	2 400	561	–		–	–	13 404	–
January 2015 – August 2015	12 000	583	–				27 192	
January 2017 – December 2017	750	279	–	2 552		2 630	–	2 630
January 2017	200	248	–	55		57	–	57
January 2017	400	275	–	238		274	–	274
July 2017	350	253	–	85		75	–	75
January 2018 – December 2018	300	326	1 307	–	1 307	–	–	–
			1 307	2 930	1 307	3 036	40 920	3 036

Cash flow hedges

			2017		2016	
Outstanding contracts	Strike price	Currency	Nominal value '000	Asset '000	Nominal value '000	Asset '000
January 2017 – December 2017	279	USD			209	192
January 2017	248	USD			50	4
January 2017	275	USD			110	20
January 2017	253	USD			89	6
January 2018 – December 2018	326	USD	98	105		
				105		222

Notes to the financial statements continued

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11 FINANCIAL INSTRUMENTS (continued)

11.6 HEDGING DETAILS

The above mentioned derivative's hedging details are as follows:	CONSOLIDATED 2017 R000	2016 R000
Ineffectiveness recognised in profit or loss:		
– cash flow hedge	–	–

Details of cash flow hedges:	2017 < 3 months	2017 3-6 months	2017 6-12 months	2017 >12 months	2016 < 3 months	2016 3-6 months	2016 6-12 months	2016 >12 months
Financial asset	696	372	550	–	6 339	–	–	–
Financial liability	(1 804)	–	–	–	(1 383)	(726)	(1 152)	–

Reconciliation of cash flow hedge accumulated in equity	2017 Amount accumulated in equity: Hedging reserve R000	2017 Amount recycled from equity into: Income statement R000	2017 Amount recycled from equity into: Asset/ Liability R000	2016 Amount accumulated in equity: Hedging reserve R000	2016 Amount recycled from equity into: Income statement R000	2016 Amount recycled from equity into: Liability
Opening balance	946	–	–	55 582	–	–
Amount recognised through other comprehensive income in the current year	202	–	(202)	(4 641)	–	4 641
Amount removed from equity to income statement	(3 005)	3 005	–	(53 873)	53 873	–
Deferred tax	2 132	(2 132)	–	6 415	–	–
Translation adjustments	(89)	–	–	(2 537)	–	–
Closing balance	186	873	(202)	946	53 873	4 641
Comprised of:						
Financial Instruments	186			3 078		
Deferred tax				(2 132)		
	186			946		

11 FINANCIAL INSTRUMENTS (continued)

11.7 THE DERIVATIVE FINANCIAL INSTRUMENTS HAVE BEEN DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:

	Hedging reserve 2017 R000	Financial assets 2017 R000	Financial liabilities 2017 R000	Hedging reserve 2016 R000	Financial assets 2016 R000	Financial liabilities 2016 R000
Forward freight agreements	**1 493**	**311**	**(1 804)**	6 114	220	(6 334)
Futures	**–**	**–**	**–**	–	–	(9 510)
Interest rate swaps	**–**	**–**	**(18 939)**	–	–	(10 521)
Bunker swaps	**(1 307)**	**1 307**	**–**	(3 036)	3 036	–
	186	**1 618**	**(20 743)**	3 078	3 256	(26 365)
Less portion due within one year included in trade and other payables (refer to note 16 and 24)	**–**	**(1 618)**	**1 804**	–	(3 256)	6 334
Transfer to non-current (asset)/liabilities held-for-sale (refer to note 17)	**–**	**–**	**–**	–	–	9 510
Long-term portion	**186**	**–**	**(18 939)**	3 078	–	(10 521)

	CONSOLIDATED 2017 R000	2016 R000
12 FINANCE LEASE RECEIVABLES		
Current finance lease receivables (note 16)	**–**	58 655
Non-current finance lease receivables	**–**	730
Transferred to non-current assets classified as held-for-sale (note 17)	**–**	(58 472)
	–	913

Leasing arrangements

In the prior year the group entered into finance lease arrangements for 13 locomotives (including those classified as non-current asset held-for-sale). The terms of finance leases range from 3 to 5 years.

Amounts receivable under finance leases	**1 year R000**	**2 – 5 years R000**	**>5 years R000**	**Total R000**
2017				
Minimum lease payments receivable (including non-current assets held-for-sale)	**–**	**–**	**–**	**–**
Unearned finance income (including non-current assets held-for-sale)	**–**	**–**	**–**	**–**
Total present value/capital value	**–**	**–**	**–**	**–**
2016				
Minimum lease payments receivable (including non-current assets held-for-sale)	58 755	868	–	59 623
Unearned finance income (including non-current assets held-for-sale)	(100)	(138)	–	(238)
Total present value/capital value	58 655	730	–	59 385

In the prior year the interest rate inherent in the leases was fixed at the contract date for the entire lease term and were neither past due nor impaired at the end of the reporting period.

Notes to the financial statements continued

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		CONSOLIDATED 2017 R000	2016 R000
13	**LOANS AND ADVANCES TO BANK CUSTOMERS**		
	Loans and receivables	**6 480 169**	5 272 750
	Held at fair value through profit or loss using year-end market related interest rate yield curves to discount expected future cash flows	**669 029**	581 984
		7 149 198	5 854 734
	Loans and advances – companies and close corporations	**5 465 127**	4 708 096
	Loans and advances – unincorporated businesses	**535 838**	238 314
	Loans and advances – individuals	**90 395**	95 890
	Preference shares	**1 012 023**	812 822
	Interest accrued	**61 871**	49 312
	Revaluation of loans held at fair value through profit or loss	**17 243**	9 275
	Less: impairments against advances	**(33 299)**	(58 975)
		7 149 198	5 854 734
	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.		
	Contractual maturity analysis:		
	Maturity on demand	**785 179**	762 157
	Maturing within one month	**1 448 424**	417 368
	Maturing after one month but within three months	**236 166**	706 817
	Maturing after three months but within six months	**420 329**	95 655
	Maturing after six months but within one year	**218 078**	466 137
	Maturing after one year but within three years	**1 345 268**	1 402 993
	Maturing after three years but within five years	**1 614 120**	1 253 726
	Maturing after five years but within ten years	**979 826**	670 204
	Maturing after ten years	**55 993**	80 065
	Interest accrued	**61 871**	49 312
	Revaluation of loans held at fair value through profit or loss	**17 243**	9 275
	Less: impairments against advances	**(33 299)**	(58 975)
		7 149 198	5 854 734
	Maximum exposure to credit risk before impairments	**7 182 497**	5 913 709
	Exposures with renegotiated terms	**–**	–

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.

		CONSOLIDATED	
		2017 R000	2016 R000
13	**LOANS AND ADVANCES TO BANK CUSTOMERS** (continued)		
	Sectoral analysis:		
	Agriculture, hunting, forestry and fishing	**75 831**	32 052
	Mining and quarrying	**29 148**	29 154
	Manufacturing	**228 340**	239 759
	Construction	**39 326**	39 466
	Wholesale and retail trade, repair of specified items, hotels and restaurants	**248 031**	130 347
	Transport, storage and communication	**302 484**	156 532
	Financial intermediation and insurance	**207 841**	291 785
	Real estate	**2 770 495**	2 425 548
	Business services	**186 682**	129 239
	Community, social and personal services	**40 671**	298
	Private households	**71 801**	87 137
	Other	**2 948 548**	2 293 417
		7 149 198	5 854 734
	Geographical analysis:		
	South Africa	**7 149 198**	5 854 734
	Included in loans and advances are fixed rate loans designated as held at fair value through profit or loss:		
	Net book value of loans and advances held at fair value through profit or loss	**651 786**	572 709
	Revaluation of loans and advances held at fair value through profit or loss	**17 243**	9 275
	Less: Impairment of loans and advances held at fair value through profit or loss	**–**	–
	Fair value of loans and advances held at fair value through profit or loss	**669 029**	581 984
	Analysis of impairments:		
	Impairments at the beginning of the year	**(58 975)**	(55 516)
	Net decrease/(increase) in impairments	**25 676**	(3 459)
	Impairments at the end of the year	**(33 299)**	(58 975)
	Analysis of impaired loans and advances:		
	Loans and advances classified as special mention	**35 114**	257 997
	Loans and advances displaying significant weakness	**49 474**	19 988
	Carrying amount of impaired loans and advances	**84 588**	277 985
	Collateral held against impaired loans and advances	**80 918**	266 349
	Sectoral analysis of impaired loans and advances:		
	Real estate	**23 223**	194 680
	Wholesale and retail trade, repair of specified items, hotels and restaurants	**13 677**	–
	Private households	**270**	285
	Other	**47 418**	83 020
		84 588	277 985

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017 R000	2016 R000
14	**LIQUID ASSETS AND SHORT-TERM NEGOTIABLE SECURITIES**		
	Measured at amortised cost		
	Preference shares	**33 491**	149 168
	Statutory liquid assets		
	Negotiable certificates of deposit	**910 316**	517 735
	Money market investments and debentures	**820 068**	1 134 162
		1 763 875	1 801 065

		CONSOLIDATED	
		2017 R000	2016* R000
15	**INVENTORIES**		
	Bunkers and other consumables	**119 136**	158 275
	Merchandise and containers	**49 857**	832 228
	Transferred to non-current assets classified as held-for-sale (note 17)	**(112 483)**	(786 404)
	Prior period measurement adjustment	**–**	–
		56 510	204 099

The cost of inventories recognised as an expense includes R885 000 (2016: R21 712 000) in respect of write-downs of inventory to net realisable value.

No inventories were ceded to financial institutions in the current or prior year.

* Restated for ships held-for-sale, previously disclosed under inventory, have been reclassified to ships, property, terminals, machinery, vehicles and equipment in terms of IAS 16 Property, plant and equipment. Refer to note 2.

		CONSOLIDATED		COMPANY	
		2017 R000	2016 R000	**2017 R000**	2016 R000
16	**TRADE AND OTHER RECEIVABLES**				
	Trade debtors	**1 031 021**	1 234 318		
	Less: Allowances for doubtful debts	**(170 363)**	(171 595)		
	Net trade debtors	**860 658**	1 062 723		
	Prepayments	**78 561**	93 092		
	Amounts due from group subsidiaries	**–**	–	**559 756**	3 346 884
	Receivables from joint ventures	**1 278 424**	1 716 798		
	Current portion of finance lease receivable	**–**	183		
	Current portion of derivative financial assets (note 11.7)	**1 618**	3 256		
	Other receivables	**891 235**	1 061 245	**20 000**	20 000
		3 110 496	3 937 297	**579 756**	3 366 884
	Transferred to non-current assets classified as held-for-sale (note 17)	**(733 267)**	(188 836)	**–**	–
		2 377 229	3 748 461	**579 756**	3 366 884

Trade and other receivables, other than the current portion of financial assets, are classified as loans and receivables at amortised cost and their carrying amount approximates fair value. Trade and other receivables are predominantly non-interest bearing.

		CONSOLIDATED	
		2017 R000	2016 R000
16	**TRADE AND OTHER RECEIVABLES** (continued)		
	Included in the current portion of financial assets are:		
	Forward freight agreements	**1 618**	3 256
	Reconciliation of allowances for doubtful debts		
	Opening balance	**110 741**	279 565
	Increase in allowance	**91 829**	60 132
	Allowance utilised	**(32 207)**	(168 102)
		170 363	171 595
	Transferred to non-current assets classified as held-for-sale	**–**	(60 854)
		170 363	110 741

Concentrations of credit risk are limited due to the group's customer base being large and unrelated. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful debts.

Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows:

	CONSOLIDATED	
Group	**–**	1 468

		CONSOLIDATED	
		2017 R000	2016 R000
17	**NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**		
	Ships, property, terminals, machinery, vehicles and equipment		
	Freehold and leasehold properties	**10 263**	16 444
	Property under construction	**1 459**	11 773
	Terminals, machinery, vehicles and equipment	**640 788**	225 245
	Ships	**3 139 156**	–
	Intangible assets	**103 031**	549
	Investment in joint venture and associates	**1 145 858**	46 383
	Other investments	**–**	2 986
	Finance lease receivables	**–**	58 472
	Taxation	**21 010**	2 856
	Inventory	**128 290**	786 404
	Bank and cash	**657 967**	98 282
	Deferred taxation	**44 469**	110 842
	Trade and other receivables	**749 108**	188 836
		6 641 399	1 549 072
	Non-current liabilities associated with assets classified as held-for-sale		
	Investment in joint venture	**–**	–
	Short term borrowings and bank overdraft	**49 912**	253 496
	Taxation	**56 028**	2 094
	Deferred taxation	**77 782**	27 931
	Interest-bearing debt	**1 753 600**	414 045
	Financial liabilities	**1 804**	9 510
	Post retirement medial aid	**27 014**	
	Provisions	**11 165**	
	Trade and other liabilities	**418 206**	516 033
		2 395 511	1 223 109

Notes to the financial statements continued

for the year ended 31 December 2017

17 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (continued)

Business disposals

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. This resulted in the entire Shipping business being classified as held-for-sale in term of IFRS 5 Non-current assets held-for-sale and discontinued operations.

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. The locomotive assembly businesses were sold piecemeal during 2017 with the remaining activities closed by year end. All related balances as at 31 December 2017 have been transferred back to the relevant balance sheet categories. Grindrod Rail Construction Group was disposed in the current year.

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

	Opening balance	Trans-lation	IFRS 5 Impair-ment	Transfer Out	Transfer in	Disposal	**Closing balance**
Ships, property, terminals, machinery, vehicles and equipment							
Freehold and leasehold properties	16 444	–			10 263	(16 444)	**10 263**
Property under construction	11 773	–			1 459	(11 773)	**1 459**
Terminals, machinery, vehicles and equipment	225 245	(83 126)	612 819		10 805	(124 955)	**640 788**
Ships	–		(53 832)		3 192 988	–	**3 139 156**
Intangible assets	549	–			103 031	(549)	**103 031**
Investment in joint venture and associates	46 383	16 766	(75 807)		1 177 949	(19 433)	**1 145 858**
Other investments	2 986	–				(2 986)	**–**
Finance lease receivables	58 472	–				(58 472)	**–**
Taxation	762	–			(35 199)	(581)	**(35 018)**
Inventory	786 404	(46 251)		(6 298)	112 483	(718 048)	**128 290**
Bank and cash	98 282	(37 172)		(41 792)	657 590	(18 941)	**657 967**
Deferred taxation	82 911	(134)		(65 082)	(30 573)	(20 435)	**(33 313)**
Trade and other receivables	188 836	13 576		(129 059)	733 267	(57 512)	**749 108**
Short term borrowings and bank overdraft	(253 496)	253 496			(49 912)		**(49 912)**
Investment in joint venture	–	–				–	**–**
Interest-bearing debt	(414 045)	101 999			(1 446 582)	5 028	**(1 753 600)**
Financial liabilities	(9 510)	–			(1 804)	9 510	**(1 804)**
Post retirement medical aid					(27 014)		**(27 014)**
Provisions	–				(11 165)		**(11 165)**
Trade and other liabilities	(516 033)	236 378		193 791	(371 654)	39 312	**(418 206)**
	325 963	455 532	483 180	(48 440)	4 025 932	(996 279)	**4 245 888**

		CONSOLIDATED		COMPANY	
		2017 R000	2016 R000	2017 R000	2016 R000
18	**SHARE CAPITAL AND PREMIUM**				
	Authorised				
	2 750 000 000 ordinary shares of 0.002 cents each (2016: 2 750 000 000 ordinary shares of 0.002 cents each)	**55**	55	**55**	55
	20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each (2016: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each)	**6**	6	**6**	6
		61	61	**61**	61
	Issued				
	762 553 314 ordinary shares of 0.002 cents each (2016: 762 553 314 shares of 0.002 cents each)	**15**	15	**15**	15
	7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each (2016 : 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each)	**2**	2	**2**	2
		17	17	**17**	17
	Share premium	**5 992 739**	5 971 704	**6 407 357**	6 407 357
	Balance at beginning of year	**5 971 704**	5 970 712	**6 407 357**	6 407 357
	Share options vested	**22 421**	6 892	**–**	–
	Shares repurchased	**(1 386)**	(8 671)	**–**	–
	Treasury shares sold	**–**	2 771	**–**	–
	Total issued share capital and premium	**5 992 756**	5 971 721	**6 407 374**	6 407 374

1 192 722 ordinary shares relating to the Grindrod Forfeitable Share Plan vested during the current year (2016: 500 961).

In the current year 100 000 (2016: 912 400) ordinary shares were repurchased by a subsidiary for R1 386 989 (2016: R8 671 719).

At 31 December 2017 10 913 062 (2016: 12 005 784) ordinary shares are held by subsidiaries of the group.

Of these shares 4 625 668 (2016: 3 172 656) have been allocated to the group forfeitable share plan.

The unissued shares, to the extent of a maximum of 10% of the issued shares, are under the control of the directors until the forthcoming annual general meeting.

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017 R000	2016 R000
19	**LONG TERM BORROWINGS**		
	Unsecured		
	Financial services funding instruments (note 20)	**1 373 617**	905 946
	Secured		
	Long and medium-term financing	**2 155 249**	2 471 624
	Financial services funding instruments (note 20)	**85 473**	88 730
	Total amounts repayable within one year	**(2 017 345)**	(895 966)
	Long term loans	**1 596 994**	2 570 334
	Current portion of long-term loans	**2 017 345**	895 966
		3 614 339	3 466 300
	Transferred to non-current assets classified as held-for-sale (note 17)	**(1 753 600)**	(414 045)
	Long term loans	**1 860 739**	3 052 255
		243 661	274 797
	Short-term borrowings and overdraft	**293 573**	528 293
	Transferred to non-current assets classified as held-for-sale (note 17)	**(49 912)**	(253 496)
		2 104 400	3 327 052
	Interest-bearing borrowings are disclosed as follows:	**2 104 400**	3 327 052
	Long-term borrowings	**295 429**	1 423 339
	Financial services funding instruments	**720 137**	803 489
	Current portion of long-term borrowings	**106 220**	634 240
	Current portion of financial services funding instruments	**738 953**	191 187
	Short-term borrowings and overdraft	**243 661**	274 797

Group assets of R3 556 813 000 (2016: R4 665 109 000), inclusive of non-current assets held-for-sale, are pledged as security for loans of R2 154 546 000 (2016: R2 430 155 000).

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 122.

Available facilities

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

19 LONG TERM BORROWINGS (continued)

The group has undrawn committed facilities as at 31 December 2017, as follows:

	Expiry category	Currency	2017 R000	2016 R000
Long-term debt facilities	1-2 Years	USD	–	68 450
Short-term borrowing facilities	0-3 months	ZAR	–	–
	3-6 months	USD	–	19 508
	3-6 months	ZAR	250 000	248 785
	6-9 months	USD	61 950	–
	6-9 months	ZAR	–	300 000
	9-12 months	USD	–	361 862
	9-12 months	ZAR	365 000	253 491
			676 950	1 252 096

The maturity profile of the group's borrowings is as follows:

	1 year R000	2 – 5 years R000	>5 years R000	Consolidated R000
2017				
Interest-bearing debt repayable as follows before transfer to non current assets held-for-sale	2 310 918	1 446 633	150 361	3 907 912
Transferred to non-current assets held-for-sale (note 17)	(1 222 084)	(581 428)	–	(1 803 512)
Freight	(62 360)	(245 271)	–	(307 631)
Shipping	(1 159 724)	(336 157)	–	(1 495 881)
Interest-bearing debt repayable	1 088 834	865 205	150 361	2 104 400
2016				
Interest-bearing debt repayable as follows before transfer to non-current assets held-for-sale	1 424 257	2 301 451	268 885	3 994 593
Transferred to non-current assets classified as held-for-sale (note 17)				
Freight	(324 035)	(277 176)	(66 330)	(667 541)
Interest-bearing debt repayable	1 100 222	2 024 275	202 555	3 327 052

Trading trade debtors of Rnil (2016: R1 467 550) are ceded to financial institutions in order to secure overdraft facilities.

	CONSOLIDATED 2017 R000	2016 R000
20 FINANCIAL SERVICES FUNDING INSTRUMENTS		
Loans secured by property	85 473	88 730
Total secured funding	85 473	88 730
Loans secured by guarantee	207 519	296 708
Listed corporate bond secured by guarantee	371 392	163 184
Redeemable preference shares	794 706	446 054
Total unsecured funding	1 373 617	905 946
Aggregate funding	1 459 090	994 676
Amount repayable within one year	(738 953)	(191 187)
	720 137	803 489

Notes to the financial statements continued

for the year ended 31 December 2017

21 EMPLOYEE BENEFIT OBLIGATIONS

21.1 PROVISION FOR POST-RETIREMENT MEDICAL AID

The group subsidises the medical aid contributions of certain retired employees and has an obligation to subsidise contributions of certain current employees when they reach retirement.

In prior periods, the group undertook to offer pensioners a voluntary benefit in lieu of their current medical subsidy in order to close out the liability on the statement of financial position. The proposed offer had three options, namely an annuity offer, a cash offer or to remain in the scheme. A number of employees chose the annuity and cash offer. The provision has been calculated on the remaining individuals in the scheme.

The risks typically faced by the group as a result of the post-retirement medical aid are risks relating to inflation, longevity, future changes in legislation, future changes in tax environment, perceived inequality by non-eligible employee, administration of fund and enforcement of eligibility criteria and rules.

During December 2017 an actuarial valuation was performed by Alexander Forbes.

Apart from paying costs of entitlement, the group is not liable to pay additional contributions in the case the fund does not hold sufficient assets. In that case, the fund would take other measures to restore solvency.

The amounts recognised in the annual financial statements in this respect are as follows:

	CONSOLIDATED	
	2017 R000	2016 R000
Recognised liability at beginning of the year	**55 373**	61 099
Recognised in other comprehensive income in the current year	**595**	(2 244)
Interest on obligation	**5 347**	5 541
Current service cost	**106**	769
Actuarial loss arising from changes in experience assumptions	**(3 007)**	(6 633)
Other	**(1 851)**	(1 921)
Contributions paid	**(3 551)**	(3 482)
Present value of unfunded obligations recognised as a liability at end of the year	**52 417**	55 373
Transferred to non-current assets classified as held-for-sale (note 17)	**(27 014)**	–
Long-term portion of provision for post-retirement medical aid	**25 403**	55 373
There are no unrecognised actuarial gains or losses.		
The principal actuarial assumptions applied in the determination of fair values include:		
Health care cost inflation	**9.1%**	9.4%
Discount rate	**10.5%**	10.0%
Continuation at retirement	**79.5%**	84.0%

21 EMPLOYEE BENEFIT OBLIGATIONS (continued)

21.1 PROVISION FOR POST-RETIREMENT MEDICAL AID (continued)

The effect of an increase or decrease of 1% in the assumed medical cost trend rates is as follows:

	2017 Effect of a 1%		2016 Effect of a 1%	
	Increase	**(Decrease)**	Increase	(Decrease)
Aggregate of the current service cost and interest cost	**10.9%**	**(9.4%)**	11.7%	(10.0%)
Accrued liability at year-end	**10.4%**	**(8.9%)**	11.2%	(9.5%)

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

	2017 Effect of a 1%		2016 Effect of a 1%	
	Increase	**(Decrease)**	Increase	(Decrease)
Accrued liability at year-end	**(9.1%)**	**10.8%**	(9.8%)	11.7%

The effect of an increase or decrease of 1% in the assumed expected retirement age is as follows:

	2017 Effect of a 1%		2016 Effect of a 1%	
	Increase	**(Decrease)**	Increase	(Decrease)
Accrued liability at year-end	**0.5%**	**(0.5%)**	0.4%	(0.4%)

The history of experience adjustments is as follows:

	2017	2016	2015	2014	2013
Present value of obligations	**25 403**	55 373	61 099	75 823	60 230
Fair value of plan assets		–	–	–	–
Present value of obligations in excess of plan assets	**25 403**	55 373	61 099	75 823	60 230
Experience adjustments on obligations	**465**	7 848	815	(9 642)	(13 707)

The sensitivity analysis presented above may not be representative of the actual change in the obligation as it is unlikely that the above change 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 average duration of the benefit obligation as at 31 December 2017 is 12.1 years.

The group expects to make a contribution of R3 709 000 (2016: R3 551 000) to the post-retirement medical aid fund during the next financial year.

Notes to the financial statements continued

for the year ended 31 December 2017

21 EMPLOYEE BENEFIT OBLIGATIONS (continued)

21.2 RETIREMENT BENEFIT PLANS

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.

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 Rands. A currency mis-match is therefore introduced when investing in foreign investments. The risk is due to the fact that the currency invested could weaken against the Rand. However, since inflation in South Africa is likely to be higher than in most developed countries, it is expected that the Rand 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.

21 EMPLOYEE BENEFIT OBLIGATIONS (continued)

21.2 RETIREMENT BENEFIT PLANS (continued)

The funded status of the pension fund is as follows:

	2017 R000	2016 R000
Actuarial value of assets	180 132	181 972
Present value of liabilities	(37 744)	(55 478)
Actuarial surplus (note 9)	142 388	126 494

The amounts recognised in the annual financial statements in this respect are as follows:

	2017 R000	2016 R000
Recognised asset at beginning of the year	126 494	123 477
Recognised in the income statement in the current year	11 799	8 779
Interest on obligation	(3 911)	(4 610)
Current service cost	(3 095)	(1 377)
Settlement cost	4 188	–
Expected return on plan assets	14 617	14 766
Recognised in other comprehensive income in the current year	4 095	(5 762)
Actuarial gain arising from changes in financial assumptions	2 270	1 918
Actuarial gain/(loss) arising from changes in experience assumptions	1 825	(7 680)
	142 388	126 494

The assets of the fund were invested as follows:

	2017	2016
Cash and cash equivalents	1.8%	4.4%
Equity instruments	48.8%	49.9%
Debt instruments	11.0%	5.3%
Real estate	18.4%	18.4%
International instruments	19.9%	17.6%
Other	0.1%	4.4%

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 2017. 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:

	2017	2016
Discount rate	10.4%	8.6%
Salary increase	8.2%	7.0%
Pension increase	7.2%	6.0%
Inflation increase	7.2%	6.0%

Notes to the financial statements continued

for the year ended 31 December 2017

21 EMPLOYEE BENEFIT OBLIGATIONS (continued)

21.2 RETIREMENT BENEFIT PLANS (continued)

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

	2017 Effect of a 1%		2016 Effect of a 1%	
	Increase	**(Decrease)**	Increase	(Decrease)
	(1.9%)	**2.3%**	(7.4%)	9.4%

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

	2017 Effect of a 1%		2016 Effect of a 1%	
	Increase	**(Decrease)**	Increase	(Decrease)
	2.2%	**(1.8%)**	9.0%	(7.2%)

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 R25 000 (2016: R108 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 periods.

	CONSOLIDATED	
	2017 R000	2016 R000
22 PROVISIONS		
Provision for onerous contracts		
Opening balance	**98 246**	39 730
(Released)/charged to income statement	**(5 840)**	68 194
Foreign exchange loss	**(3 200)**	(9 678)
Utilisation of provision	**(78 588)**	–
Balance at 31 December	**10 618**	98 246
Current portion included under current liabilities	**(10 618)**	(87 520)
Non-current portion of onerous contract provisions	**–**	10 726
Provision for share price linked option scheme		
Opening balance	**44 826**	36 028
Charged to income statement	**5 660**	8 844
Foreign exchange loss	**–**	(46)
Utilisation of provision	**(7 460)**	–
Balance at 31 December	**43 026**	44 826
Current portion included under current liabilities	**(10 004)**	–
Non-current portion of share price linked option scheme	**33 022**	44 826
Transferred to non-current assets classified as held-for-sale (note 17)	**(11 165)**	
Total	**21 857**	55 552

22 PROVISIONS (continued)

Provision for onerous contracts

Provision for onerous contract represents the present value of the future charter payments that the group is presently obligated to make under non-cancellable onerous operating charter agreements and contracts of affreightment, less charter revenue expected to be earned on the charter. The estimate may vary as a result of changes to ship running costs and charter and freight revenue. The rate used to discount the future charter payments is 7.55% (2016: 7.55%).

Provision for share price linked option scheme

The share price linked option provision relates to a remuneration scheme whereby certain employees of Grindrod Limited are entitled to receive a cash settlement based on the excess of the market price of shares over an agreed upon strike price. Refer to note 32.

Cash settled share based payment scheme

The Financial Services division has offered share appreciation rights linked to the growth in value of Grindrod Financial Holdings Ltd and GFS Holdings (Pty) Ltd. In terms of the plan participants are allocated notional shares at an approved allocation price and the division is required to pay a share appreciation bonus equal to the difference between the fair market value and the allocation price of the shares to the participant at each vesting date. The share appreciation rights vest in equal tranches after three, four and five years. An employee's right to participate in the scheme terminates upon leaving the employment of the division.

Current portion of provisions included under current liabilities

	CONSOLIDATED	
	2017 R000	2016 R000
Onerous contract provisions	**(10 618)**	(87 520)
Provision for share price linked option scheme	**(10 004)**	–
Transferred to non-current assets classified as held-for-sale (note 17)	**10 618**	–
	(10 004)	(87 520)

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017	2016
		R000	R000
23	**DEPOSITS FROM BANK CUSTOMERS**		
	Measured at amortised cost		
	Call deposits	**10 565 662**	10 594 132
	Notice and fixed deposits	**4 074 701**	3 016 008
		14 640 363	13 610 140
	Amounts owed to corporate banking depositors	**7 717 084**	6 069 345
	Amounts owed to retail banking depositors	**6 804 322**	7 345 145
	Amounts owed to banks	**118 957**	195 650
		14 640 363	13 610 140
	Contractual maturity analysis		
	Withdrawable on demand	**10 565 662**	10 594 132
	Maturing within one month	**1 413 312**	405 220
	Maturing after one month but within six months	**1 844 358**	2 216 323
	Maturing after six months	**817 031**	394 465
		14 640 363	13 610 140
	The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
	Sectoral analysis:		
	Banks	**118 956**	195 650
	Government and public sector	**73 761**	72 552
	Individuals	**7 543 268**	8 180 351
	Business sector	**6 904 378**	5 161 587
		14 640 363	13 610 140
	Geographical analysis:		
	South Africa	**14 640 363**	13 610 140
	Included in deposits are funds from related parties earning interest at market related rates:		
	Directors (directly or indirectly)	**13 564**	8 792

		CONSOLIDATED		COMPANY	
		2017	2016	**2017**	2016
		R000	R000	**R000**	R000
24	**TRADE AND OTHER PAYABLES**				
	Trade creditors	**509 021**	640 080		
	Accrued expenses	**694 489**	721 522	**23 713**	14 578
	Operating lease accrual	**23 992**	19 930		
	Other payables	**365 804**	720 599	**486**	1 205
	Shareholders for dividends	**34 781**	34 469	**34 753**	34 469
	Amounts due to subsidiaries			**12 481**	84 329
	Current portion of derivative financial liabilities (note 11.7)	**1 804**	6 334		
	Transferred to non-current assets classified as held-for-sale (note 17)	**(373 458)**	(516 033)		
		1 256 433	1 626 901	**71 433**	134 581

Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost and their carrying amount approximates fair value. Trade and other payables are predominantly non-interest bearing.

Included in the current portion of financial liabilities are the following:

	CONSOLIDATED	
	2017	2016
	R000	R000
Forward freight agreements	**1 804**	6 334
	1 804	6 334

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED 2017 R000	CONSOLIDATED 2016* Re-presented R000	COMPANY 2017 R000	COMPANY 2016* R000
25	**REVENUE**				
	Revenue comprises the net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from ship and locomotive sales, sea freight, chartering, warehousing, depot operations, net interest and fee income of the financial institution, ancillary services, investment income and revenue from sale of commodities and is analysed as follows:				
	Freight revenue	**603 166**	666 902		
	Sale of commodities	**60 869**	87 808		
	Net interest income of the financial institution	**173 103**	156 594		
	Fee income of the financial institution	**202 945**	254 598		
	Dividends received	**94 714**	89 770	**679 587**	120 366
	Handling revenue	**1 821 954**	1 940 192		
	Other revenue	**102 671**	91 956		
		3 059 422	3 287 820	**679 587**	120 366
	Analysis of the financial institution's net interest income included above:				
	Interest income	**888 359**	742 071		
	Advances	**678 370**	556 858		
	Balances at banks and short-term funds	**156 656**	142 094		
	Preference share dividends, negotiable securities portfolio	**8 747**	7 696		
	Other short-term securities	**50 222**	40 312		
	Paid on derivative instruments	**(5 636)**	(4 889)		
	Interest expense	**715 256**	585 477		
	Call deposits	**304 512**	264 204		
	Notice and fixed deposits	**128 832**	91 818		
	Other interest expense	**107 990**	84 512		
	Prime linked notice deposits	**173 922**	144 943		
	Net interest income	**173 103**	156 594		
	Interest income calculated using the effective interest method	**173 103**	156 594		
	Interest income at fair value through profit or loss	**–**	–		
		173 103	156 594		

* Re-presented for discontinued operations as detailed in note 2.

		CONSOLIDATED 2017 R000	CONSOLIDATED 2016* Re-presented R000	COMPANY 2017 R000	COMPANY 2016* R000
26	**OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE INTEREST AND TAXATION**				
	Operating profit before interest and taxation includes the following:				
	Other income				
	Net foreign exchange gains	18 484	43 816	5	16
	On foreign currency exposure	18 484	43 816	5	16
	Pension fund surplus recognised	11 877	8 779		
	Other sundry income	196 121	193 634		10 692
	Net gain on financial instruments	130 345	28 100		
	Operating expenses				
	Voyage expenses	105 845	129 970		
	Fuel	15	–		
	Port expenses	43 061	46 797		
	Other voyage expenses	62 769	83 173		
	Cost of sales	798 960	789 512		
	Bunker fuels	75 064	58 081		
	Container handling and logistics	597 708	614 085		
	Merchandise	136	69 451		
	Other commodities	126 052	47 895		
	Distribution and selling costs	80 362	80 037	734	4 432
	Staff costs	986 461	1 027 788	12 957	15 833
	Provision for bad debt on intercompany#	–	–	1 050 695	–
	Other operating expenses	822 640	846 994	3 496	3 657
	Depreciation and amortisation				
	Amortisation				
	Leasehold properties	13 766	14 647		
	Depreciation – owned assets				
	Other	144 393	158 604		
	Depreciation – capitalised leased assets				
	Other	422	5 748		
	Amortisation of intangible assets	37 263	52 136		
		195 844	231 135		
	The above costs are arrived at after including:				
	Auditors' remuneration				
	Audit fees – current year provision	14 722	16 822	4 293	2 100
	Prior year under provision	4 828	74	–	–
	Fees for other services	2 725	1 181	1 055	43
	Expenses	11	173		
	Operating lease rentals				
	Land and buildings	162 996	194 281		
	Ships	164 262	195 329		
	Other	36 149	12 866		
	Professional fees				
	Administrative and managerial	13 118	18 353	1 574	
	Technical/projects	31 463	18 551	–	
	Share-based expenses	12 272	11 762		

* Re-presented for discontinued operations as detailed in note 2.
\# Due to the discontinuance of the Rail and Shipping businesses, intercompany receivables have had to be written off

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED		COMPANY	
		2017	2016* Re-presented	2017	2016
		R000	R000	R000	R000
27	**NON-TRADING ITEMS**				
	Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment	(8 503)	–		
	Impairment of goodwill	–	(7 632)		
	Impairment of intangible assets	–	(2 946)		
	Profit/(loss) on disposal of investments	1 226	(18 425)		
	Impairment of other financial assets/ investments	(126 479)	(155 932)	(1 432 048)	–
	Profit on disposal of property, terminals, machinery, vehicles and equipment	17 372	5 002		
	Foreign currency translation reserve recycled on cessation of operations following restructure	245 656	120 261		
		129 272	(59 672)	(1 432 048)	–

Due to the discontinuance of the Rail and Shipping businesses, investments of R1 432 048 000 have had to be written off in company

		CONSOLIDATED		COMPANY	
		2017	2016* Re-presented	2017	2016
		R000	R000	R000	R000
28	**NET FINANCE COSTS**				
	Interest received	264 575	283 035	56 424	46 413
	Interest paid	(97 850)	(133 580)	–	–
		166 725	149 455	56 424	46 413
	Interest received on loans and receivables at amortised cost	264 575	283 035	56 424	46 413
	Interest paid is classified as follows:				
	Financial liabilities held at amortised cost	(97 850)	(133 580)	–	–
	Net finance costs excludes interest from the financial institution of the group which is shown as revenue in note 25.				

* Re-presented for discontinued operations as detailed in note 2.

		CONSOLIDATED 2017 R000	CONSOLIDATED 2016* Re-presented R000	COMPANY 2017 R000	COMPANY 2016 R000
29	**TAXATION**				
	South African Normal Taxation				
	Current				
	On income for the year	**(92 321)**	(65 707)	**(2 999)**	(2 713)
	Capital gains taxation	**–**	(6 711)		
	Prior year	**(2 755)**	(3 206)		
	Withholding taxes	**129**	(1 570)		
	Deferred				
	On (income)/loss for the year	**(37 103)**	(55 938)	**501**	427
	Prior year	**(4 332)**	4 145		
	Foreign				
	Current				
	On income for the year	**(36 326)**	(27 855)		
	Prior year	**(2 880)**	(3 792)		
	Withholding taxes	**(425)**	(295)		
	Deferred				
	On income for the year	**2 364**	(32 716)		
	Prior year	**712**	(1 700)		
		(172 937)	(195 345)	**(2 498)**	(2 286)
	Effective rate of taxation**	**%**	%	**%**	%
	Normal rate of taxation	**28.0**	28.0	**(28.0)**	28.0
	Adjusted for:				
	Current year taxation losses not utilised	**2.0**	11.3		
	Exempt income	**(20.5)**	(16.1)	**(11.7)**	(30.3)
	Non-taxable foreign items	**1.8**	1.7		
	Non-allowable items	**8.1**	9.9	**39.8**	3.8
	Capital gains taxation	**3.9**	0.4		
	Prior year	**1.3**	0.5		
	Withholding taxation and investment tax credit	**(0.7)**	–		
	Effective rate of taxation	**23.9**	35.7	**0.1**	1.5
	Effective rate of taxation on profit including joint ventures and associates	**24.0**	41.8		

* Re-presented for discontinued operations as detailed in note 2.

** 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 R883 984 000 (2016: R1 696 851 000) including discontinuing operations of which R661 551 000 (2016: R988 879 000) has been utilised in the calculation of deferred taxation.

The tax rate used in the effective rate of taxation reconciled above is the corporate tax rate of 28% payable by corporate entities in South Africa in terms of the law in South Africa.

Exempt income relate mainly to dividends received and releases from the foreign currency translation reserve.
Non-allowable items mainly relate to impairments.
Non taxable foreign items mainly relate to differences on foreign subsidiaries taxation rates.

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017	2016* Re-presented
		R000	R000
30	**EARNINGS PER SHARE**		
	Basic earnings/(loss) per share		
	From continuing operations (cents)	**86.0**	19.2
	From discontinued operations (cents)	**(163.6)**	(273.4)
	Total basic earnings per share (cents)	**(77.6)**	(254.2)
	Diluted earnings/(loss) per share**		
	From continuing operations (cents)	**85.5**	19.2
	From discontinued operations (cents)	**(163.6)**	(273.4)
	Total diluted earnings per share (cents)	**(78.1)**	(254.2)
30.1	**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:		
	Loss attributable to Grindrod Limited shareholders	**(515 050)**	(1 839 725)
	Less preference dividends	**(67 645)**	(67 970)
	Loss used in the calculation of basic earnings per share	**(582 695)**	(1 907 695)
	Less loss for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations (note 31)	**(1 228 970)**	(2 052 096)
	Earnings used in the calculation of basic earnings per share from continuing operations	**646 275**	144 401
	Weighted average number of shares in issue for the year (000s)	**751 164**	750 539
30.2	**DILUTED EARNINGS PER SHARE**		
	The earnings used in the calculation of diluted earnings per share are as follows:		
	Loss used in the calculation of basic earnings per share	**(582 695)**	(1 907 695)
	Less loss for the year from discontinued operations used in the calculations of diluted earnings per share from discontinued operations (note 31)	**(1 228 970)**	(2 052 096)
	Earnings used in the calculation of diluted earnings per share from continuing operations	**646 275**	144 401
	Diluted weighted average number of shares in issue for the year (000s)	**755 810**	753 712
	Reconciliation of weighted average number of shares (000s)		
	Basic average number of shares in issue	**751 164**	750 539
	Shares that will be issued for no value in terms of share option scheme	**4 646**	3 173
	Diluted average number of shares in issue	**755 810**	753 712

	CONSOLIDATED 2017 R000	2016* Re-presented R000
30 EARNINGS PER SHARE (continued)		
30.3 HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE (CONTINUING)		
Headline earnings per share is based on headline earnings of	**570 801**	208 779
and		
on the weighted average number of shares in issue for the year (000s)	**751 164**	750 539
Diluted headline earnings per share is based on headline earnings of	**570 801**	208 779
and		
on the weighted average number of shares in issue for the year (000s)	**755 810**	753 712
Headline earnings per share (cents)		
Basic	**76.0**	27.8
Diluted**	**75.5**	27.7

* Re-presented for discontinued operations as detailed in note 2.

** 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.

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017 R000	2016* Re-presented R000
30	**EARNINGS PER SHARE** (continued)		
30.3	**HEADLINE AND DILUTED HEADLINE EARNINGS PER SHARE (CONTINUING)** (continued)		
	Headline earnings reconciliation from continuing operations:		
	Profit attributable to shareholders of the Company from continuing operations	646 275	144 401
	Adjusted for:		
	Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment (net)	7 797	–
	Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment (gross)	8 503	–
	Tax effect	(706)	–
	Impairment of goodwill	–	7 632
	Impairment of intangible assets (net)	–	2 946
	IFRS 3 negative goodwill released		
	Impairment of intangible assets (gross)	–	2 946
	Tax effect	–	–
	Net profit/loss on disposal of investments (net)	(1 226)	15 463
	Net (profit)/loss on disposal of investments (gross)	(1 226)	18 425
	Non controlling interest effect	–	(2 962)
	Net profit on disposal of plant and equipment (net)	(11 472)	(767)
	Net profit on disposal of plant and equipment (gross)	(17 372)	(5 002)
	Tax effect	5 900	4 235
	Impairment of other financial assets/investments	126 479	155 932
	Foreign currency translation reserve recycled on cessation of operations following restructure	(245 656)	(120 261)
	Joint ventures:		
	Net loss/(profit) on disposal of ships, plant and equipment	121	(72)
	Net profit on disposal of investments	–	(216)
	Impairment/reversal of impairment) of other assets	31 748	(12 175)
	Impairment of ships, property, terminals, machinery, vehicles and equipment	16 735	15 896
	Headline earnings	**570 801**	**208 779**

* Re-presented for discontinued operations as detailed in note 2.

	CONSOLIDATED 2017 R000	2016 Re-presented R000
31 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 have been classified as held-for-sale in terms of IFRS 5 Non-current Assets Held-For-Sale and Discontinued Operations.		
Income statement – discontinued operations		
Revenue	**5 432 486**	5 743 891
Loss before interest, taxation, depreciation and amortisation	**(606 721)**	(218 527)
Depreciation and amortisation	**(218 564)**	(352 926)
Operating loss before interest and taxation	**(825 285)**	(571 453)
Non-trading items	**(587 770)**	(708 884)
(Gain)/loss on remeasurement to fair value less costs to sell	**483 180**	(650 686)
Interest received	**71 646**	70 127
Interest paid	**(117 382)**	(128 918)
Loss before share of joint venture and associate companies' profit/(loss)	**(975 611)**	(1 989 814)
Share of joint venture companies' loss after taxation	**(162 356)**	(65 816)
Loss before taxation	**(1 137 967)**	(2 055 630)
Taxation	**(91 056)**	3 427
Loss for the year from discontinued operations	**(1 229 023)**	(2 052 203)
Loss for the year from discontinued operations	**(1 229 023)**	(2 052 203)
Attributable to:		
Owners of the parent	**(1 228 970)**	(2 052 096)
Non-controlling interests	**(53)**	(107)
	(1 229 023)	(2 052 203)
The total comprehensive income attributable to the shareholders of the Company from discontinued operations was	**(394 397)**	(654 103)

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 to profits of qualifying activities. Non-qualifying activities are taxed at normal corporate income taxation rates.

Cash flows from discontinued operations		
Net cash inflows from operating activities	**(102 409)**	(280 569)
Net cash inflows from investing activities	**(93 169)**	(202 152)
Net cash inflows from financing activities	**(6 859)**	61 537
Net cash inflows	**(47 907)**	(118 873)
	(250 344)	(540 057)

Notes to the financial statements continued

for the year ended 31 December 2017

31 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:

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2017				
Ships	**107 157**	**89 904**	**–**	**197 061**
Locomotives	**201 775**	**807 103**	**–**	**1 008 878**
	308 932	**897 007**	**–**	**1 205 939**
2016				
Ships	198 367	217 738	–	416 105
Locomotives	155 381	616 463	63 570	835 414
	353 748	834 201	63 570	1 251 519

Expenditure

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

	1 year R000	2 – 5 years R000	>5 years R000	Group 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**
2016				
Ships	950 716	1 626 581	218 826	2 796 123
Properties	9 542	15 513	–	25 055
Other	3 749	667	–	4 416
	964 007	1 642 761	218 826	2 825 594

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.

32 SHARE-BASED PAYMENTS

Equity-settled share option plan

The company has a share option scheme for certain employees of the group. The options vest over a total period of seven years from the option date as follows:

- a fifth of the options granted vests after three years;
- a further fifth of the options vests after four years;
- a further fifth of the options vests after five years;
- a further fifth of the options vests after six years; and
- a further fifth of the options vests after seven years.

Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. All options expire ten years after grant.

Options are forfeited if the employee leaves the group before the options vest.

	CONSOLIDATED			
	2017			2016
	Number of share options	**Weighted average exercise price (cents)**	Number of share options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	**400 000**	**1 251**	400 000	1 251
Lapsed during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**400 000**	**1 251**	400 000	1 251
Exercisable at the end of the year	**400 000**		400 000	

No share options (2016: Nil) were exercised in 2017. The weighted average share price at the date of exercise for the share options exercised during the current year was R12.51 (2016: R12.51). Details of the options outstanding at the end of the year are disclosed in the remuneration report on pages 104 to 119 of the integrated annual report.

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.

Notes to the financial statements continued

for the year ended 31 December 2017

32 SHARE-BASED PAYMENTS (continued)

Equity-settled share option plan (continued)

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

	CONSOLIDATED	
	2017 R000	2016 R000
Weighted average share price	1 253	1 253
Weighted average exercise price	1 253	1 253
Expected rolling volatility		
Five year expected option lifetime %	43.64	43.64
Six year expected option lifetime %	39.45	39.45
Seven year expected option lifetime %	34.82	34.82
Expected option lifetime		
Vesting periods three and four	5 years	5 years
Vesting periods five and six	6 years	6 years
Vesting period seven	7 years	7 years
Risk-free rate based on zero-coupon government bond yield		
Five year expected option lifetime %	7.41	7.41
Six year expected option lifetime %	7.47	7.47
Seven year expected option lifetime %	7.52	7.52
Expected dividend yield %	3.38	3.38
Forfeiture rate per annum compound %	10.00	10.00

Expected volatility was determined by calculating an annualised standard deviation of the continuously compounded rates of return of the company's share. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of employee turnover and exercise behaviour.

The group recognised expenses related to these equity-settled share based payment transactions during the year, details of which have been disclosed in note 27.

32 SHARE-BASED PAYMENTS (continued)

Equity-settled forfeitable share plan (continued)

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, 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.

	2017				2016	
Date of grant	**28/02/2017**	**26/06/2017**	**26/07/2017**	**01/11/2017**	22/02/2016	28/09/2016
Number of shares granted and remaining at year end	**50 000**	**2 530 000**	**80 000**	**430 000**	1 076 000	100 000
Share price at grant date	**13.87**	**13.00**	**13.67**	**15.48**	9.61	12.00
Estimated fair value per share at grant date	**13.87**	**13.00**	**13.67**	**15.48**	9.61	12.00

Notes to the financial statements continued

for the year ended 31 December 2017

32 SHARE-BASED PAYMENTS (continued)

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 inclusive of amounts disclosed in non current assets held-for-sale of R43 026 000 (2016: R44 837 000).

The group recorded total current year expense (including discontinued operations) of R5 660 000 (2016 expenses: R44 837 000).

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.

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

	CONSOLIDATED	
	2017	2016
Share price (cents)	**1 365**	1 345
Expected rolling volatility		
Three year expected option lifetime %	**34.19**	40.15
Four year expected option lifetime %	**34.37**	38.97
Five year expected option lifetime %	**34.05**	37.95
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 %	**6.92**	7.32
Four year expected option lifetime %	**6.96**	7.37
Five year expected option lifetime %	**7.02**	7.43
Expected dividend yield %	**1.52**	0.70
Forfeiture rate per annum compound %	**10.00**	10.00

	CONSOLIDATED			
	2017 R000	**2017 US$000**	2016 R000	2016 US$000
33 CAPITAL COMMITMENTS				
Authorised and contracted for	**29 000**	**19 000**	131 278	–
Due within one year	**29 000**	**19 000**	131 278	–
Due between years one and two	**–**	**–**		
Due thereafter	**–**	**–**		
Authorised and not contracted for			23 037	17 582
Total	**29 000**	**19 000**	154 315	17 582
Financing guarantees	**197 200**		119 527	
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 to be advanced to Grindrod Bank customers	**189 184**		138 867	

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

The group's total capital commitments per category of significant assets are as follows:

	CONSOLIDATED			
2017 – ZAR Commitments	**2018 R000**	**2019 R000**	**Thereafter R000**	**Total R000**
Property, terminals, machinery, vehicles and equipment	**29 000**	**–**	**–**	**29 000**
Total	**29 000**	**–**	**–**	**29 000**

	CONSOLIDATED			
2017 – USD Commitments	**2018 US$000**	**2019 US$000**	**Thereafter US$000**	**Total US$000**
Property, terminals, machinery, vehicles and equipment	**19 000**	**–**	**–**	**19 000**
Total	**19 000**	**–**	**–**	**19 000**

Notes to the financial statements continued

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33 CAPITAL COMMITMENTS (continued)

	CONSOLIDATED			
2016 – ZAR Commitments	2017 R000	2018 R000	Thereafter R000	Total R000
Property, terminals, machinery, vehicles and equipment	154 315	–	–	154 315
Total	154 315	–	–	154 315

	CONSOLIDATED			
2016 – USD Commitments	2017 US$000	2018 US$000	Thereafter US$000	Total US$000
Property, terminals, machinery, vehicles and equipment	15 602	1 570	410	17 582
Total	15 602	1 570	410	17 582

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.

34 CONTINGENT ASSETS/LIABILITIES

The company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R4 739 816 846 (2016: R4 833 276 000) of which R1 731 674 528 (2016: R1 841 564 000) had been utilised at the end of the year.

Grindrod placed R190 618 106 (2016: R190 618 106) on deposit as security with the funders of the BEE consortium and provided a guarantee of R130 000 000 to secure the structure. Grindrod continues to have the ability, but no obligation, to increase its funding within the structure should the current lenders wish to exit.

Within discontinued operations, the company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R404 717 302 (2016: R196 842 000) of which R404 384 302 (2016: R191 339 000) had been utilised at the end of the year.

Within discontinued operations, the company has guaranteed charter-hire payments of subsidiaries amounting to R403 475 394 (2016: R665 767 000). The charter-hire payments are due by the subsidiaries in varying amounts from 2018 to 2022.

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

35 FOREIGN CURRENCY DENOMINATED ITEMS

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

At 31 December exchange rates used on conversion were:

	CONSOLIDATED			
	2017		2016	
	Year End rates	**Average rates**	Year End rates	Average rates
United States Dollar	**12.39**	**13.36**	13.69	14.73
Euro	**14.85**	**15.13**	14.46	16.20
Pound Sterling	**16.72**	**17.32**	16.87	19.98
Singapore Dollar	**9.23**	**9.55**	9.48	10.65
Japanese Yen	**0.11**	**0.12**	0.12	0.13
Botswana Pula	**1.25**	**1.28**	1.28	1.35
Tanzanian Shilling	**0.01**	**0.01**	0.01	0.01
Metical	**0.21**	**0.20**	0.19	0.24

36 LEASES AND SHIP CHARTERS

36.1 Operating leases and ship charters

36.1.1 Income

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

	1 year R000	2 – 5 years R000	>5 years R000	Consolidated R000
2017				
Properties	**43 441**	**72 793**	**–**	**116 234**
	43 441	**72 793**	**–**	**116 234**
2016				
Properties	28 418	88 700	–	117 118
	28 418	88 700	–	117 118

36.1.2 Expenditure

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

	1 year R000	2 – 5 years R000	>5 years R000	Consolidated R000
2017				
Ships	**137 925**	**201 951**	**–**	**339 876**
Properties	**122 613**	**367 167**	**351 584**	**841 364**
Other	**2 100**	**612**	**–**	**2 712**
	262 638	**569 730**	**351 584**	**1 183 952**
2016				
Ships	164 884	376 428	–	541 312
Properties	138 837	342 221	272 162	753 220
Other	949	–	–	949
	304 670	718 649	272 162	1 295 481

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

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED		COMPANY	
		2017 R000	2016 R000	**2017 R000**	2016 R000
37	**CASH FLOW**				
37.1	**Reconciliation of operating (loss)/profit before interest and taxation to cash generated from operations**				
	Operating (loss)/profit before interest and taxation	**(399 148)**	(114 738)	**(388 291)**	107 152
	Adjustments for:				
	Depreciation	**367 055**	518 212		
	Share option expense	**12 272**	11 762		
	Dividends received			**(679 587)**	(120 366)
	Amortisation of intangible assets and drydocking	**47 353**	65 849		
	Non-cash financial instruments and foreign exchange losses/(gains)	**574 333**	(13 076)		
	(Profit)/loss on sale of ships and locomotives	**(3 311)**	676		
	Fair value adjustment on financial services instruments	**(136 902)**	(42 725)		
	Operating profit/(loss) before working capital changes	**461 652**	425 960	**(1 067 878)**	(13 214)
	Working capital changes				
	Increase/(decrease) in inventories	**116 518**	(264 500)		
	Decrease in trade and other receivables	**406 845**	341 386	**659 626**	113
	(Decrease)/increase in trade and other payables	**(425 797)**	(11 137)	**9 431**	5 346
	Cash generated from/(utilised in) operations	**559 218**	491 709	**(398 821)**	(7 755)
37.2	**Dividends paid**				
	Dividends paid by company and group	**(76 801)**	(113 495)	**(68 376)**	(113 801)
37.3	**Taxation paid**				
	Balance at the beginning of the year	**(49 859)**	(36 250)	**(1 735)**	(1 748)
	Current year – continuing operations	**(134 578)**	(120 954)	**(2 999)**	(2 713)
	Current year – discontinued operations	**(34 667)**	–		
	Foreign exchange translation	**12 958**	(5 516)		
	Businesses acquired/disposed	**–**	3 280		
	Transferred to non-current assets classified as held-for-sale (note 17)	**35 199**	(762)		
	Balance at the end of the year	**1 331**	49 859	**1 705**	1 735
	Taxation paid	**(169 616)**	(110 343)	**(3 029)**	(2 726)

		CONSOLIDATED		COMPANY	
		2017	2016	**2017**	2016
		R000	R000	**R000**	R000
37	**CASH FLOW** (continued)				
37.4	**Property, plant and equipment acquired**				
	Additions – ships	**(69 753)**	(368 145)		
	Additions – property, terminals, machinery, vehicles and equipment	**(145 794)**	(233 621)		
	Cash flow on acquisition of property, terminals,machinery, vehicles and equipment	**(215 547)**	(601 766)	**–**	–
37.5	**Acquisition of subsidiaries, joint ventures and associates**				
	During the year the group acquired interests in subsidiaries and joint ventures as follows:				
	Property, plant and equipment	**–**	(12 527)		
	Investments	**(66 800)**	–	**(205 688)**	(50 000)
	Working capital	**–**	(648)		
	Cash and bank	**–**	(57)		
	Long-term liabilities	**–**	7 682		
	Non-controlling interest	**–**	1 383		
	Intangibles	**–**	(42 559)		
	Total	**(66 800)**	(46 726)	**(205 688)**	(50 000)
	Earnout	**–**	13 690		
	Less: disposal of investment in joint ventures	**33 400**	–		
	Total purchase consideration	**(33 400)**	(33 036)		
	Less cash and cash equivalents	**–**	57		
	Cash acquired	**(33 400)**	(32 979)	**(205 688)**	(50 000)

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for the year ended 31 December 2017

		CONSOLIDATED		COMPANY	
		2017 R000	2016 R000	**2017 R000**	2016 R000
37	**CASH FLOW** (continued)				
37.6	**Disposal of businesses**				
	The group disposed of its interests in subsidiaries and joint ventures as follows:				
	Property, plant and equipment	–	1 381		
	Intangibles	–	54 608		
	Investments	–	62 252		
	Working capital	–	(20 548)		
	Cash and bank	–	40 272		
	Taxation	–	(3 280)		
	Business combination reserve	–	16 605		
	Deferred taxation	–	6 741		
		–	158 031		
	Earnout	–	(50 299)		
	Total purchase price	–	107 732		
	Less cash and cash equivalents	–	(40 272)		
	Cash flow on disposal net of cash disposed of	–	67 460		
37.7	**Cash and cash equivalents**				
	Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:				
		8 970 274	9 478 073	**7 154**	3 154
	Deposits with the SA Reserve Bank (SARB)	**241 093**	169 218		
	Interbank call deposits	**7 404 205**	7 257 267		
	Bank balances and cash	**1 324 976**	2 051 588	**7 154**	3 154
	Bank and cash balances included in non-current assets held-for-sale (note 17)	**608 055**	(155 214)		
	Bank overdrafts (note 19)	**(19 947)**	(28 402)		
		9 558 382	9 294 457	**7 154**	3 154
	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.	**7 645 298**	7 426 485		

38 BUSINESS COMBINATIONS

Acquisition of subsidiaries

During the year the group acquired the following interest:

Company acquired	Nature of business	Percentage acquired	Interest acquired	Purchase consideration R000s
New Limpopo Bridge Projects Ltd	Rail operations	50	01-May-17	33 400
Total purchase consideration				33 400

Reasons for acquisition

The reason for the acquisition was to increase the group's shareholding in the North South Rail corridor.

Impact of the acquisition on the results of the group:

From the dates of their acquisition, the acquired businesses contributed additional losses of R4.9 million.

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

Net assets acquired		Acquirees' carrying amount before combination at fair value R000
Investment in joint venture		33 400
Total purchase consideration	33 400	33 400
Cash acquired	–	–
Net assets acquired		33 400

	Consolidated R000
The above transaction has the following impact on the consolidated income statement:	139 965
Impairment of investment	(123 275)
Foreign currency translation reserve release	263 240

Notes to the financial statements continued

for the year ended 31 December 2017

39 RELATED PARTY TRANSACTIONS

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

	CONSOLIDATED R000			
	Influence holders in the group	Associates	Joint ventures	Amounts due by/(to) related party
2017				
Goods and services sold to:				
Cockett Marine Oil Pte Ltd	–	–	6 869	34 073
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	–	2	–	462
Maputo Intermodal Container Depot, S.A	–	–	565	308
Newshelf 1279 (Pty) Ltd	56 099	–	–	548 954
RBT Resources (Pty) Ltd	14 142	–	–	143 297
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
Adopt-A-School Foundation	–	–	–	–
Island Bulk Carriers Pte Ltd	–	–	2 405	10 036
	70 241	31 030	313 693	1 406 471

39 RELATED PARTY TRANSACTIONS (continued)

	CONSOLIDATED R000			
	Influence holders in the group	Associates	Joint ventures	Amounts due by/(to) related party
2017				
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)
Petromoc – Petroleos de Mocambique S.A.R.L	–	–	–	(48)
Rohlig Grindrod (Pty) Ltd	–	–	(99)	(11)
NLPI Ltd	–	–	–	(3 348)
	–	–	(826 599)	(28 927)

Notes to the financial statements continued

for the year ended 31 December 2017

39 RELATED PARTY TRANSACTIONS (continued)

	CONSOLIDATED R000			
	Influence holders in the group	Associates	Joint ventures	Amounts due by/(to) related party
2016				
Goods and services sold to:				
Beitbridge Bulowayo Railway BEI001	–	–	12 201	17 113
Cockett Marine South Africa (Pty) Ltd	–	–	9 357	6 026
IM Shipping (Pte) Ltd	–	–	95 892	146 894
Kapele Freight & Logistics (Pty) Ltd	–	–	7 304	545
Gear Africa Ltd	–	–	–	8 224
GPR Leasing Africa (Pty) Ltd	–	–	262	435 735
GPR Leasing SA (Pty) Ltd	–	–	–	684 653
RBT Resources (Pty) Ltd	15 511	–	–	129 785
Moneyline 992 (Pty) Ltd	–	50 881	–	2
Maputo Port Development Company	–	–	–	1 222
Maputo Intermodal Container Depot, S.A	–	–	920	210
Newshelf 1279 (Pty) Ltd	46 032	–	–	492 855
New Limpopo Bridge Projects Ltd	–	–	–	–
NWK Ltd	–	1 414	–	11 580
Oreport (Pty) Ltd	–	–	401	6 312
OTGC Holdings (Pty) Ltd Group	–	–	2 337	55 193
Petrochemical Shipping Ltd	–	–	2 577	9 060
Petromoc – Petroleos de Mocambique S.A.R.L	–	25 651	–	–
RBT Grindrod Terminals (Pty) Ltd	–	–	66 737	61 948
Rohlig Grindrod (Pty) Ltd	–	–	103 052	132 763
Senwes Ltd	–	7 964	–	228
Shakespeare Masiza	1 937	–	–	–
Terminal De Carvo da Matola Ltda	–	–	33 019	14
Tri-view Shipping Pte Ltd	–	–	41 760	35 019
Vitol Shipping Singapore Pte Ltd	–	–	331 705	–
IVS Bulk Pte Ltd	–	–	–	279 098
Engen Petroleum Ltd	–	–	–	6 313
NLPI Ltd	–	–	13 290	2 282
ADOPT-A-SCHOOL FOUNDATION	–	–	–	20 000
Island Bulk Carriers Pte Ltd	–	–	–	27
Corr-Line Steel & Roof (Pty) Ltd	–	–	433	8 204
	63 480	85 910	721 247	2 551 305

39 RELATED PARTY TRANSACTIONS (continued)

	CONSOLIDATED R000			
	Influence holders in the group	Associates	Joint ventures	Amounts due by/(to) related party
2016				
Goods and services purchased from:				
Cockett Marine South Africa (Pty) Ltd	–	–	(69 277)	(5 799)
Cockett Marine Oil Pte Ltd	–	–	(584 201)	(57 402)
Gear South Africa (Pty) Ltd	–	–	(91)	(1 867)
Island Bulk Carriers Pte Ltd	–	–	(2 651)	–
IVS Bulk Pte Ltd	–	–	(48 447)	–
GPR Leasing Africa (Pty) Ltd	–	–	(3 969)	(3)
Tri-view Shipping Pte Ltd	–	–	(1 871)	–
IM Shipping Pte Ltd	–	–	(74)	–
Maputo Port Development Company	–	–	(21 603)	(12 691)
OTGC Holdings (Pty) Ltd Group	–	–	–	(221)
Petromoc – Petroleos de Mocambique S.A.R.L	–	(826)	–	–
RBT Grindrod Terminals (Pty) Ltd	–	–	–	(221)
Rohlig Grindrod (Pty) Ltd	–	–	(6 545)	(77 081)
Corr-Line Steel & Roof (Pty) Ltd	–	–	–	(398)
	–	(826)	(738 729)	(155 683)

Notes to the financial statements continued

for the year ended 31 December 2017

39 RELATED PARTY TRANSACTIONS (continued)

	COMPANY R000		
	Dividends received	Net guarantee fees received	Amounts due by/(to) related party
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	**–**	**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**
2016			
Subsidiaries			
Grindrod Freight Services (Pty) Ltd	11 049	–	726 084
Grindrod Financial Holdings Ltd	89 230	5 786	1 268
Grindrod Freight Investments (Pty) Ltd	–	–	(31 086)
Grindrod South Africa (Pty) Ltd	–	(41)	2 561 566
Grindrod Holdings (SA) (Pty) Ltd	–	–	(752)
Grindrod Property Holdings Ltd	–	–	(570)
Grindrod Property Holdings (Pty) Ltd	–	263	48
Grindrod Property Leasing (Pty) Ltd	–	123	27
Canosa Holdings Ltd	–	–	(1 975)
Swallow Enterprises Incorporated	–	–	4 576
Grindrod Shipping Pte Ltd	–	393	7 436
Calulo Logistics Holdings (Pty) Ltd	–	–	(6 986)
Unicorn Calulo Bunker Services (Pty) Ltd	–	674	153
Sturrock Grindrod Maritime Holdings	–	885	221
Grindrod Trading Asia Pte Ltd	–	2 566	2 545
Grindrod Shipping South Africa (Pty) Ltd	–	2	–
Grindrod Trading Holdings (Pty) Ltd	20 087	–	–
	120 366	10 651	3 262 555

39 RELATED PARTY TRANSACTIONS (continued)

Associates

Details of material investments in associates are set out in note 7.

Joint ventures

Details of interests in joint ventures are set out in note 6.

Subsidiaries

Details of investments in subsidiaries are set out in note 4 and in the schedule of interest in subsidiaries on pages 120 to 121.

Directors

Details of directors' interests in the company and directors' emoluments are set out in the remuneration report on pages 104 to 119 of the integrated annual report.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on pages 139 to 140 of the integrated annual report.

Notes to the financial statements continued

for the year ended 31 December 2017

40 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;
- Shipping market risk;
- Interest rate risk;
- Credit risk;
- Counterparty risk;
- Liquidity risk; and
- Solvency 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.

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.

Financial Director

The group financial director 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. A formal treasury review performed by the treasury department is tabled biannually. Material changes to the policies and urgent treasury matters as determined by the group's limits of authority are required to be submitted to the board.

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.1 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 Rand funded element of capital commitments.

Monetary items are converted to Rands 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.

Foreign currency balances

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

	CONSOLIDATED			
	2017 US$000	**2017 R000**	2016 US$000	2016 R000
Loans	**(158 344)**	**(1 961 880)**	(149 368)	(2 044 849)
Trade and other receivables	**132 506**	**1 641 744**	177 011	2 423 280
Trade and other payables	**(40 167)**	**(497 663)**	(89 080)	(1 219 511)
Bank balances	**78 553**	**973 272**	82 183	1 125 085
Bank overdraft	**–**	**–**	(20 390)	(279 142)
Subtotal	**12 548**	**155 473**	356	4 863
Less: Non-current liabilities held-for-sale	**(45 516)**	**(563 938)**	(38 447)	(526 342)
	58 064	**719 411**	38 803	531 205

Sensitivity analysis

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

	CONSOLIDATED	
Net exposure	**2017 R000**	2016 R000
+10%	**7 549**	15 475
-10%	**(7 549)**	(16 899)

Notes to the financial statements continued

for the year ended 31 December 2017

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.2 Commodity risk

The group uses commodity futures and options to manage exposure to commodity price risk where the positions are not naturally economically hedged through the combination of holding inventory, forward sales contracts and forward purchase contracts. In instances where the commodity prices are traded in foreign currency, the foreign exchange exposure is covered by forward exchange contracts.

Sensitivity analysis

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

	CONSOLIDATED	
Net exposure	**2017 R000**	2016 R000
+10%	**131**	304
-10%	**(131)**	(304)

40.3 Shipping market risk

The group is exposed to the fluctuations in market conditions in the shipping industry. Management continually assesses shipping markets through the use of a detailed shipping model using their experience and detailed research. Risks are managed by fixing tonnage on longer term charters, contracts of affreightment and entering into forward freight agreements. Refer to the risk management policies in the sustainability report for further details.

40.4 Interest rate risk

40.4.1 Interest rate risk of the group (excluding Financial Institution)

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:

	2017 R000	2016 R000
Loans linked to LIBOR	**1 758 434**	1 989 659
Loans linked to SA prime rate	**1 275 192**	962 107
Loans linked to JIBAR	**578 911**	494 539
Loans linked to Mozambique FPC	**1 455**	19 345
Short-term borrowings linked to LIBOR	**231 856**	314 336
Short-term borrowings linked to SA prime rate	**61 717**	213 957
Loans with a fixed interest rate	**348**	649
Subtotal	**3 907 913**	3 994 592
Less: Non-current liabilities held-for-sale	**(1 803 512)**	(667 541)
Total	**2 104 401**	3 327 051

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 122.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2017 is as follows: local rates are between 7.25% and 13.50% (2016: 7.25% and 13.5%), foreign rates are between 3.81% and 29.00% (2016: 3.12% and 29.25%). 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.

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.4 Interest rate risk (continued)

40.4.1 Interest rate risk of the group (excluding Financial Institution) (continued)

Sensitivity analysis

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

Net exposure	CONSOLIDATED 2017 R000	2016 R000
+50 BPS (2016: +50 BPS)	3 574	1 852
-50 BPS (2016: -50 BPS)	(3 574)	(1 852)

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

40.4.2 Interest rate risk of the Financial Institution

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. The Bank 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
2017							
Assets	15 174 106	503 064	–	369 812	281 974	350 599	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)	(170 565)	31 002	(990 715)	–
Cumulative repricing profile	1 658 489	1 797 962	1 130 278	959 713	990 715	–	–
Expressed as a percentage of total assets of the financial institution %	9.9	10.8	6.8	5.8	5.9		

Notes to the financial statements continued

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40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.4 Interest rate risk (continued)

40.4.2 Interest rate risk of the Financial Institution (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
2016							
Assets	14 074 349	190 184	–	357 868	204 342	329 848	15 156 591
Equity and liabilities	(12 859 955)	(757 065)	(244 386)	(143 657)	–	(1 151 528)	(15 156 591)
Interest rate hedging activities	557 289	–	–	(383 809)	(173 480)	–	–
Repricing profile	1 771 683	(566 881)	(244 386)	(169 598)	30 862	(821 680)	–
Cumulative repricing profile	1 771 683	1 204 802	960 416	790 818	821 680	–	–
Expressed as a percentage of total assets of the financial institution%	11.7	7.9	6.3	5.2	5.4		

Interest income sensitivity	< 3 months R000	> 3 months < 6 months R000	> 6 months < 1 year R000	Total R000
2017				
2% interest rate increase	**8 517**	**13 105**	**28 935**	**50 557**
2% interest rate decrease	**(8 139)**	**(13 113)**	**(28 503)**	**(49 755)**
2016				
2% interest rate increase	5 553	7 182	17 113	29 848
2% interest rate decrease	(5 532)	(7 122)	(16 636)	(29 290)

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).

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.5 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. Credit risk management applied by the group involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. These procedures help to ensure the credit quality of the group's financial assets. The spread of risk in relation to trade and other debtors is summarised as follows:

	Ports and Terminals		Logistics		Group		Total Continuing		Total Discontinued	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
2017										
Trade debtors	48	37 103	2 428	365 356	1	67 038	2 477	469 497	214	353 859
2016										
Trade debtors	44	31 450	1 724	642 469	14	228 938	1 782	902 857	245	379 167

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
Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. The Credit Committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans.

Credit risk mitigation
The Bank does not have material netting arrangements.

The Bank 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. The Bank tends to deal with small to medium size corporates and guarantees and suretyships tend to come from similar types of entities.

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.

Notes to the financial statements continued

for the year ended 31 December 2017

		CONSOLIDATED	
		2017	2016
		R000	R000
40	**FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)		
40.5	**Credit risk** (continued)		
	Carrying amount of financial assets impaired during the year	**51 843**	80 683
	Maximum credit risk exposure to the group is		
	Other investments	**2 121 181**	1 692 613
	Finance lease receivables	**–**	730
	Loans and advances	**7 149 198**	5 854 734
	Trade and other receivables before allowance for doubtful debts	**2 002 435**	2 391 911
	Liquid assets and short-term negotiable securities	**1 763 875**	1 801 065
	Cash and cash equivalents	**8 970 274**	9 478 073
		22 006 963	21 219 126
	Analysis of the ageing of financial assets which are past due but have not been impaired:		
	Current	**10 924**	124 633
	30 days	**43 669**	62 776
	60 days	**15 281**	25 071
	90 days	**3 189**	43 125
	120+ days	**122 715**	174 628
	Total	**195 778**	430 233

Refer to note 13 for analysis of ageing of loans and advances.

40.6 Counterparty risk

The risk that a counterparty to a transaction fails to perform in terms of the contract resulting in a potential cost to replace the cash flows or the risk that a counterparty fails to honour an undertaking for payment or delivery in terms of unsettled transactions.

The group is extremely cautious when selecting counterparties to transactions and formal limits are established for counterparties to asset or hedging transactions.

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.7 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. The divisions maintain rolling liquidity forecasts including operational and divisional capital expenditure and operating expenditure budgets. These forecasts are regularly updated so as to identify future funding requirements and assess the adequacy of existing and committed funding facilities. Different scenarios are built into the rolling forecasts in order to stress test the divisional and group liquidity positions. The rolling liquidity forecasts are consolidated and reviewed at a board level on a quarterly basis. Each quarter a five year balance sheet liquidity gap analysis is performed on the forecast balance sheet and reported to the board. This exercise highlights any potential liquidity gaps that may arise over the next five-year period.

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.

Grindrod Bank 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. The Bank 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 the Bank has been well served by its prudent liquidity management policy, the stability of its deposit base and the high quality of the advances book. The Bank intends to continue to adopt a conservative liquidity policy in the future.

Notes to the financial statements continued

for the year ended 31 December 2017

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.7 Liquidity risk (continued)

Group liquidity analysis

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

	< 3 months R000	> 3 months < 6 months R000	> 6 months < 1 year R000	> 1 year < 5 years R000	> 5 years R000	Non-contractual R000	Total R000
2017							
Liabilities							
Provisions	–	–	–	21 857	–	–	21 857
Trade and other payables	1 178 074	–	4 846	–	–	163 869	1 346 789
Post retirement medical aid	–	–	–	25 403	–	–	25 403
Financial liabilities	–	–	–	102 417	8 611	–	111 028
Deposits	13 450 848	305 725	750 741	133 049	–	–	14 640 363
	14 628 922	305 725	755 587	282 726	8 611	163 869	16 145 440
2016							
Liabilities							
Provisions	–	–	–	55 552	–	–	55 552
Trade and other payables	1 523 986	–	6 462	–	–	96 453	1 626 901
Post retirement medical aid	–	–	–	55 373	–	–	55 373
Financial liabilities	94	–	–	8 099	2 328	–	10 521
Deposits	12 348 754	847 127	264 181	150 078	–	–	13 610 140
	13 872 834	847 127	270 643	269 102	2 328	96 453	15 358 487

Bank Liquidity Analysis	< 3 months R000	> 3 months < 6 months R000	> 6 months < 1 year R000	> 1 year < 5 years R000	> 5 years R000	Non-contractual R000	Total R000
2017							
Liabilities							
Financial liabilities	–	–	–	10 328	8 611	–	18 939
Deposits	13 450 848	305 725	750 741	133 049	–	–	14 640 363
	13 450 848	305 725	750 741	143 377	8 611	–	14 659 302
2016							
Liabilities							
Financial liabilities	94	–	–	8 099	2 328	–	10 521
Deposits	12 348 754	847 127	264 181	150 078	–	–	13 610 140
	12 348 848	847 127	264 181	158 177	2 328	–	13 620 661

The holding company has guaranteed a facility of R810 703 500 (2016: R517 600 000) to the bank as additional liquidity.

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.8 Solvency 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 the bank at 31 December 2017 was 13.40% (2016: 13.74%). The bank will raise additional capital as and when capital is required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

40.9 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 19, cash and cash equivalents and equity attributable to equity holders of Grindrod, comprising ordinary and preference share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.

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.

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	
	2017 R000	2016 R000
Debt	**2 104 400**	3 327 052
Deposits from bank customers	**14 640 363**	13 610 140
Cash and cash equivalents	**(8 970 274)**	(9 478 073)
Loans and advances to bank customers	**(7 149 198)**	(5 854 734)
Liquid assets and short-term negotiable securities	**(1 763 875)**	(1 801 065)
Net non current assets classified as held-for-sale	**1 145 549**	569 259
Net debt	**6 965**	372 579
Equity (including minority interest)	**14 197 482**	15 810 356
Net debt to equity ratio %	**0.0**	2.4

Notes to the financial statements continued

for the year ended 31 December 2017

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.10 Fair value measurement recognised in the consolidated statement of financial position

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 and 3 fair values was determined by applying a combination 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.

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

40 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

40.10 Fair value measurement recognised in the consolidated statement of financial position (continued)

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
2016				
Financial Assets				
Derivative financial assets	–	3 255	–	3 255
Financial assets designated at fair value through profit or loss	–	753 752	1 084 948	1 838 700
Total	–	757 007	1 084 948	1 841 955
Financial Liabilities				
Derivative financial instruments	–	(26 365)	–	(26 365)
Other liabilities	–	(100 200)	–	(100 200)
Total	–	(126 565)	–	(126 565)

Reconciliation of Level 3 fair value measurements of financial assets

	2017 Level 3 R000	2016 Level 3 R000
Opening balance	**1 084 948**	888 133
Additions	**236 750**	158 499
Disposals	**(21 018)**	(993)
Losses recognised – in consolidated statement of other comprehensive income	**(1 221)**	(3 770)
Gains recognised – in consolidated income statement	**126 843**	43 079
Closing balance	**1 426 302**	1 084 948

41 SUBSEQUENT EVENTS

Except for the impact to separately list the shipping business, 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.

Interests in subsidiaries

for the year ended 31 December 2017

At 31 December 2017, 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.

	Notes	Share capital 2017 R000	Share capital 2016 R000	Effective holding 2017 %	Effective holding 2016 %
Incorporated in South Africa					
Grindrod Freight Investments (Pty) Ltd	F	**1 495**	1 495	**100**	100
Grindrod Management Services (Pty) Ltd	G			**–**	100
Grincor Shipping Holdings Ltd	D	**53**	53	**100**	100
Grindrod Shipping South Africa (Pty) Ltd	S	**5**	5	**100**	100
Unilog (Pty) Ltd	F			**100**	100
Unicorn Shipping Holdings Limited	D	**15 020**	15 020	**100**	100
Unicorn Shipping Operations (Pty) Ltd	D			**100**	100
Grindrod Financial Holdings Limited	B	**1 923**	1 923	**96**	96
Grindrod Trading Holdings (Pty) Ltd	T			**100**	100
Grindrod Freight Services (Pty) Ltd	F	**1**	1	**100**	100
AAS Logistics (Pty) Ltd	F			**100**	100
Calulo Logistics Holdings (Pty) Ltd	F			**100**	100
Incorporated in British Virgin Islands					
Swallow Enterprises Incorporated	G	**–**	415	**100**	100
Canosa Holdings Limited	G			**100**	100
Incorporated in Isle of Man					
Grindrod Shipping Limited	S			**100**	100
Grindrod Property Holdings Limited	G			**100**	100
Singapore					
Grindrod Shipping Pte Limited	S	**4 606 077**	4 405 677	**100**	100
Impairments					
Interest in subsidiaries (note 5)					

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

Investments Shares at original cost		Share-based payments to employees		Loans to subsidiary	
2017	2016	**2017**	2016	**2017**	2016
R000	R000	**R000**	R000	**R000**	R000
203 500	203 500	**610**	610		
		3 585	3 585	**–**	3 070 135
1	1				
506 308	506 308	**1 090**	1 090		
1 097 765	837 764			**–**	–
1 408 343	1 408 343			**–**	–
4 984 536	3 186 014	**10 753**	10 753	**–**	726 084
–	–				
–	–				
–	415			**–**	4 576
23 290	23 290				
–	–				
34 344	34 344				
4 289 364	4 083 677	**911**	911		
(1 432 048)					
11 115 403	10 283 656	**16 949**	16 949	**–**	3 800 795

Loan funds

at 31 December 2017

	Date of redemption	Current rate of interest per annum (%)	31 December 2017 Carrying Value R000	31 December 2017 Carrying Value US$000	31 December 2016 Carrying Value R000	31 December 2016 Carrying Value US$000
SECURED						
Foreign currency funding						
Financial liabilities measured at amortised cost						
Loans secured by mortgage bonds over ships	03/2018 – 11/2022	3.81 – 4.57	**1 445 969**	**116 705**	1 540 730	112 544
Loans secured by guarantee	06/2018	4.48	**1 002**	**81**	41 470	3 029
Asset finance and capitalised finance leases secured by vehicles and equipment	01/2018 – 06/2022	4.00 – 29.00	**315 761**	**25 485**	436 030	31 850
Local currency funding						
Financial liabilities measured at amortised cost						
Loans secured by mortgage bond over property, terminals and locomotives	09/2021 – 04/2024	9.00	**238 093**		305 852	
Asset finance and capitalised finance leases secured by vehicles and equipment	01/2018 – 12/2033	7.25 – 13.5	**154 424**		147 542	
AGGREGATE SECURED LONG TERM BORROWINGS			**2 155 249**		2 471 624	
Unsecured foreign currency funding			**–**		–	
Included non-current liabilities associated with assets held-for-sale			**(1 753 600)**		(414 045)	
Amount repayable within one year			**(106 220)**		(634 240)	
NET LONG-TERM BORROWINGS			**295 429**		1 423 339	
Closing Rand/USD exchange rate at 31 December 2017			**12.39**		13.69	
SECURITY						
Net book values of assets encumbered to secure long-term loans are as follows:			**4 254 320**		4 663 641	
Ships			**3 143 189**		3 336 748	
Land and buildings			**163 726**		349 967	
Equipment, plant and vehicles			**947 405**		976 926	

Financial services funding instruments

at 31 December 2017

	Date of redemption	Current rate of interest per annum (%)	31 December 2017 Carrying Value R000	31 December 2017 Carrying Value US$000	31 December 2016 Carrying Value R000	31 December 2016 Carrying Value US$000
SECURED						
Local funding						
Financial liabilities measured at amortised cost						
Loans secured by mortgage bond over property	12/2023	9.25	**85 473**		88 730	
AGGREGATE SECURED FINANCIAL SERVICES FUNDING INSTRUMENTS			**85 473**		88 730	
Loans secured by guarantee	06/2018 – 03/2020	9.07 – 9.97	**207 519**		296 708	
Listed corporate bond secured by guarantee	10/2018 – 11/2020	9.57	**371 392**		163 184	
Redeemable preference shares	07/2018 – 09/2018	7.68	**794 706**		446 054	
AGGREGATE FINANCIAL SERVICES FUNDING INSTRUMENTS			**1 459 090**		994 676	
Amount repayable within one year			**(738 953)**		(191 187)	
NET FINANCIAL SERVICES FUNDING INSTRUMENTS			**720 137**		803 489	

Rates linked to published South African market rates

Value added statement

for the year ended 31 December 2017

	CONSOLIDATED			
	2017 R000	**%**	2016* R000	%
Revenue	**3 059 422**		3 287 820	
Net cost of services	**(963 588)**		(1 265 118)	
Value added by operations	**2 095 834**		2 022 702	
Non-trading items	**129 272**		(59 672)	
Total value added	**2 225 106**		1 855 060	
Applied as follows:				
Employees' remuneration and service benefits	**986 461**	**44.3**	1 027 788	55.4
Taxation on income	**163 386**	**7.3**	182 216	9.8
Providers of share capital	**67 645**	**3.1**	67 970	3.7
Providers of loan capital	**97 850**	**4.4**	133 580	7.2
Reinvested in the business				
Depreciation and amortisation	**195 844**	**8.8**	231 135	12.5
Retained income	**713 920**	**32.1**	212 371	11.4
Total	**2 225 106**	**100.0**	1 855 060	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.

* Re-presented for discontinued operations as detailed in note 2.

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