



**GRINDROD
LIMITED**



ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014



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ANNUAL FINANCIAL STATEMENTS

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- 1 IVS PHINDA Handysize Bulk Carrier Built 2014 dwt 37 400
- 2 The transportation of a 310 tonne vessel by Vanguard's 22 axle 3 file self-propelled modular trailer
- 3 Containerised Cargo
- 4 Railway wagon bogie
- 5 Grindrod employee at Terminal de Carvão da Matola

■ APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The preparation of annual financial statements that fairly represent the results of the group and company in accordance with the Companies Act and International Financial Reporting Standards is ultimately the responsibility of the board. The board also ensures an independent audit of the 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 financial statements. No major breakdown in controls that could influence the reliability of the financial statements was experienced during 2014.

Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2015, and the application of solvency and liquidity tests, the board is further of the opinion that the Grindrod group has adequate resources to continue in operation for the foreseeable future. The annual financial statements were consequently prepared on a going concern basis.

At the board meeting held on 24 February 2015 the board of directors approved the annual financial statements and further authorised Mr MJ Hankinson and Mr AK Olivier, in their respective capacities as chairman and chief executive officer, to sign off the annual financial statements. The annual financial statements which appear on pages 9 to 92 are therefore signed on its behalf by:



MJ Hankinson
Chairman

Durban
24 February 2015



AK Olivier
Chief executive officer

Durban
24 February 2015

COMPLIANCE STATEMENT BY THE COMPANY SECRETARY

for the year ended 31 December 2014

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, that 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 2014.



CI Lewis

Group company secretary

Durban

24 February 2015

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2014

The preparation of the consolidated annual financial statements for the year ended 31 December 2014, which appear on pages 9 to 92, has been supervised by the group financial director of Grindrod Limited, Mr AG Waller.



AG Waller CA(SA)

Group financial director

Durban

24 February 2015

■ **AUDIT COMMITTEE REPORT**

The audit committee is a formal, statutory board subcommittee, 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.

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.

Attendance of the committee members at the meetings of the committee during the year is included on page 64 of the integrated annual report.

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 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 and King III. The chairman of the board may not serve on 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 Tantaswa Fubu (appointed 27 November 2014), Mike Groves (chairperson, re-appointed 28 May 2014, retired 26 November 2014), Walter Geach (re-appointed 28 May 2014), Grant Gelink (re-appointed 28 May 2014 and appointed as chairperson 26 November 2014) and Mike Hankinson (appointed 29 May 2013 until the annual general meeting on 28 May 2014). More details of these directors are given on pages 58 to 62 of the integrated annual report.

Fees paid to the committee members are reflected on page 74 in the remuneration report, and the proposed fees for 2015 are detailed on page 107 in the integrated annual report.

The committee invites the chairman, the CEO, the group financial director, internal audit manager and representatives of the external auditors to attend its meetings as required.

Committee members meet at scheduled meetings three times a year. Unscheduled meetings may be called when the committee is required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2014.

Key activities

During 2014 and in terms of its mandate, the audit committee gave consideration to, inter alia:

- review of combined assurance related to selected sustainability performance indicators included in the integrated annual report;
- the nomination of the independent external auditor and approval of their terms of engagement, fees for audit and non-audit services and review of the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit and limited assurance reports;
- assessment of the group financial director and the finance function;
- evaluating the independence, effectiveness and performance of the internal audit function and approval and review of the internal audit annual work plan;
- fraud risk management;
- the review and recommendation to the board for publicly disclosed financial information, including the interim results for the six months ended 30 June 2014;
- the review of the annual financial statements and results for the year ended 31 December 2014 and the 2014 integrated annual report in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- legislative and regulatory compliance within the scope of its mandate; and
- approval of the annual work plan for 2015.

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

Information technology

The board's responsibility for IT governance is delegated to the audit committee and overseen strategically by the IT PMO. More information is set out on pages 69 to 70 of the integrated annual report.

Internal audit

Internal audit is an independent, objective consultation and assurance function which is central to Grindrod's governance processes, internal control framework and risk management. The effectiveness of the internal audit function and scope restrictions are monitored and reviewed by the audit committee, as is the internal audit manager's appointment and performance. He reports functionally to the committee and administratively to the group financial director and has unrestricted access to the chairman of the committee.

The role of internal audit is contained in the Internal Audit Charter. The internal audit function reviews significant business, strategic and control risks to provide the audit committee with an assessment on the level of assurance that can be placed on governance and control across Grindrod. The charter makes provision for a risk-based approach to align the audit methodology to internal and external risks facing the company.

The internal audit function will continue to focus on assisting management with the development and embedding of internal financial control frameworks to identify financial reporting risks and ensure the adequacy of controls to address the risk of material misstatements of financial results. Further focus will be on the identification and assessment of key operational and strategic risks at a divisional and group level and on risk-based audits to provide assurance on key risks affecting the realisation of strategic business objectives.

Material findings and matters of significance are formally reported to the audit committee, with reports indicating the appropriate management and control of actual or potential risks.

External audit

Deloitte & Touche served as the group's registered external auditors for the 2014 financial year. The independence, expertise and objectivity of and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor were appraised by the audit committee, as were the terms of engagement and fees paid. The external auditors have unrestricted access to the chairman of the committee.

Group financial director

Following its assessment the committee confirms that, based on his qualifications, levels of experience, continuing professional education and the assessment of his knowledge, the group financial director, Andrew Waller, has the necessary expertise and experience to carry out his duties. The group financial director has unrestricted access to the chairman of the committee.

The committee also confirms that the finance function has appropriate levels of expertise, resources and experience to support company business.

Annual report

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2014, 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 International Accounting Standards Board (IASB), and fairly present the results of operations, cash flows and the financial position of Grindrod. On this basis, the committee recommended the annual financial statements of Grindrod for approval to the board of directors.

Integrated annual report

Having regard to material factors and risks that may impact on the integrity of integrated reporting, and following the committee's review of this report, it recommended that the board of directors approve the integrated annual report of Grindrod for the year ended 31 December 2014.

In anticipation of his 70th birthday, Mike Groves retired as a director of the board. I and my fellow-committee members extend our thanks to Mike for his years of service as chairman and valued contribution to the audit committee.

On behalf of the audit committee



Grant Gelink
Chairman

Durban
17 February 2015

■ DIRECTORS' REPORT

for the year ended 31 December 2014

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2014.

Nature of business

The nature of the group's business is set out under the divisional reviews on pages 26 to 31 of the integrated annual report 2014.

Review of operations

The financial results for the year ended 31 December 2014, including the results of operations are dealt with in the consolidated income statements, statements of comprehensive income, segmental analysis and operational review on pages 10 to 11 and 14 to 15 of these annual financial statements.

The year under review is fully covered in the chairman's, the chief executive's and the financial director's reviews.

Acquisitions and disposals

During the year under review, business alignment and efficiency improvements were achieved through the acquisition of the interests held by the group's long-term B-BBEE partners, Calulo Investments and Solethu Investments, in certain operating subsidiaries and joint ventures. As part of this transaction, the following material acquisitions took place in the group:

- 49.0% in RRL Grindrod Locomotives Proprietary Limited;
- 50.0% in Grindrod Rail Operations Limited;
- 50.0% in Unicorn Calulo Shipping Services Proprietary Limited;
- 25.1% in Unicorn Calulo Bunker Services Proprietary Limited;
- 50.0% in Sturrock Grindrod Maritime Holdings Proprietary Limited;
- 25.0% in Grindrod (South Africa) Proprietary Limited;
- 25.1% in Grindrod Rail Construction Proprietary Limited; and
- 30.0% in Grindrod Corridor Management Proprietary Limited.

The company acquired Basfour 2052 Proprietary Limited's 3.45% investment in Grindrod Financial Holdings Limited and GFS Holdings Proprietary Limited.

The group also undertook a number of smaller acquisitions and disposals during the year. Details of all acquisition and disposal transactions are contained in note 18 and 38 to these annual financial statements.

Share capital

Details of the authorised and issued shares are shown on page 55 and the share analysis is shown on pages 104 to 105 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 issued share capital increased by 161 288 000 ordinary shares (96 000 000 on 16 May 2014 and 65 288 000 on 29 July 2014) as a result of the Bookbuild and Consortium Placement.

Dividends

The directors have declared a final dividend of 20.0 cents per ordinary share (2013: 17.1 cents). Dividends paid or payable in respect of the year were as follows:

	Date of declaration (cents)	Last day to trade cum-dividend	Trading ex-dividend commences	Record date	Payment date	Amount per share (cents)
Interim	21.08.2014	12.09.2014	15.09.2014	19.09.2014	22.09.2014	13.6
Final	25.02.2014	13.03.2015	16.03.2015	20.03.2015	23.03.2015	20.0

The directors have also declared a dividend of 409.0 cents (2013: 377.0) cents per preference share which will be paid on the same day as the final dividend to ordinary shareholders.

Special resolutions

The company was authorised to issue Grindrod shares to Zungu Investment Company Proprietary Limited and the Consortium being a group of black strategic investors, comprising inter alia Calulo Investments Proprietary Limited and Solethu Investments Proprietary Limited, pursuant to the Bookbuild Placement.

Special resolutions were passed by certain subsidiaries within the group to accommodate the acquisition of various businesses and to amend their memorandum of incorporation.

Subsidiary companies

Information on subsidiary and associated companies is contained in notes 4,5 and 6 respectively on pages 38 to 41. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 18 to 21 and 26 to 31 of the integrated report.

Directorate and company secretary

Brief curricula vitae of the current directors are disclosed on pages 58 to 62 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear on pages 74 to 81 of the integrated annual report.

Mr IAJ Clark resigned as chairman of the board and member of the remuneration and nominations committee on 30 April 2014.

Mr MJ Hankinson was appointed as chairman of the board and chairman of the nominations committee on 1 May 2014.

Captain DA Rennie, executive director, passed away on 12 September 2014.

Mr IM Groves resigned as lead independent non-executive director, chairman of the audit committee and member of the remuneration and nomination committee on 26 November 2014.

Ms T Fubu was appointed as independent non-executive director and member of the audit committee on 27 November 2014.

According to the company's Memorandum of Incorporation, at the forthcoming annual general meeting, Messrs AC Brahde, GG Gelink and MJ Hankinson retire by rotation. All are eligible and have offered themselves for re-election.

The registered office of the company is as follows:

Business address

Quadrant House
115 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 22 on page 58.

Audit committee

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

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on page 104 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, shareholders will be requested to pass an ordinary resolution re-appointing Deloitte as the company's independent registered auditors and Mr C Sagar as designated audit partner.

Post balance sheet events

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

Going concern

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

■ INDEPENDENT AUDITORS' REPORT

To the shareholders of Grindrod Limited

We have audited the consolidated and separate financial statements of Grindrod Limited set out on pages 9 to 92, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

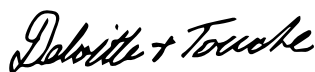
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Grindrod Limited as at 31 December 2014, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche
Registered Auditors

Per: **CA Sagar**
Partner

24 February 2015

2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia 4051

National Executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit DL Kennedy Risk Advisory
*NB Kader Tax TP Pillay Consulting *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy
S Gwala Managed Services *TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board
Regional Leader: *GC Brazier

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Notes	Group		Company	
		2014 R000	2013 R000	2014 R000	2013 R000
Assets					
Non-current assets					
Ships, property, terminals, vehicles and equipment	2	7 328 376	6 698 871		
Intangible assets	3	1 552 439	559 763		
Investments in subsidiaries	4	–	–	9 576 757	8 629 595
Investments in joint ventures	5	3 883 263	3 616 166		
Investments in associates	6	849 303	788 118		
Investment property	7	115 235	–		
Other investments	8	1 027 291	493 161	419 797	–
Deferred taxation	9	191 704	99 772	2 079	1 516
Derivative financial assets	10	–	–		
Finance lease receivables	11	32 854	–		
Recoverables on cancelled ships	12	300 723	236 440		
Total non-current assets		15 281 188	12 492 291	9 998 633	8 631 111
Loans and advances to bank customers	13	4 306 693	3 674 567		
Current assets					
Liquid assets and short-term negotiable securities	14	990 024	1 044 432		
Inventories	15	628 511	285 921		
Trade and other receivables	16	3 481 633	2 406 407	3 846 048	1 252 929
Taxation		43 917	25 728	–	12 718
Short-term loans	17	149 556	–		
Cash and cash equivalents		7 404 912	6 076 314	2 807	2 538
		12 698 553	9 838 802	3 848 855	1 268 185
Non-current assets classified as held for sale	18	513 586	2 416 467		
Total current assets		13 212 139	12 255 269	3 848 855	1 268 185
Total assets		32 800 020	28 422 127	13 847 488	9 899 296
Equity and liabilities					
Capital and reserves					
Share capital and premium	19	5 982 926	2 036 994	6 401 119	2 422 546
Equity compensation reserve		57 566	50 551	16 885	18 472
Non-distributable reserves		2 538 250	1 893 363		
Accumulated profit		8 853 554	8 055 520	7 328 796	7 338 296
Equity attributable to owners of the company		17 432 296	12 036 428	13 746 800	9 779 314
Non-controlling interests		48 185	96 239		
Total equity		17 480 481	12 132 667	13 746 800	9 779 314
Non-current liabilities					
Long-term borrowings	20	2 263 292	1 973 390		
Financial services funding instruments	21	362 717	1 082 986		
Derivative financial liabilities	10	30 516	10 199		
Deferred taxation	9	131 643	144 426		
Provision for post-retirement medical aid	22	60 019	48 175		
Provisions	23	66 130	52 436		
Total non-current liabilities		2 914 317	3 311 612	–	–
Deposits from bank customers	24	7 809 523	8 014 890		
Current liabilities					
Trade and other payables	25	2 190 591	1 339 637	96 200	119 982
Provisions	23	44 875	48 138		
Current portion of long-term borrowings	20	651 669	697 593		
Current portion of financial services funding instruments	21	922 550	160 253		
Short-term borrowings and overdraft	20	580 752	429 481		
Taxation		87 527	72 617	4 488	–
		4 477 964	2 747 719	100 688	119 982
Non-current liabilities associated with assets classified as held for sale	18	117 735	2 215 239		
Total current liabilities		4 595 699	4 962 958	100 688	119 982
Total equity and liabilities		32 800 020	28 422 127	13 847 488	9 899 296

■ INCOME STATEMENTS

for the year ended 31 December 2014

		Group		Company	
	Notes	2014 R000	2013 R000	2014 R000	2013 R000
Revenue	26	13 912 482	15 662 026	284 376	2 966 623
Other income	27	737 707	702 092	86	–
Operating expenses	27	(13 484 178)	(15 477 428)	(35 583)	(45 302)
Earnings before interest, taxation, depreciation and amortisation		1 166 011	886 690	248 879	2 921 321
Depreciation and amortisation	27	(547 143)	(463 112)	–	–
Operating profit before interest and taxation		618 868	423 578	248 879	2 921 321
Non-trading items	28	235 256	479 460	–	(136 969)
Interest received	29	234 687	129 961	13 979	292
Interest paid	29	(216 621)	(222 891)	(884)	–
Profit before share of associate and joint venture companies' profit		872 190	810 108	261 974	2 784 644
Share of joint venture companies' profit after taxation	5	314 265	545 132		
Share of associate companies' profit after taxation	6	83 145	23 350		
Profit before taxation		1 269 600	1 378 590	261 974	2 784 644
Taxation	30	(193 623)	(116 540)	(6 010)	598
Profit for the year		1 075 977	1 262 050	255 964	2 785 242
Attributable to:					
Owners of the parent/company		1 060 285	1 232 526	255 964	2 785 242
Non-controlling interests		15 692	29 524		
		1 075 977	1 262 050	255 964	2 785 242
Earnings per share (cents)	31				
Basic		147.6	199.1		
Diluted		146.9	198.3		
Dividends per share (cents)		33.6	37.1		
Interim		13.6	20.0		
Final		20.0	17.1		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
Profit for the year	1 075 977	1 262 050	255 964	2 785 242
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	844 873	1 618 579		
Cash flow hedges	(77 368)	(1 038)		
Business combination acquisition	(1 455)	(9 148)		
Fair value loss arising on available-for-sale investments	-	(25 029)		
Reclassification of available-for-sale investments	-	50 029		
Items that will not be reclassified subsequently to profit and loss				
Actuarial gains	1 147	8 579		
Total comprehensive income for the year	1 843 174	2 904 022	255 964	2 785 242
Total comprehensive income attributable to:				
Owners of the parent	1 827 181	2 865 201	255 964	2 785 242
Non-controlling interests	15 993	38 821		
	1 843 174	2 904 022	255 964	2 785 242

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Notes	Group		Company	
		2014 R000	2013 R000	2014 R000	2013 R000
Operating activities					
Cash receipts from charter hire		1 080 076	616 573		
Cash receipts from freight		3 704 090	2 917 937		
Cash receipts from commodity sales		4 639 865	8 054 086		
Interest income from financial institution		494 716	392 862		
Interest expense from financial institution		(412 034)	(302 310)		
Dividend income from financial institution		60 428	47 613		
Corporate and structured finance fee income and other income		233 836	244 450		
Handling revenue		3 896 581	3 003 166		
Other revenue		91 260	174 736	33 899	48 813
Cash receipts on sale of ships		234 335	306 061		
Cash receipts from customers		14 023 153	15 455 174	33 899	48 813
Cash payments to suppliers and employees		(12 537 388)	(14 807 346)	(34 090)	(71 092)
Cash generated from/(absorbed by) operations	37.1	1 485 765	647 828	(191)	(22 279)
Interest received		182 837	129 961	1 082	292
Interest paid		(217 400)	(222 891)	(884)	-
Dividends received		95 298	85 796	250 477	2 945 041
Dividends paid	37.2	(265 405)	(259 666)	(263 962)	(268 032)
Taxation paid	37.3	(223 789)	(219 585)	10 633	(12 529)
Net proceeds on disposal of ships		1 057 306	161 443	(2 845)	2 642 493
Proceeds on disposal of ships		118 096	503 309		
Cash payments of ships options exercised		234 317	306 061		
Refund on ships under construction cancelled		(116 221)	-		
		-	197 248		
Capital expenditure on ships and locomotives	37.4	(192 694)	(406 251)		
Cash flows from operating activities of financial institutions					
Advances to customers		(632 126)	(469 794)		
Liquid assets and short-term negotiable securities		54 408	(418 054)		
Deposits (to)/from customers		(205 367)	3 353 544		
Net cash flows generated/(absorbed) from operating activities		199 623	2 724 197	(2 845)	2 642 493
Investing activities					
Property, terminals, vehicles and equipment acquired	37.4	(379 929)	(661 881)		
Acquisition of other investments		(91 124)	(171 056)		
Acquisition of subsidiaries, joint ventures, associates	37.5	(484 901)	(801 751)	(1 357 321)	(3 080 584)
Acquisition of additional investments in subsidiaries, joint ventures and associates		(183 634)	(107 451)		
Proceeds on disposal of property, terminals, vehicles and equipment		93 068	51 481		
Proceeds from disposal of non-current assets and liabilities held for sale		267 764	-		
Proceeds from disposal of investments	37.6	22 441	109 408		
Intangibles assets acquired		(58 248)	(63 162)		
Proceeds on disposal of intangible assets		-	175		
Loans advanced from joint ventures and associate companies		28 773	100 074		
Acquisition of preference share capital		(400 000)	-		
Acquisition of finance lease receivable		(4 834)	-	(2 618 138)	426 917
Net cash flows utilised in investing activities		(1 190 624)	(1 544 163)	(3 975 459)	(2 653 667)
Financing activities					
Net proceeds from issue of ordinary share capital		3 978 573	11 737	3 978 573	11 737
Repurchase of preference share capital		(37 563)	-		
Proceeds from disposal of treasury shares		144	-		
Long-term interest-bearing debt raised		726 945	811 560		
Payment of capital portion of long-term interest-bearing debt		(1 080 843)	(720 807)		
Short-term interest-bearing debt (repaid)/raised		(1 588 273)	571 560		
Net cash flows from financing activities		1 998 983	674 050	3 978 573	11 737
Net increase in cash and cash equivalents		1 007 982	1 854 084	269	563
Cash and cash equivalents at beginning of year		6 131 503	4 250 250	2 538	1 975
Difference arising on translation		49 141	27 169		
Cash and cash equivalents at end of year	37.7	7 188 626	6 131 503	2 807	2 538

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
Share capital and share premium	5 982 924	2 036 992	6 401 117	2 422 544
Balance at beginning of the year	2 036 992	2 025 255	2 422 544	2 410 807
Share options exercised	4 778	11 737		
Treasury shares sold	144	–		
Shares issued	3 978 573	–	3 978 573	11 737
Treasury shares acquired	(37 563)	–		
Preference share capital	2	2	2	2
Balance at beginning of the year	2	2	2	2
Equity compensation reserve	57 566	50 551	16 885	18 472
Balance at beginning of the year	50 551	42 126	18 472	17 510
Share-based payments	11 793	8 425	(1 587)	962
Share options exercised	(4 778)	–		
Foreign currency translation reserve	2 661 342	1 916 514	–	–
Balance at beginning of the year	1 916 514	1 005 260		
Foreign currency translation realised	(99 744)	(698 028)		
Foreign currency translation adjustments	844 572	1 609 282		
Other non-distributable reserves	(123 092)	(23 151)	–	–
Balance at beginning of the year	(23 151)	(37 965)		
Fair value adjustment of available-for-sale financial instrument	–	(25 029)		
Foreign currency translation adjustments	(1 455)	–		
Reclassification of available-for-sale financial investments	–	50 029		
Business combination release	(21 118)	(9 148)		
Deferred tax effect on cash flow hedge	(393)	–		
Cash flow hedges	(76 975)	(1 038)		
Movement in accumulated profit	8 853 554	8 055 520	7 328 796	7 338 296
Balance at beginning of the year	8 055 520	7 079 678	7 338 296	4 820 749
Actuarial gains recognised	1 147	8 579		
Comprehensive income for the year	1 060 285	1 232 526	255 964	2 785 242
Ordinary dividends paid	(204 304)	(209 909)	(206 370)	(212 341)
Preference dividends paid	(59 094)	(55 354)	(59 094)	(55 354)
Total interest of shareholders of the company	17 432 296	12 036 428	13 746 800	9 779 314
Equity attributable to non-controlling interests of the company	48 185	96 239	–	–
Balance at beginning of the year	96 239	126 533		
Foreign currency translation adjustments	301	9 297		
Business acquisitions/(disposal)	21 548	(54 502)		
Non-controlling interests acquired	(78 685)	–		
Profit for the year	15 692	29 524		
Dividends paid	(6 910)	(14 613)		
Total equity attributable to all shareholders of the company	17 480 481	12 132 667	13 746 800	9 779 314

■ SEGMENTAL ANALYSIS

for the year ended 31 December 2014

The information reported to the chief operating decision maker has been provided in the following segments, namely Shipping, Freight Services, Financial Services and Group. These divisions are the basis on which the group reports its primary segment information. The principal services of each of these segments are described on pages 10 to 11 of the integrated annual report.

Business segments	Freight Services		Shipping		Financial Services	
	2014 R000	2013* R000	2014 R000	2013* R000	2014 R000	2013* R000
Revenue – External	5 653 512	5 853 538	22 106 063	18 472 198	376 912	370 790
Revenue – Internal	50 490	48 588	253 286	224 052	6 712	5 597
Trading (loss)/profit (excluding amortisation)	1 053 611	1 175 217	638 913	690 455	175 210	156 138
Depreciation and amortisation	(321 538)	(262 718)	(411 492)	(344 236)	(3 809)	(1 682)
Operating (loss)/profit	732 073	912 499	227 421	346 219	171 401	154 456
Non-trading items	78 977	77 648	48 872	600 922	–	–
Share of associate companies' profit/(loss) after taxation	79 538	30 625	–	–	–	–
Segment result excluding net interest and taxation	890 588	1 020 772	276 293	947 141	171 401	154 456
Interest received	81 445	38 935	66 053	15 263	–	–
Interest paid	(140 145)	(121 804)	(93 720)	(79 016)	–	(7 635)
Taxation	(171 096)	(235 174)	(23 581)	(25 204)	(30 247)	(26 861)
Profit/(loss) for the year	660 792	702 729	225 045	858 184	141 154	119 960
Non-controlling interest shareholders	(23 630)	(21 506)	(1 280)	(5 801)	(9 147)	(9 006)
Profit attributable to shareholders	637 162	681 223	223 765	852 383	132 007	110 954
Preference dividends	(23 893)	(22 141)	–	–	(20 028)	(18 700)
Profit/(loss) attributable to ordinary shareholders	613 269	659 082	223 765	852 383	111 979	92 254
Capital expenditure	1 354 502	1 670 240	980 940	923 150	15 208	137 158
Total segment assets	11 505 926	8 622 028	11 733 964	10 049 027	10 407 921	10 377 050
Segment assets excluding investments in associates	9 819 009	7 131 073	11 733 964	10 049 027	10 407 921	10 377 050
Investments in associates	1 686 917	1 490 955	–	–	–	–
Segment liabilities**	(5 261 446)	(3 735 822)	(6 241 492)	(4 964 536)	(9 409 886)	(9 521 995)

* Trading businesses have now been included in the Freight Services and Shipping divisions.

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

The group's four divisions operate in seven principal geographical areas – North America/Bermuda, South America, the Middle East, United Kingdom/Europe/Isle of Man, Singapore/Asia/Far East/Australia and southern Africa. Refer to divisional report for detail on the various regions.

Geographic segments	North America/Bermuda		South America	
	2014 R000	2013* R000	2014 R000	2013* R000
Revenue – External	688 055	242 355	983 902	1 150 541
Profit/(loss) attributable to ordinary shareholders	(6 878)	–	(513)	(1 034)
Capital expenditure	–	–	–	14 501
Segment assets	47 439	4 286	151 964	222 449

Geographic segments	Singapore/Asia/Far East/ Australia		Rest of Africa	
	2014 R000	2013* R000	2014 R000	2013* R000
Revenue – External	14 118 844	13 412 164	2 827 627	1 539 348
Profit attributable to ordinary shareholders	(132 763)	711 253	354 027	363 478
Capital expenditure	821 331	923 150	430 255	584 435
Segment assets	6 865 780	9 405 466	4 914 336	3 940 217

* Trading businesses have now been included in the Freight Services and Shipping divisions.

Group		Total Group					
2014 R000	2013* R000	2014 Total R000	2014 Adjustments* R000	2014 Total R000	2013* Total R000	2013* Adjustments R000	2013* Total R000
4 580 465	7 438 466	32 716 952	(18 804 470)	13 912 482	32 134 992	(16 472 966)	15 662 026
334 834	493 938	645 322	-	645 322	772 175	-	772 175
(42 750)	(260 695)	1 824 984	(658 973)	1 166 011	1 761 115	(874 425)	886 690
(15 847)	(9 688)	(752 686)	205 543	(547 143)	(618 324)	155 212	(463 112)
(58 597)	(270 383)	1 072 298	(453 430)	618 868	1 142 791	(719 213)	423 578
103 548	(194 655)	231 397	3 859	235 256	483 915	(4 455)	479 460
3 607	(7 275)	83 145	314 265	397 410	23 350	545 132	568 482
48 558	(472 313)	1 386 840	(135 306)	1 251 534	1 650 056	(178 536)	1 471 520
100 300	106 880	247 798	(13 111)	234 687	161 078	(31 117)	129 961
(59 951)	(104 698)	(293 816)	77 195	(216 621)	(313 153)	90 262	(222 891)
(33 004)	57 304	(257 928)	64 305	(193 623)	(229 935)	113 395	(116 540)
55 903	(412 827)	1 082 894	(6 917)	1 075 977	1 268 046	(5 996)	1 262 050
11 448	793	(22 609)	6 917	(15 692)	(35 520)	5 996	(29 524)
67 351	(412 034)	1 060 285	-	1 060 285	1 232 526	-	1 232 526
(15 173)	(14 513)	(59 094)	-	(59 094)	(55 354)	-	(55 354)
52 178	(426 547)	1 001 191	-	1 001 191	1 177 172	-	1 177 172
97 418	137 933	2 448 068	(802 542)	1 645 526	2 868 481	(847 528)	2 020 953
3 658 807	3 537 636	37 306 618	(4 506 598)	32 800 020	32 585 741	(4 163 614)	28 422 127
3 658 807	3 537 636	35 619 701	(3 668 984)	31 950 717	31 094 786	(3 460 777)	27 634 009
-	-	1 686 917	(837 614)	849 303	1 490 955	(702 837)	788 118
1 096 514	(2 226 597)	(19 816 310)	4 496 771	(15 319 539)	(20 448 950)	4 159 490	(16 289 460)

Middle East		United Kingdom/Europe/ Isle of Man	
2014 R000	2013* R000	2014 R000	2013* R000
149 869	365 246	5 134 152	4 004 989
99 716	-	(72 593)	8 937
-	-	-	-
282 423	531 605	1 658 115	1 032 597

South Africa		Total Group	
2014 R000	2013* R000	2014 R000	2013* R000
8 814 503	11 420 349	32 716 952	32 134 992
760 195	94 538	1 001 191	1 177 172
1 196 482	1 346 395	2 448 068	2 868 481
23 386 561	17 449 121	37 306 618	32 585 741

■ ACCOUNTING POLICIES

for the year ended 31 December 2014

Basis of preparation

Accounting framework

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) using the historical cost basis except for certain financial instruments and investment properties that are stated at fair value.

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

Company financial statements

Subsidiaries, associates and joint ventures

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

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

Consolidated financial statements

Interests in subsidiaries

The consolidated 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 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, is 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 remeasurement gain or loss, that forms part of the total gain or loss on the disposal of the subsidiary, is recognised in profit or loss. Group policy is that recognition of the gain or loss is to the extent of the unrelated investors' interests in the associate or joint venture.

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 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 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 recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 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.

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.

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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 drydocked 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 drydocking as they occur by adding them to the cost of the vessel and amortises these costs on the straight-line basis over five years, which is generally the period until the next scheduled drydocking.

In cases where drydocking takes place earlier than five years since the previous one, the carrying amount of the previous drydocking is derecognised. In the event of a vessel sale, the respective carrying values of drydocking 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 drydocking 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 drydocking 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.

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.

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

Deferred taxation assets and liabilities

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 amounts 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.

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 rate 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 available-for-sale 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.

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk 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.

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 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.

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 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.

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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.

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 are 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

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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.

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 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 vessels that are 15 years or older. As a result vessels are depreciated over 15 years to the expected residual value of a vessel of a similar age and specification. Management reassesses the depreciation period of vessels that surpass this limit with special consideration of the condition of the vessel and the purpose for which the vessel 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 vessel. The current market-related scrap values for demolitions in the Far East and India are used for older vessels.

■ ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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 judgement in assessing the likelihood that business plans will be achieved and that the deferred taxation assets are recoverable.

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are considered for impairment at least annually. Property, terminals, vehicles and equipment, and intangible assets 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 and where it is a component of a larger economic unit, the viability of that unit itself.

Ships (owned and leased) and ships under construction are considered for impairment annually.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, 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.

Cash flows which are utilised in these assessments are extracted from formal three-year business plans which are updated annually.

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 23 provides more detail on these provisions.

Management has estimated the onerous contract provisions based on expected ship running costs, fuel costs and freight rates for the remaining period of the charter contracts and contracts of affreightment (based on the entire pool earnings). The estimates have been made with reference to the current expenditure and current freight rates and market projections from reputable business partners.

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 40 provides more detail.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. New and revised standards and interpretations affecting amounts reported in the current year

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 1.3.

1.1 New and revised IFRSs affecting presentation and disclosure only

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

1.2 New and revised IFRSs affecting the reported financial performance and/or financial position

The group adopted the following new and revised IFRSs in prior years:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
IAS 27	Separate Financial Statements

1.3 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated 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 but may affect the accounting for future transactions or arrangements.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
Amendments IAS 36	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

1.4 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 ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to IFRS 2	Share-Based Payments: Amendments to definition of vesting condition ⁴
Amendments to IFRS 3	Business Combinations: Amendments to Accounting for contingent consideration in a business combination ⁴
Amendments to IAS 16	Property, Plant and Equipment: Amendments to revaluation method ⁴
Amendments to IAS 24	Related party disclosure: Amendments to key management personnel ⁴
Amendments to IAS 38	Intangible Assets: Amendments to revaluation method ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset, give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the group undertakes a detailed review.

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 principle 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 five-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.

The directors of the company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently the group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the group's consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or attribute them to the employees' periods of service either using the plan's contribution formula or on a straight-line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the group's consolidated financial statements.

Annual Improvements 2010 – 2012 Cycle

Makes amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 – Clarify how payments to entities providing management services are to be disclosed

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.

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

			Group		
			2014 R000	2013 R000	
		Cost/ valuation	Accumulated depreciation, amortisation and impairment	Carrying value	Carrying value
2. Ships, property, terminals, vehicles and equipment					
Freehold and leasehold properties					
Opening balance	893 338	(174 731)	718 607	512 936	
Translation gain	15 297	(2 194)	13 103	22 127	
Reclassification	29 024	(110)	28 914	(14 027)	
Additions and improvements	55 230	–	55 230	109 167	
Acquisition of businesses	11 022	–	11 022	4 777	
Disposals	(12 847)	2 513	(10 334)	(400)	
Depreciation and amortisation	–	(24 118)	(24 118)	(22 258)	
Transferred to non-current assets classified as held for sale	–	–	–	(16 500)	
Transferred (to)/from investment property	(90 690)	–	(90 690)	122 785	
Closing balance	900 374	(198 640)	701 734	718 607	
Ships					
Opening balance	5 755 443	(1 181 063)	4 574 380	3 568 085	
Translation gain	525 958	(104 110)	421 848	860 683	
Additions	192 694	–	192 694	179 164	
Depreciation and amortisation	–	(295 102)	(295 102)	(259 577)	
Impairment	–	(86 279)	(86 279)	(44 866)	
Reclassification	(9 250)	9 250	–	270 891	
Closing balance	6 464 845	(1 657 304)	4 807 541	4 574 380	
Ships under construction					
Opening balance	–	–	–	297 061	
Translation gain	–	–	–	41 499	
Additions	–	–	–	227 087	
Reclassification	–	–	–	(565 647)	
Closing balance	–	–	–	–	
Property under construction					
Opening balance	106 371	–	106 371	14 134	
Translation gain	743	–	743	230	
Additions	116 267	–	116 267	93 234	
Acquisition of businesses	3 111	–	3 111	2 604	
Transferred from/(to) non-current assets classified as held for sale	1 539	–	1 539	(1 539)	
Reclassification	(27 109)	–	(27 109)	(2 292)	
Closing balance	200 922	–	200 922	106 371	

		Group		
		2014 R000	2013 R000	
		Carrying value	Carrying value	
		Cost/ valuation	Accumulated depreciation, amortisation and impairment	
2. Ships, property, terminals, vehicles and equipment				
	<i>(continued)</i>			
Terminals, vehicles and equipment				
Opening balance	2 159 138	(957 917)	1 201 221	940 824
Translation gain	90 140	(18 571)	71 569	63 855
Reclassification	61 273	(29 962)	31 311	(986)
Additions	206 133	–	206 133	358 418
Acquisition of businesses	473 945	–	473 945	79 197
Impairment	–	(145 357)	(145 357)	–
Disposals	(324 053)	237 079	(86 974)	(39 027)
Depreciation	–	(197 287)	(197 287)	(155 432)
Transferred from/(to) non-current assets classified as held for sale	581	(907)	(326)	(45 628)
Closing balance	2 667 157	(1 112 922)	1 554 235	1 201 221
Leased terminals, vehicles and equipment				
Opening balance	184 284	(85 992)	98 292	110 717
Translation (loss)/gain	(1 662)	465	(1 197)	3 931
Reclassification	(53 023)	34 696	(18 327)	–
Additions	–	–	–	12 778
Disposals	(3 890)	2 107	(1 783)	(12 829)
Depreciation	–	(13 041)	(13 041)	(16 305)
Closing balance	125 709	(61 765)	63 944	98 292
Aggregate	10 359 007	(3 030 631)	7 328 376	6 698 871

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

Group 2013	Cost/ valuation	Accumulated depreciation amortisation and impairment	Carrying value
2. Ships, property, terminals, vehicles and equipment (continued)			
Freehold and leasehold properties	893 338	(174 731)	718 607
Ships	5 755 443	(1 181 063)	4 574 380
Property under construction	106 371	–	106 371
Terminals, vehicles and equipment	2 159 138	(957 917)	1 201 221
Leased terminals, vehicles and equipment	184 284	(85 992)	98 292
	9 098 574	(2 399 703)	6 698 871

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

Certain assets are encumbered in respect of capitalised lease and loan liabilities, details of which are shown under loan funds on page 91.

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\$520 800 000 (2013: US\$433 440 000).

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, vehicles and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R9 766 083 000 (2013: R8 662 000 000).

Impairment

During the year, the Shipping segment impaired a venture bulker and small tankers by R86 279 000 to its market value. Market value is based on the estimated sale price as the intention is to recover the value through sale.

The Freight segment impaired carrier logistics assets of R145 357 000 based on the value in use and asset utilisation.

In the prior year, the Shipping segment impaired a ship by R44 866 000 to its market value.

			Group		
			2014 R000	2013 R000	
		Cost/ valuation	Accumulated amortisation and impairment losses	Carrying value	Carrying value
3. Intangible assets					
3.1 Goodwill					
Opening balance	667 987	(186 447)	481 540	633 931	
Translation gain	8 624	–	8 624	7 850	
Recognised on acquisition of businesses	891 965	–	891 965	85 545	
Acquired	132 998	–	132 998	–	
Disposal of business	(629)	–	(629)	–	
Impairment	–	(20 000)	(20 000)	(186 447)	
Transferred to non-current assets classified as held for sale	(67 377)	–	(67 377)	(59 339)	
Closing balance	1 633 568	(206 447)	1 427 121	481 540	
3.2 Other intangible assets					
Opening balance	147 072	(68 849)	78 223	45 712	
Translation gain	3 846	(3 654)	192	1 968	
Reclassification	(17 744)	–	(17 744)	978	
Additions	58 248	–	58 248	63 161	
Recognised on acquisition of businesses	–	–	–	16 205	
Disposals	–	–	–	(175)	
Impairment	–	(1 759)	(1 759)	(14 118)	
Amortisation	–	(17 595)	(17 595)	(9 540)	
Transferred from/(to) non-current assets classified as held for sale	40 379	(14 626)	25 753	(25 968)	
Closing balance	231 801	(106 483)	125 318	78 223	
Total	1 865 369	(312 930)	1 552 439	559 763	

Impairment testing of goodwill

An impairment of R20 000 000 was recognised in the group's mineral logistics business based on the market value of the business which has been classified as non-current assets held for sale.

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 10% and 12% per annum. 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 5% and 5.58% 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 testing of intangible assets

An impairment of R1 759 000 was recognised for software as a result of a re-evaluation of business requirements that resulted in a change of how the software was expected to be utilised.

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

3. Intangible assets (continued)

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the underlying discrete 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:

	Group	
	2014 R000	2013 R000
Shipping	265 045	30 612
Grindrod Seafreight	108 505	108 505
Freight Services		
Grindrod Terminals	12 327	12 327
Grindrod Integrated Logistics	343 121	25 080
Grindrod Carrier Logistics	155 625	155 401
Grindrod Rail	487 890	13 195
Mineral Logistics	–	81 812
Financial Services	54 608	54 608
	1 427 121	481 540
Significant other intangible assets		
Included in other intangible assets above are:		
<i>Leases</i>		
Intangible asset raised on acquisition of businesses in respect of the inherent value attached to beneficial lease agreements.	28 812	–
<i>SAP systems</i>		
Financial systems implemented for processing	62 452	16 779
<i>Software</i>	15 288	41 752

Write-off periods of other intangible assets

Intangible assets are written off over periods ranging from two (2013: three) to 20 (2013: 25) years.

	Company	
	2014 R000	2013 R000
4. Investments in subsidiaries		
Investments in subsidiaries	9 559 808	8 612 646
Share-based payments	16 949	16 949
	9 576 757	8 629 595

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 89.

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 the integrated annual report pages 12 to 13.

		Group	
		2014	2013
		%	%
5. 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:			
Handyventure Singapore Pte Ltd	Shipowning and operating	50.0	50.0
Petrochemical Shipping Limited	Shipowning	50.0	50.0
Röhlig-Grindrod Proprietary Limited	Clearing and forwarding	42.5	42.5
Unicorn Calulo Shipping Services Proprietary Limited	Barge operations	–	50.0
Chromtech Holdings Proprietary Limited	Minerals trading	50.0	50.0
Tri-view Shipping Pte Ltd	Shipowning and operating	51.0	51.0
Vanguard Rigging Proprietary Limited	Machine handling, rigging and transport services	50.0	50.0
IM Shipping Pte Ltd	Shipowning and operating	51.0	51.0
Portus Indico-Sociedade de Servicos Portuarios SA	Port operations	48.5	48.5
New Limpopo Bridge Projects Limited	Rail	50.0	50.0
RRL Grindrod Proprietary Limited	Rail operations	–	50.0
RRL Grindrod Locomotives Proprietary Limited	Rail owning	–	51.0
GPR Leasing Africa Limited	Rail leasing	55.0	–
Jacobs Bulk Milling Proprietary Limited	Milling and blending of agricultural commodity	50.0	50.0
Island Bulk Carriers Pte Ltd	Shipowning and operating	65.0	65.0
Maputo Intermodal Container Depot SA	Storage and logistics	50.0	50.0
Sturrock Grindrod Maritime Holdings Proprietary Limited	Ships agencies	–	50.0
Leopard Tankers Pte Ltd	Shipowning and operating	50.0	50.0
Cockett Marine Oil Pte Ltd	Marine fuel and lubricants	50.0	50.0
Cockett Marine South Africa Proprietary Limited	Marine fuel and lubricants	50.0	50.0
Vitol Coal South Africa BV	Trading	35.0	35.0
Terminal De Carvo da Matola Limitada	Terminals	65.0	65.0
Oiltanking Grindrod Calulo Holdings Proprietary Limited	Liquid bulk storage and trading	30.5	38.0
Oreport Proprietary Limited	Minerals trading	25.0	25.0

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report pages 12 to 13.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

5. Investments in joint ventures (continued)

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

	Freight Services		Shipping		Group		Total	
	2014 R000	2013 R000	2014 R000	2013 R000	2014 R000	2013 R000	2014 R000	2013 R000
Statement of profit/(loss)								
Revenue	1 754 496	2 047 699	17 049 552	14 422 037	422	3 260	18 804 470	16 472 966
Operating income before interest and taxation and after non-trading items and non-controlling interests	291 150	518 205	152 349	198 691	(845)	776	442 654	717 672
Net interest paid	(20 014)	(33 590)	(44 070)	(25 555)	–	–	(64 084)	(59 145)
Taxation	(64 752)	(108 070)	447	(5 433)	–	108	(64 305)	(113 395)
Net income after taxation	206 384	376 545	108 726	167 703	(845)	884	314 265	545 132
Statement of financial position at 100%								
Non-current assets	3 129 533	3 488 797	4 598 612	3 904 559	5 232	5 563	7 733 377	7 398 919
Current assets	2 437 930	3 286 593	6 151 033	4 142 202	250	(1 675)	8 589 213	7 427 120
Non-current liabilities	(570 345)	(931 342)	(2 795 776)	(2 204 629)	–	–	(3 366 121)	(3 135 971)
Current liabilities	(2 476 867)	(2 797 800)	(5 205 111)	(3 643 986)	(7 729)	(4 443)	(7 689 707)	(6 446 229)
Net assets	2 520 251	3 046 248	2 748 758	2 198 146	(2 247)	(555)	5 266 762	5 243 839
Proportion of group's ownership in joint venture	1 295 817	1 516 833	1 275 115	1 007 399	(1 123)	(277)	2 569 809	2 523 955
Goodwill	751 496	570 744	–	–	–	–	751 496	570 744
Loans	220 263	49 327	417 235	432 064	–	–	637 498	481 391
Other	(4 122)	36 126	–	3 673	–	–	(4 122)	39 799
Transferred to non-current assets associated with assets classified as held for sale (note 18)	(72 541)	–	–	–	1 123	277	(71 418)	277
Group's share of net assets of joint ventures	2 190 913	2 173 030	1 692 350	1 443 136	–	–	3 883 263	3 616 166

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

	Group		2013 R000	2013 US\$000
	2014 R000	2014 US\$000		
Authorised and contracted for	4 072	67 160	700	79 320
Due within one year	1 367	41 109	700	15 043
Due between years one and two	1 313	25 814	–	55 350
Due between years two and three	1 392	237	–	8 927
Authorised and not contracted for	–	–	52	27 167
Total	4 072	67 160	752	106 487

Disposal of joint ventures

Refer to note 38 for disposals.

	Group	
	2014 %	2013 %
6. Investments in associates		
The group has associate interests in the following companies:		
Moneyline 992 Proprietary Limited	47.4	47.4
Erundu Stevedoring Proprietary Limited	49.0	49.0
Empresa De Dragagem Do Porto de Mozambique S.A.	25.5	25.5
Russellstone Proteins Proprietary Limited	–	30.0
Senwes Limited	20.0	20.0
NWK Limited	20.0	20.0
Sturrock Flex Shipping Limited	49.0	–
Sturrock Shipping Ghana Limited	50.0	–

Information about the composition of the group at the end of the reporting period has been included in the integrated annual report pages 12 to 13.

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

	Freight Services	
	2014 R000	2013 R000
Statement of profit/(loss)		
Revenue	2 153 754	924 537
Operating income before interest and taxation	138 966	7 925
Net interest (paid)/received	(28 129)	14 656
Taxation	(27 692)	769
Net income after taxation	83 145	23 350
Statement of financial position at 100%		
Non-current assets	2 645 042	1 749 970
Current assets	5 677 975	5 722 479
Non-current liabilities	(1 116 404)	(1 516 040)
Current liabilities	(3 812 819)	(2 834 279)
Net assets	3 393 794	3 122 130
Proportion of group's ownership in associate	719 097	654 960
Loans	26 558	23 318
Other and goodwill	103 648	114 069
Transferred to non-current assets classified as held for sale (note 18)	–	(4 229)
Group's share of net assets of associates	849 303	788 118

Disposal of associates

Refer to note 38 for disposals.

The financial year end for Senwes Limited and NWK Limited 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.

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
7. Investment property		
Balance at beginning of year	–	33 826
Reclassification from/(to) ships, property, terminals, vehicles and equipment	90 690	(122 785)
Additions	1 719	88 959
Fair value gain on revaluation	22 826	–
Balance at end of year	115 235	–

During the year, due to a change in use, properties were classified as investment property. In the prior year, the respective properties were held for use and an insignificant portion was held for capital appreciation.

The investment properties are categorised as level 2 in the fair value hierarchy. The investment properties were independently valued as at 31 December 2014 by a professional valuer registered with the South African Council for the Property Valuers Profession (Martin North MIV (SA), MRICS, MDP PREP of North Property Consultants cc) based on net rentals and a suitable market capitalisation rate.

Rental income of R5 139 077 was received for 2014 (2013: nil).

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
8. Other investments				
Held for trading				
Listed equities at fair value	23 762	25 532		
Unlisted equities at fair value*	435 392	342 501	6 900	–
Other financial assets				
Pension fund surplus recognised**	117 002	95 845		
Financial assets at amortised cost	451 135	29 283	412 897	–
	1 027 291	493 161	419 797	–
Directors' valuation	1 027 291	493 161	419 797	–

* Included in unlisted equities at fair value is Group Risk Holdings

** Details of the pension fund are included in note 22.

Group Risk Holdings (GRH) is a South African based holding company which wholly owns an offshore captive insurance company, being Group Risk Mutual Limited 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.

During the establishment of the BEE consortium, the shareholders and Grindrod have agreed various funding options with regards to the preference share investment raised within the consortium. This gives Grindrod the ability, but no obligation, to increase its funding within the structure should the current lenders wish to exit.

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
9. Deferred taxation				
Deferred taxation analysed by major category:				
Capital allowances	(316 634)	(235 345)		
Other timing differences	60 023	68 036	2 079	1 516
Estimated taxation losses	316 672	122 655		
	60 061	(44 654)	2 079	1 516
Reconciliation of deferred taxation:				
Opening balance	(44 654)	(39 569)	1 516	918
Income statement effect	1 185	70 140	563	598
Translation adjustment	(3 242)	26 011		
Disposal of businesses	-	(14 576)		
Acquisition of businesses	19 293	8 980		
Deferred tax on cash flow hedge transferred to hedging reserve	(393)	-		
Transferred from non-current assets classified as held for sale (note 18)	87 872	(95 640)		
Closing balance	60 061	(44 654)	2 079	1 516
Comprising:				
Deferred taxation assets	191 704	99 772	2 079	1 516
Deferred taxation liabilities	(131 643)	(144 426)		
	60 061	(44 654)	2 079	1 516

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

10. 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, commodity 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:

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
Financial assets				
Loans and receivables	16 946 912	13 627 761	3 848 855	1 255 467
Held for trading	596 918	296 981		
Derivative financial assets	-	6 579		
Total financial assets	17 543 830	13 931 321	3 848 855	1 255 467
Total non-financial assets	15 256 190	14 490 806	9 998 633	8 643 829
Total assets	32 800 020	28 422 127	13 847 488	9 899 296
Financial liabilities				
Held at amortised cost	14 894 094	13 846 697	100 688	119 982
Derivative financial liabilities	10 281	10 481		
Derivative financial instruments designated as cash flow hedges	78 259	-		
Total financial liabilities	14 982 634	13 857 178	100 688	119 982
Total non-financial liabilities and equity	17 817 386	14 564 949	13 746 800	9 779 314
Total liabilities and equity	32 800 020	28 422 127	13 847 488	9 899 296

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

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

10. Financial instruments (continued)

Derivative financial instruments

10.1 Forward exchange contracts

The group had historically entered into the following forward exchange contracts which are accounted for as fair value hedges with gains/losses thereon taken to the statement of comprehensive income. 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.

	Group	
	2014	2013
	R000	R000
Total change in fair value recognised in profit/loss	12 873	(17 368)

Details of these forward exchange contracts are as follows:

Foreign currency	2014				2013			
	Average rate	Contract value US\$000	Contract value R000	Asset/(liability) R000	Average rate	Contract value US\$000	Contract value R000	Asset/(liability) R000
Purchase US Dollars	-	-	-	-	10.42	80 817	842 451	11 790
Sell US Dollars	-	-	-	-	10.61	(16 755)	(177 814)	1 351
Sell US Dollars	-	-	-	-	10.61	(1 235)	(12 764)	(268)
	-	-	-	-	-	62 827	651 873	12 873

10.2 Cross currency swaps

The group has entered into cross currency swaps to manage currency risk.

Maturity date	Currency	Currency swapped with	Nominal currency amount US\$000	Nominal value swapped currency amount R000	2014	2013
					Asset/(liability) R000	Asset/(liability) R000
5 November 2015	USD	ZAR	8 500	103 659	(2 832)	-
					(2 832)	-

	Group	
	2014	2013
	R000	R000
Total change in fair value recognised in profit/loss	5 939	-

10. Financial instruments (continued)

10.3 Forward freight agreements

The group has historically 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. 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 FFAs 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 FFAs is set out in management's critical judgements. At 31 December 2014, there were nil (2013: four) open forward freight agreements, designated as cash flow hedges, maturing as follows:

Settlement periods	Hedged item	Strike price US\$	Quantity/ Duration	Nominal value US\$000	2014 Asset/ (liability) R000	2013 Asset/ (liability) R000
1 January 2014 to 31 December 2014	Handysize	11 100	120 days	1 332	-	1 456
1 January 2014 to 31 December 2014	Handysize	11 000	60 days	660	-	897
1 January 2014 to 31 December 2014	Handysize	12 325	120 days	1 479	-	190
1 January 2014 to 31 December 2014	Handysize	13 150	10 days	138	-	42
1 January 2014 to 31 December 2014	Handysize	12 325	120 days	1 479	-	(285)
				5 088	-	2 300

At 31 December 2014, the sensitivity of the forward freight agreements to a 10% (2013: 10%) movement in the shipping market prices would have the following effect:

	Group	
	2014 R000	2013 R000
10% increase		
Increase in FFA liability	-	179
Decrease in hedging reserve deficit	-	-
Decrease in profit	-	(10 413)
10% decrease		
Decrease in FFA liability	-	(1 720)
Increase in hedging reserve deficit	-	-
Increase in profit	-	10 413
10% increase		
Decrease in FFA asset	-	3 566
Decrease in hedging reserve deficit	-	-
Decrease in profit	-	(10 413)
10% decrease		
Increase in FFA asset	-	(2 026)
Increase in hedging reserve deficit	-	-
Decrease in profit	-	10 413

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

10. Financial instruments (continued)

10.4 Futures

The group entered into certain futures and options in order to commercially hedge the price risk in respect of commodity contracts during the year. There are nil open futures or options at 31 December 2014.

These contracts were not accounted for using hedge accounting and all fair value gains/(losses) are recognised in the statement of comprehensive income. Commodity inventory is valued at fair value less costs to sell with the fair value gains/(losses) also recognised in the statement of comprehensive income. Forward purchase and sales contracts are fair valued through the statement of comprehensive income.

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

Commodity		Tonnage	Contract value R000	2014 Asset/ (liability) R000	2013 Asset/ (liability) R000
White maize	Sales	(6 500)	(1 170)	-	(370)
White maize	Purchase	28 200	71 004	-	(5 979)
Yellow maize	Sales	(7 400)	(1 765)	-	(733)
Yellow maize	Purchase	4 400	11 377	-	(591)
Corn	Sales	(3 683)	(6 731)	-	285
Soya bean meal	Sales	(1 356)	(998)	-	(734)
Soya bean meal	Sales	(34 165)	(62 967)	-	8 328
Soya bean meal	Purchase	38 353	172 019	-	8 843
Soya bean meal	Purchase	1 800	8 494	-	(183)
Soya bean	Sales	(29 050)	(159 751)	-	1 196
Wheat	Sales	(5 017)	(311)	-	1 686
Wheat	Purchase	6 260	18 684	-	(127)
Other	Sales	(12 300)	(53 045)	-	1 631
Other	Purchase	300	363	-	342
Other	Purchase	250	1 173	-	(54)
				-	13 540
Mark to market settled through margin account – asset				-	5 906
				-	19 446

	Group	
	2014 R000	2013 R000
Total change in fair value recognised in profit/loss	(38 533)	3 413

10. Financial instruments (continued)

10.5 Forward contracts

The group has entered into the following purchase and sale forward contracts with respect to commodities such as wheat, soya bean meal, corn, white and yellow maize and sunflower. There are nil open forward contracts as at 31 December 2014.

The forward contracts are designated as at fair value through profit and loss designated at inception or held to maturity.

Details of the group's forward contracts are as follows:

Commodity		Tonnage	Contract value R000	2014 Asset/ (liability) R000	2013 Asset/ (liability) R000
Wheat	Sales	(22 815)	(82 137)	-	18
Wheat	Sales	(16 117)	(190 368)	-	(4 477)
Wheat	Purchase	9 517	28 909	-	870
Wheat	Purchase	587	5 838	-	(360)
Soya bean meal	Sales	(5 054)	(59 298)	-	4 861
Soya bean meal	Sales	(152 587)	(37 515)	-	(11 978)
Soya bean meal	Purchase	45 425	10 267	-	930
Soya bean meal	Purchase	123 269	217 737	-	(14 927)
Soya bean	Sales	(284)	(1 111)	-	2
Soya bean	Sales	(284)	(1 111)	-	(202)
Soya bean	Purchase	400	2 422	-	21
Corn	Purchase	72 000	10 530	-	10 001
White Maize	Sales	(68 765)	(43 970)	-	(3 231)
White Maize	Purchase	38 303	53 494	-	4 189
Yellow Maize	Sales	(12 423)	(22 898)	-	(1 867)
Yellow Maize	Purchase	15 600	1 974	-	451
Sunflower	Sales	(9 436)	(3 329)	-	968
Sunflower	Purchase	11 382	20 650	-	(1 166)
Other	Sales	(9 144)	(39 911)	-	(2 122)
Other	Sales	(16 507)	(59 028)	-	1 437
Other	Purchase	6 475	66 794	-	(4 864)
Other	Purchase	200	402	-	21
				-	(21 425)
				Group	
				2014 R000	2013 R000
Total change in fair value recognised in profit/loss				(30 295)	(6 692)

10.6 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.

Maturity date	Interest rate	Nominal value R000	2014 Asset/ (liability) R000	2013 Asset/ (liability) R000
Between August 2015 and February 2023	JIBAR	164 177	-	(10 199)
Between August 2015 and February 2023	JIBAR	131 520	(5 413)	-
31 December 2016	Libor + 3.78	38 505	(2 036)	-
			(7 449)	(10 199)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

10. Financial instruments (continued)

10.7 Bunker swaps

The group has entered into the following bunker swaps in the shipping segment which are classified as held for trading:

Settlement period	Quantity mt	Strike price R000	2014			2013	
			Asset/ (liability) R000	Income statement R000	Equity R000	Asset/ (Liability) R000	Income statement R000
January 2013 – July 2014	3 500	6.02	-	-	-	1 318	(757)
January 2013 – July 2014	3 500	6.13	-	-	-	1 210	(435)
January 2013 – July 2014	3 500	5.75	-	-	-	1 470	(1 152)
January 2013 – July 2014	3 500	5.71	-	1 319	-	-	-
January 2013 – July 2014	3 500	5.81	-	1 213	-	-	-
January 2013 – July 2014	3 500	5.45	-	1 466	-	-	-
October 2014 – December 2015	10 800	5.61	(34 814)	-	34 814	-	-
January 2014 – August 2016	2 400	5.61	(6 687)	-	6 687	-	-
October 2014 – August 2016	12 000	5.83	(36 758)	-	36 758	-	-
			(78 259)	3 998	78 259	3 998	(2 344)

Group

2014 R000	2013 R000
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10.8 Hedging details

The above mentioned derivative's hedging details are as follows:

Ineffectiveness recognised in profit or loss:

- Cash flow hedge

-	-
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Details of cash flow hedges:

	2014				2013			
	< 3 months	3 – 6 months	6 – 12 months	>12 months	< 3 months	3 – 6 months	6 – 12 months	>12 months
Financial asset	-	-	-	-	2 722	2 701	1 161	-
Financial liability	(15 099)	(14 694)	(28 231)	(20 236)	(127)	-	(158)	-

Reconciliation of cash flow hedge accumulated in equity	2014			2013		
	Amount accumulated in equity	Amount recycled from equity into	Asset/ (liability) R000	Amount accumulated in equity	Amount recycled from equity into	Asset/ (liability) R000
Opening balance	-	-	-	(245)	-	-
Amount recognised through other comprehensive income in the current year	(78 259)	-	(78 259)	-	-	-
Amount removed from equity to income statement	-	-	-	(445)	445	-
Deferred tax	(393)	-	-	-	-	-
Translation adjustments	2 025	-	-	690	-	-
Closing balance	(76 627)	-	(78 259)	-	445	-
Comprised of:						
Financial instruments	(76 234)	-	-	-	-	-
Deferred tax	(393)	-	-	-	-	-
	(76 627)	-	-	-	-	-

10. Financial instruments (continued)

10.8 Hedging details (continued)

Cash flow hedges

Outstanding contracts	Average contract exchange rate	Currency	Nominal value R000	Asset/(liability) R000	Amount that was removed from equity during period and included in initial measurement of acquisition	
1 January 2015 – 31 December 2015	Purchase	561	USD	6 059	(3 009)	3 009
1 January 2015 – 31 December 2015	Purchase	561	USD	6 996	(3 177)	3 177
1 January 2016 – 31 August 2016	Purchase	561	USD	1 351	(578)	578

10.9 The derivative financial instruments have been disclosed in the statement of financial position as follows:

	Hedging reserve 2014 R000	Financial assets 2014 R000	Financial liabilities 2014 R000	Hedging reserve 2013 R000	Financial assets 2013 R000	Financial liabilities 2013 R000
Forward currency exchange contracts on ships and other trading commitments	-	-	-	-	13 141	(268)
Cross currency swap	-	-	(2 832)	-	-	-
Forward freight agreements	-	-	-	-	2 585	(285)
Futures	-	-	-	-	28 217	(8 771)
Forward contracts	-	-	-	-	23 770	(45 195)
Interest rate swaps	-	-	(7 449)	-	-	(10 199)
Bunker swaps	(76 627)	-	(78 259)	-	3 998	-
	(76 627)	-	(88 540)	-	71 711	(64 718)
Less portion due within one year included in trade and other payables (refer to note 16 and 25)	-	-	58 024	-	(6 579)	283
Transfer to non-current (asset)/liabilities held for sale (refer to note 18)	-	-	-	-	(65 132)	54 236
Long-term portion	(76 627)	-	(30 516)	-	-	(10 199)

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
11. Finance lease receivables		
Current finance lease receivables	25 563	–
Non-current finance lease receivables	32 854	–
	58 417	–

Leasing arrangements

The group entered into finance lease arrangements for 12 locomotives. The terms of finance leases range from three to five years.

Amounts receivable under finance leases:

	1 year R000	2 – 5 years R000	>5 years R000	Total R000
2014				
Minimum lease payments receivable	29 540	33 946	–	63 486
Unearned finance income	(3 977)	(1 092)	–	(5 069)
Total present value/capital value	25 563	32 854	–	58 417

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate contracted ranges from 10% to 12%.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	Group	
	2014 R000	2013 R000
12. Recoverables on cancelled ships		
Opening balance	236 440	379 050
Interest accrued	38 953	–
Cash receipt	–	(197 248)
Translation gain	25 330	54 638
	300 723	236 440
In 2011, the group cancelled two ships due to non-performance of certain contracted conditions by the ship yard. One matter was settled in 2013 and the other matter is currently still in the arbitration process.		
13. Loans and advances to bank customers		
Loans and receivables	4 168 929	3 498 963
Held at fair value through profit or loss using year-end market-related interest rate yield curves to discount expected future cash flows	137 764	175 604
	4 306 693	3 674 567
Loans and advances – companies and close corporations	3 368 986	2 906 204
Loans and advances – unincorporated businesses	288 330	314 634
Loans and advances – individuals	118 911	132 537
Preference shares	536 685	305 786
Interest accrued	32 691	25 732
Revaluation of loans held at fair value through profit or loss	5 188	9 880
Less: impairments against advances	(44 098)	(20 206)
	4 306 693	3 674 567

	Group	
	2014 R000	2013 R000
13. Loans and advances to bank customers (continued)		
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	621 383	535 083
Maturing within one month	308 582	343 161
Maturing after one month but within three months	655 351	619 412
Maturing after three months but within six months	355 291	174 647
Maturing after six months but within one year	232 198	337 254
Maturing after one year but within three years	887 494	766 682
Maturing after three years but within five years	661 280	436 986
Maturing after five years but within 10 years	562 402	373 149
Maturing after 10 years	28 931	72 787
Interest accrued	32 691	25 732
Revaluation of loans held at fair value through profit or loss	5 188	9 880
Less: impairments against advances	(44 098)	(20 206)
	4 306 693	3 674 567
Maximum exposure to credit risk before impairments	4 350 791	3 694 773
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.		
Sectoral analysis		
Agriculture, hunting, forestry and fishing	42 441	35 074
Mining and quarrying	29 124	29 105
Manufacturing	281 308	192 300
Wholesale and retail trade, repair of specified items, hotels and restaurants	96 230	157 970
Transport, storage and communication	152 838	190 925
Financial intermediation and insurance	301 409	264 961
Real estate	1 843 159	1 698 983
Business services	119 925	130 669
Community, social and personal services	16 122	18 937
Private households	98 960	80 156
Other	1 325 177	875 487
	4 306 693	3 674 567
Geographical analysis		
South Africa	4 306 693	3 674 567

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
13. Loans and advances to bank customers (continued)		
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	132 576	165 725
Revaluation of loans and advances held at fair value through profit or loss	5 188	9 880
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	137 764	175 605
Analysis of impairments:		
Impairments at the beginning of the year	(20 206)	(9 953)
Net increase in impairments	(23 892)	(10 253)
Impairments at the end of the year	(44 098)	(20 206)
Analysis of impaired loans and advances:		
Loans and advances classified as special mention	56 518	65 886
Loans and advances displaying significant weakness	22 328	16 109
Carrying amount of impaired loans and advances	78 846	81 995
Collateral held against impaired loans and advances	73 216	80 183
Sectoral analysis of impaired loans and advances		
Agriculture, hunting, forestry and fishing	452	488
Mining and quarry	10 625	10 355
Community, social and personal services	5 042	4 602
Real estate	25 519	60 354
Wholesale and retail trade, repair of specified items, hotels and restaurants	481	2 716
Private households	2 075	–
Other	34 652	3 480
	78 846	81 995
14. Liquid assets and short-term negotiable securities		
Measured at amortised cost		
Preference shares	192 863	247 796
Statutory liquid assets		
Negotiable certificates of deposit	284 669	281 189
Money market investments and debentures	512 492	515 447
	990 024	1 044 432
15. Inventories		
Bunkers and other consumables	156 550	107 568
Commodities		
Agricultural	134 350	772 063
Merchandise and containers	471 961	104 505
Held for sale assets	–	73 848
Included as non-current assets classified as held for sale (note 18)	(134 350)	(772 063)
	628 511	285 921

The fair value less costs to sell of the commodities inventory amounts to R134 350 000 (2013: R772 063 000).

Agricultural and other commodities, amounting to R45 896 000 (2013: R450 969 000) have been ceded to financial institutions in order to secure available borrowing facilities of R39 210 000 (2013: R1 549 372 000).

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
16. Trade and other receivables				
Trade debtors	1 368 965	1 479 636		
Less: Allowances for doubtful debts	(195 510)	(125 179)		
Net trade debtors	1 173 455	1 354 457	-	-
Prepayments	108 372	117 714	77	-
Amounts due from group subsidiaries			3 825 971	1 252 929
Current portion of derivative financial assets (note 10.9)	-	6 579		
Other receivables	2 290 608	1 857 233	20 000	-
Included in non-current assets classified as held for sale (note 18)	(90 802)	(929 576)		
	3 481 633	2 406 407	3 846 048	1 252 929
Included in the current portion of financial assets are the following:				
Forward freight agreements	-	2 585		
Other	-	3 994		
	-	6 579		
Reconciliation of allowances for doubtful debts				
Opening balance	30 150	69 148		
Increase in allowance	85 873	88 589		
Allowance utilised	(15 542)	(32 558)		
Transferred from non-current assets classified as held for sale	95 029	-		
	195 510	125 179		
Included in non-current assets classified as held for sale	(2 468)	(95 029)		
	193 042	30 150		
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:				
	-	1 098 421		
Trading	-	1 098 412		
Shipping	-	9		

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
17. Short-term loans		
Loan to Fincrop Risk Management Proprietary Limited	112 532	218 643
Loan to Blue Ribbon Foods Limited	37 024	–
Transferred to non-current assets classified as held for sale (note 18)	–	(218 643)
	149 556	–

Included in short-term loans are receivables relating to the group's local agricultural commodity origination project loan with Fincrop Risk Management Proprietary Limited which bears interest at a rate of prime plus 1% per annum. These loans were classified as non-current assets held for sale in the prior year, and have subsequently been reclassified to short-term loans as they are no longer held for sale.

The current year balance included a short-term loan to Blue Ribbon Foods Limited which has been reclassified from trade and other receivables.

Short-term loans are measured at amortised cost and their carrying amount approximates fair value.

	Group	
	2014 R000	2013 R000
18. Non-current assets classified as held for sale		
Ships, property, terminals, vehicles and equipment		
Freehold and leasehold properties	16 500	16 500
Property under construction	–	1 539
Terminals, vehicles and equipment	45 954	45 628
Goodwill	126 716	59 339
Intangible assets	215	25 968
Investment in joint venture and associates	72 541	3 952
Financial assets	–	65 132
Taxation	–	7 316
Inventory	134 350	772 063
Bank and cash	18 279	174 710
Deferred taxation	8 229	96 101
Trade and other receivables	90 802	929 576
Short-term loans	–	218 643
	513 586	2 416 467
Non-current liabilities associated with assets classified as held for sale		
Financial liabilities	–	54 236
Short-term borrowings and bank overdraft	24 001	1 588 848
Taxation	–	6 842
Investment in joint venture	1 123	–
Interest-bearing debt	19 110	69 219
Deferred taxation	–	461
Trade and other liabilities	73 501	495 633
	117 735	2 215 239

Business disposals

In the current year the group plan to dispose of Empangeni Milling, Jacobs Bulk Milling and Chromtech which are portions of the Trading division.

In the prior year the group decided to dispose of Atlas, Progroup and Amanita which are portions of the Trading division.

18. Non-current assets classified as held for sale (continued)

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

	Opening balance R000	Movement R000	Disposal R000	Closing balance R000
Ships, property, terminals, vehicles and equipment				
Freehold and leasehold properties	16 500	–		16 500
Property under construction	1 539	(1 539)		–
Terminals, vehicles and equipment	45 628	326		45 954
Goodwill	59 339	67 377		126 716
Intangible assets	25 968	(25 753)		215
Investment in joint venture and associates	3 952	68 589		72 541
Financial assets	65 132	(53 793)	(11 339)	–
Taxation	7 316	(7 316)		–
Inventory	772 063	(469 654)	(168 059)	134 350
Bank and cash	174 710	(156 431)		18 279
Deferred taxation	96 101	(87 872)		8 229
Trade and other receivables	929 576	(732 305)	(106 469)	90 802
Short-term loans	218 643	(218 643)		–
Financial liabilities	(54 236)	54 236		–
Short-term borrowings and bank overdraft	(1 588 848)	1 564 847		(24 001)
Taxation	(6 842)	6 842		–
Investment in joint venture	–	(1 123)		(1 123)
Interest-bearing debt	(69 219)	50 109		(19 110)
Deferred taxation	(461)	461		–
Trade and other liabilities	(495 633)	404 029	18 103	(73 501)
	201 228	462 387	(267 764)	395 851

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
19. Share capital and premium				
Authorised				
2 750 000 000 ordinary shares of 0.002 cents each (2013: 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 (2013: 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				
762 053 314 ordinary shares of 0.002 cents each (2013: 600 765 314 shares of 0.002 cents each)	15	12	15	12
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each (2013: 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each)	2	2	2	2
Share premium	5 982 909	2 036 980	6 401 102	2 422 532
Balance at beginning of year	2 036 980	2 025 243	2 422 532	2 410 795
Premium on shares issued	4 036 975	11 737	4 032 197	11 737
Shares repurchased	(37 563)	–	–	–
Treasury shares sold	144	–	–	–
Share issue expenses	(53 627)	–	(53 627)	–
Total issued share capital and premium	5 982 926	2 036 994	6 401 119	2 422 546

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

19. Share capital and premium (continued)

During the year, the group had a specific issue of 161 288 000 ordinary shares (2013: 1 100 000 ordinary shares) at R25.00 per share (2013: R22.00) which were issued for R4 032 197 000 (2013: R11 736 978). R53 627 460 (2013: nil) share issue costs were incurred in respect of the issue and were written off against share premium.

327 477 ordinary shares relating to the Grindrod Forfeitable Share Plan vested during the current year.

In the current year 1 582 000 (2013: nil) ordinary shares were repurchased by a subsidiary for R37 562 275 (2013: R nil).

During the current year, 1 564 (2013: nil) treasury cumulative, non-redeemable, non-participating and non-convertible preference shares were sold for R144 000 (2013: nil).

At 31 December 2014, 16 983 (2013: 18 547) cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R91.55 (2013: R91.55) are held by a subsidiary of the group.

At 31 December 2014, 10 438 871 (2013: 9 179 348) ordinary shares are held by subsidiaries of the group.

Of these shares 2 528 872 (2013: 2 410 272) 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.

	Group	
	2014 R000	2013 R000
20. Interest-bearing borrowings		
Unsecured		
Long and medium-term financing	882	–
Financial services funding instruments (note 21)	346 956	293 531
Secured		
Long and medium-term financing	2 929 439	2 670 983
Financial services funding instruments (note 21)	938 311	949 708
Total amounts repayable within one year	(1 574 219)	(697 593)
Long-term loans	2 641 369	3 216 629
Current portion of long-term loans	1 558 859	697 593
	4 200 228	3 914 222
Long-term loans	4 219 338	3 983 441
Transferred to non-current assets held for sale (note 18)	(19 110)	(69 219)
	580 752	429 481
Short-term borrowings and overdraft	604 753	2 018 329
Transferred to non-current assets held for sale (note 18)	(24 001)	(1 588 848)
	4 780 980	4 343 703
Interest-bearing borrowings are classified as financial liabilities measured at amortised cost and their carrying value approximates fair values.	4 780 980	4 343 703
Long-term borrowings	2 263 292	1 973 390
Financial services funding instruments	362 717	1 082 986
Current portion of long-term borrowings	651 669	697 593
Current portion of financial services funding instruments	922 550	160 253
Short-term borrowings and overdraft	580 752	429 481

Group assets of R5 178 709 (2013: R6 738 180 000) are pledged as security for loans of R2 302 502 000 (2013: R5 239 282 000).

20. Interest-bearing borrowings (continued)

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 91.

Available facilities

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

The group has undrawn committed facilities as at 31 December 2014, as follows:

	Expiry date	Currency	2014 R000	2013 R000
Long-term debt facilities	12/2016	USD	21 636	19 729
	07/2018	USD	347 100	527 500
	05/2020	USD	115 700	–
	09/2018	USD	–	105 500
Short-term borrowing facilities	03/2014	ZAR	71 097	100 000
	06/2014	ZAR	143 111	75 000
	06/2014	ZAR	22 717	255 000
	12/2014	ZAR	56 800	56 800
			778 161	1 139 529

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

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2014				
Interest-bearing debt repayable as follows before transfer to non-current assets held for sale	2 194 333	2 330 269	299 489	4 824 091
2013				
Interest-bearing debt repayable as follows before transfer to non-current assets held for sale	2 901 382	2 460 360	640 030	6 001 772

Security

Agricultural and other commodities, amounting to R45 896 000 (2013: R450 969 000) have been ceded to financial institutions in order to secure available borrowing facilities of R39 210 000 (2013: R1 549 372 000).

Trade debtors of R nil (2013: R1 098 421 000) have been ceded to financial institutions in order to secure overdraft facilities.

	Group	
	2014 R000	2013 R000
21. Financial services funding instruments		
Loans secured by guarantee	336 171	340 291
Listed corporate bond secured by guarantee	508 414	507 417
Loans secured by property	93 726	102 000
Total secured funding	938 311	949 708
Redeemable preference shares	346 956	293 531
Aggregate funding	1 285 267	1 243 239
Amount repayable within one year	(922 550)	(160 253)
	362 717	1 082 986

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

22. Employee benefit obligations

22.1 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 employees, administration of fund and enforcement of eligibility criteria and rules.

During November 2014 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.

	Group	
	2014 R000	2013 R000
The amounts recognised in the financial statements in this respect are as follows:		
Recognised liability at beginning of the year	48 175	49 426
Recognised in other comprehensive income in the current year	14 385	(133)
Interest on obligation	4 227	4 093
Current service cost	(656)	129
Actuarial gain/(loss) arising from changes in experience assumptions	12 366	(1 032)
Other	(1 552)	(3 323)
Contributions paid	(2 541)	(303)
Disposal	-	(815)
Long-term portion of provision for post-retirement medical aid	60 019	48 175
There are no unrecognised actuarial gains or losses.		
The principal actuarial assumptions applied in the determination of fair values include:		
Health care cost inflation (%)	8.4	8.6
Discount rate (%)	8.6	9.2
Continuation at retirement (%)	84.0	84.0

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

	2014 Effect of a 1% Increase (Decrease) % %		2013 Effect of a 1% Increase (Decrease) % %	
Aggregate of the current service cost and interest cost	14.2	(11.7)	13.6	(11.3)
Accrued liability at year-end	13.1	(10.9)	12.6	(10.5)
The effect of an increase or decrease of 1% in the assumed discount rates is as follows:				
Accrued liability at year-end	(11.2)	13.7	(10.7)	13.1
The effect of an increase or decrease of 1% in the assumed expected retirement age is as follows:				
Accrued liability at year-end	1.0	(1.0)	0.8	(0.7)

22. Employee benefit obligations (continued)

22.1 Provision for post-retirement medical aid (continued)

The history of experience adjustments is as follows:

	2014	2013	2012	2011	2010
Present value of obligations	75 823	60 230	51 405	53 649	49 628
Fair value of plan assets	–	–	–	–	–
Present value of obligations in excess of plan assets	75 823	60 230	51 405	53 649	49 628
Experience adjustments on obligations	(9 642)	(13 707)	(933)	–	–

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 changes in the methods and assumptions used in preparing the sensitivity analysis from prior year.

The average duration of the benefit obligation as at 31 December 2014 is 14 years.

The group expects to make a contribution of R4 067 000 (2013: R3 044 000) to the post-retirement medical aid fund during the next financial year.

22.2 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 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.

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
22. Employee benefit obligations (continued)		
22.2 Retirement benefit plans (continued)		
The funded status of the pension fund is as follows:		
Actuarial value of assets	183 480	157 712
Present value of liabilities	(66 478)	(61 867)
Actuarial surplus (note 8)	117 002	95 845
The amounts recognised in the financial statements in this respect are as follows:		
Recognised asset at beginning of the year	95 845	83 028
Recognised in other comprehensive income in the current year	21 157	12 817
Interest on obligation	(5 679)	(3 748)
Current service cost	(1 463)	(1 956)
Expected return on plan assets	14 786	8 842
Actuarial gain arising from changes in demographic assumptions	–	515
Actuarial loss arising from changes in financial assumptions	(3 242)	(516)
Actuarial gain arising from changes in experience assumptions	16 755	9 680
	117 002	95 845
The assets of the fund were invested as follows:		
Cash and cash equivalents (%)	8.5	3.8
Equity instruments (%)	49.9	61.4
Debt instruments (%)	8.4	9.2
Real estate (%)	13.2	0.7
International instruments (%)	19.9	24.8
Other (%)	0.1	0.2
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 2014. 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:		
Discount rate (%)	7.2	9.6
Salary increase (%)	6.1	8.0
Pension increase (%)	3.8	5.4
Inflation increase (%)	5.1	7.0

22. Employee benefit obligations (continued)

22.2 Retirement benefit plans (continued)

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

	2014 Effect of a 1%		2013 Effect of a 1%	
	Increase %	(Decrease) %	Increase %	(Decrease) %
	(6.9)	7.2	(6.15)	7.7

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

	2014 Effect of a 1%		2013 Effect of a 1%	
	Increase %	(Decrease) %	Increase %	(Decrease) %
	5.4	(5.9)	1.89	(1.76)

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.

Description of risk management

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

	Group	
	2014 R000	2013 R000
23. Provisions		
Provision for onerous contracts		
Opening balance	14 738	5 463
Charged to income statement	–	13 505
Foreign exchange gain	873	1 998
Utilisation of provision	(8 738)	(6 228)
Onerous contract provisions	6 873	14 738
Current portion included under current liabilities	(6 873)	(14 738)
Non-current portion of onerous contract provisions	–	–
Provision for share price linked option scheme		
Opening balance	85 836	30 982
Charged to income statement	42 108	53 492
Foreign exchange gain	43	(79)
Utilisation of provision	(23 855)	1 441
Balance at 31 December	104 132	85 836
Current portion included under current liabilities	(38 002)	(33 400)
Non-current portion of share price linked option scheme	66 130	52 436
Total	66 130	52 436

Onerous contracts

The provision for onerous contracts relates to the expected cash outflows expected to arise over the course of the relevant contracts based on current estimates of the loss arising from these contracts.

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.

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

23. Provisions (continued)

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 Limited and GFS Holdings Proprietary Limited. 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.

	Group	
	2014 R000	2013 R000
Current portion of provisions		
Onerous contract provisions	(6 873)	(14 738)
Provision for share price linked option scheme	(38 002)	(33 400)
	(44 875)	(48 138)
24. Deposits from bank customers		
Measured at amortised cost		
Call deposits	5 036 513	5 680 937
Notice and fixed deposits	2 739 252	2 307 243
Interest accrued	33 758	26 710
	7 809 523	8 014 890
Amounts owed to corporate banking depositors	4 437 824	3 077 171
Amounts owed to retail banking depositors	3 136 630	4 702 524
Amounts owed to banks	235 069	235 195
	7 809 523	8 014 890
Contractual maturity analysis		
Withdrawable on demand	5 036 513	5 680 937
Maturing within one month	599 739	217 486
Maturing after one month but within six months	1 929 494	1 833 130
Maturing after six months	210 019	256 627
Interest accrued	33 758	26 710
	7 809 523	8 014 890
The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
Sectoral analysis		
Banks	235 069	235 195
Government and public sector	107 123	45 485
Individuals	3 912 777	4 705 902
Business sector	3 554 554	3 028 308
	7 809 523	8 014 890
Geographical analysis		
South Africa	7 809 523	8 014 890
Included in deposits are funds from related parties earning interest at market-related rates:		
Directors (directly or indirectly)	11 172	9 253

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
25. Trade and other payables				
Trade creditors	560 239	558 191		
Accrued expenses	1 103 548	878 562	5 775	5 960
Operating lease accrual	13 813	14 318		
Shareholder loans	5 629	9 990		
Other payables	492 569	348 559	22 106	2 108
Shareholders for dividends	30 270	25 367	30 270	28 768
Amounts due to subsidiaries			38 049	83 146
Current portion of derivative financial liabilities (note 10.9)	58 024	283		
Included in non-current liabilities associated with assets classified as held for sale (note 18)	(73 501)	(495 633)		
	2 190 591	1 339 637	96 200	119 982
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 predominately non-interest bearing.				
Included in the current portion of financial liabilities are the following:				
Bunker swaps	58 024	–		
Forward freight agreements	–	283		
	58 024	283		

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
26. 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:				
Charter hire	969 405	823 425		
Freight revenue	3 704 090	2 917 937		
Sale of commodities	4 639 865	8 054 086		
Net interest income of the financial institution	82 682	90 552		
Fee income of the financial institution	233 836	244 450		
Dividends received	60 428	47 613	250 477	2 917 810
Handling revenue	3 896 581	3 003 166		
Other revenue	91 260	174 736	33 899	48 813
Ship and locomotive sales	234 335	306 061		
	13 912 482	15 662 026	284 376	2 966 623

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
26. Revenue (continued)		
Analysis of the financial institution's net interest income included above:		
Interest income	494 716	392 862
Advances	346 634	283 275
Preference share dividends, advances portfolio	33 170	29 629
Balances at banks and short-term funds	93 877	68 379
Preference share dividends, negotiable securities portfolio	8 950	7 824
Other short-term securities	17 950	11 406
Paid on derivative instruments	(5 865)	(7 651)
Interest expense	412 034	302 310
Call deposits	123 697	97 650
Notice and fixed deposits	54 887	29 861
Other interest expense	101 970	73 677
Prime linked notice deposits	131 480	101 122
Net interest income	82 682	90 552
Interest income calculated using the effective interest method	82 682	90 552
Interest income at fair value through profit or loss	–	–
	82 682	90 552

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
27. Operating profit before interest and taxation				
Other income				
Foreign exchange gains	378 820	507 678	86	–
Pension fund surplus recognised	7 644	3 138		
Other sundry income	241 044	191 276		
Net gain on financial instruments	110 199	–		
	737 707	702 092	86	–
Operating expenses				
Voyage expenses	4 054 454	3 296 084		
Charter hire	1 837 886	1 493 371		
Fuel	1 097 431	890 327		
Port expenses	316 642	214 623		
Other voyage expenses	802 495	697 763		
Cost of sales	6 007 413	9 187 598		
Agricultural commodities	4 027 601	7 003 255		
Bunker fuels	85 855	155 114		
Container handling and logistics	644 415	620 475		
Merchandise	234 314	534 382		
Ships	192 151	227 087		
Other commodities	823 077	647 285		
Distribution and selling costs	118 600	101 478	2 814	3 594
Staff costs	1 557 412	1 287 419	15 061	13 755
Foreign exchange losses	382 337	532 113	–	803
Other operating expenses	1 363 962	1 058 386	17 708	27 150
Net loss on financial instruments	–	14 350		
	13 484 178	15 477 428	35 583	45 302

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
27. Operating profit before interest and taxation (continued)				
Depreciation and amortisation				
Amortisation				
Leasehold properties	12 158	11 220		
Ships	27 258	22 362		
Depreciation – owned assets				
Ships	267 844	237 215		
Other	209 247	165 557		
Depreciation – capitalised leased assets				
Other	13 041	16 305		
Amortisation of intangible assets	17 595	9 540		
Non-current assets held for sale depreciation				
Ships	–	–		
Other	–	913		
	547 143	463 112		
The above costs are arrived at after including:				
Auditors' remuneration				
Audit fees – current year provision	36 674	29 517	3 333	2 963
Prior year (over)/under provision	(236)	1 530	(291)	895
Fees for other services	4 792	4 562	250	275
Expenses	39	–		
	41 269	35 609	3 292	4 133
Operating lease rentals				
Land and buildings	246 727	133 486		
Ships	1 935 870	1 539 583		
Other	91 152	62 493		
	2 273 749	1 735 562		
Professional fees				
Administrative and managerial	40 019	33 115		
Technical/projects	15 968	31 652		
	55 987	64 767		
Share-based expenses	11 793	8 425		
28. Non-trading items				
Impairment of intangibles, ships, property, terminals, vehicles and equipment	(233 396)	(58 992)		
Impairment of goodwill	(20 000)	(186 447)		
Negative goodwill	23 521	3 937		
Profit on disposal of investments	436 169	87 654	–	(136 969)
Impairment of other investment	(64 759)	(64 530)		
Loss on disposal of property, terminals, vehicles and equipment	(6 023)	(190)		
Foreign currency translation reserve recycled on cessation of operations following restructure	99 744	698 028		
	235 256	479 460	–	(136 969)

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
29. Net finance costs				
Interest received	234 687	129 961	13 979	292
Interest paid	(216 621)	(222 891)	(884)	–
	18 066	(92 930)	13 095	292
Interest received on loans and receivables at amortised cost				
Interest paid is classified as follows:				
Financial liabilities held at amortised cost	(211 936)	(216 496)	(884)	–
Finance leases	(4 685)	(6 395)		
	(216 621)	(222 891)	(884)	–
Net finance costs excludes interest from the financial institution of the group which is shown as revenue in note 26.				
30. Taxation				
South African normal taxation				
Current				
On income for the year	(77 552)	(95 525)	(2 539)	–
Capital gains taxation	(3 395)	(49)		
Prior year	(3 631)	2 033	(4 034)	–
Withholding taxes	(3 600)	(168)		
Deferred				
On loss/(income) for the year	16 710	48 329	(111)	151
Prior year	3 110	3 142	674	447
Foreign				
Current				
On income for the year	(110 020)	(82 845)		
Prior year	3 390	(7 961)		
Secondary taxation on companies	–	(2 165)		
Deferred				
On (income)/loss for the year	(20 230)	18 524		
Prior year	1 595	–		
Change of rate	–	145		
	(193 623)	(116 540)	(6 010)	598

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
30. Taxation (continued)				
Effective rate of taxation*				
Normal rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:				
Current year taxation losses not utilised	0.4	1.0	(1.2)	0.4
Exempt income	(16.6)	(17.3)	(28.1)	(29.4)
Non-taxable foreign items	6.2	(14.4)		
Non-allowable items	4.0	18.9	2.3	0.9
Capital gains taxation	0.3	–		
Prior year	(0.4)	(0.6)	1.3	–
Withholding taxation and investment tax credit	0.3	(1.2)		
Effective rate of taxation	22.2	14.4	2.3	(0.1)
Effective rate of taxation on profit including joint ventures and associates	19.2	15.3		

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

Subsidiary companies have estimated taxation losses of R1 442 941 000 (2013: R1 187 713 000) of which R1 074 449 000 (2013: R564 757 000) has been utilised in the calculation of deferred taxation.

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

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.

	Group	
	2014 R000	2013 R000
31. Earnings per share		
Basic earnings reconciliation		
Profit attributable to Grindrod Limited shareholders	1 060 285	1 232 526
Less: Preference dividends	(59 094)	(55 354)
Profit attributable to ordinary shareholders	1 001 191	1 177 172
Basic earnings per share is based on earnings of		
and on the weighted average number of shares in issue for the year (000s)	1 001 191	1 177 172
	678 348	591 109
Diluted earnings per share is based on earnings of		
and on the diluted weighted average number of shares in issue for the year (000s)	1 001 191	1 177 172
	681 330	593 665
Reconciliation of weighted average number of shares (000s)		
Basic average number of shares in issue	678 348	591 109
Shares that will be issued for no value in terms of share option scheme	2 982	2 556
Diluted average number of shares in issue	681 330	593 665

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group	
	2014 R000	2013 R000
31. Earnings per share (continued)		
Earnings per share (cents)		
Basic	147.6	199.1
Diluted	146.9	198.3
Headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year (000s)	729 387 678 348	701 816 591 109
Diluted headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year (000s)	729 387 681 330	701 816 593 665
Headline earnings per share (cents)		
Basic	107.5	118.7
Diluted	107.1	118.2

	2014	
	Gross R000	Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		1 001 191
Adjusted for:		
Impairment of intangibles, ships, property, terminals, vehicles and equipment	233 396	192 988
Impairment of goodwill	20 000	20 000
Net profit on disposal of investments	(436 169)	(436 169)
Net loss on disposal of property, terminals, vehicles and equipment	6 023	6 023
Impairment of other financial assets/investments	64 759	64 759
Foreign currency translation reserve recycled on cessation of operations following restructure	(99 744)	(99 744)
Negative goodwill released	(23 521)	(23 521)
Joint ventures:		
Negative goodwill released	3 698	3 698
Impairment of ships, property, terminals, vehicles and equipment	162	162
Headline earnings	(231 396)	729 387

	2013	
	Gross R000	Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		1 177 172
Adjusted for:		
Impairment of ships, property, terminals, vehicles and equipment	58 992	58 992
Impairment of goodwill	186 447	186 447
Net profit on disposal of investments	(87 654)	(80 421)
Net loss on disposal of property, terminals, vehicles and equipment	190	1 703
Impairment of other financial assets/investments	64 530	64 530
Foreign currency translation reserve recycled on cessation of operations following restructure	(698 028)	(698 028)
Negative goodwill released	(3 937)	(3 937)
Joint ventures:		
Negative goodwill released	(4 642)	(4 642)
Headline earnings	(484 102)	701 816

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 10 years after grant.

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

	Group			
	2014		2013	
	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	900 000	1 251	2 250 000	881
Lapsed during the year			(250 000)	–
Exercised during the year			(1 100 000)	1 067
Outstanding at the end of the year	900 000	1 251	900 000	1 251
Exercisable at the end of the year	900 000		900 000	

No share options were exercised in 2014. The weighted average share price at the date of exercise for the share options exercised during the prior year was R10.67. Details of the options outstanding at the end of the year are disclosed in the remuneration report on page 77 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.

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

	Group	
	2014	2013
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	(years) 5	5
Vesting periods five and six	(years) 6	6
Vesting period seven	(years) 7	7
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.

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

32. Share-based payments (continued)

Equity-settled forfeitable share plan

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

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

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

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

In terms of IFRS 2, the transaction is measured at 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.

	2014	2013
Date of grant	24/02/2014	31/08/2013
Number of shares granted and remaining at year-end	918 000	107 388
Share price at grant date	27.15	24.91
Estimated fair value per share at grant date	27.15	24.91

Cash-settled share-based payments

The group issues to certain employees share appreciation rights (SAR) that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. The group has recorded liabilities of R71 464 000 (2013: R46 217 000).

The group recorded total current year expenses of R42 108 000 (2013: R53 254 000).

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:

		Group	
		2014	2013
Share price	(cents)	2 240	2 803
Expected rolling volatility			
Three-year expected option lifetime	(%)	27.53	23.84
Four-year expected option lifetime	(%)	26.67	23.75
Five-year expected option lifetime	(%)	26.15	23.96
Expected option lifetime			
Vesting periods three	(years)	3	3
Vesting periods four	(years)	4	4
Vesting periods five	(years)	5	5
Risk-free rate based on zero-coupon government bond yield			
Three-year expected option lifetime	(%)	6.41	5.63
Four-year expected option lifetime	(%)	6.57	5.90
Five-year expected option lifetime	(%)	6.70	6.14
Expected dividend yield	(%)	2.26	1.48
Forfeiture rate per annum compound	(%)	10.00	10.00

	Group			
	2014 R000	2014 US\$000	2013 R000	2013 US\$000
33. Capital commitments				
Authorised and contracted for	81 290	15 561	116 640	25 427
Due within one year	79 974	517	116 140	23 590
Due between years one and two	1 316	15 044	500	1 837
Authorised and not contracted for	1 210	–	68 338	32 284
Total	82 500	15 561	184 978	57 711
Financing guarantees	14 784		55 696	
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	146 076		163 541	

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:

2014	2015 R000	2016 R000	Thereafter R000	Total R000
Property, terminals, vehicles and equipment	68 185	964	352	69 501
Intangible assets	12 999	–	–	12 999
Total	81 184	964	352	82 500

2014	2015 US\$000	2016 US\$000	Thereafter US\$000	Total US\$000
Ships	–	1 500	11 500	13 000
Property, terminals, vehicles and equipment	517	1 745	275	2 537
Intangible assets	–	11	13	24
Total	517	3 256	11 788	15 561

2013	2014 R000	2015 R000	Thereafter R000	Total R000
Property, terminals, vehicles and equipment	152 444	500	–	152 944
Intangible assets	11 721	16 313	4 000	32 034
Total	164 165	16 813	4 000	184 978

2013	2014 US\$000	2015 US\$000	Thereafter US\$000	Total US\$000
Ships	–	–	1 800	1 800
Property, terminals, vehicles and equipment	4 804	37	–	4 841
Investment in businesses	24 820	3 250	23 000	51 070
Total	29 624	3 287	24 800	57 711

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

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

34. Contingent assets/liabilities

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R6 263 550 000 (2013: R7 941 355 000) of which R2 231 427 000 (2013: R4 629 690 000) had been utilised at year-end.

The company has guaranteed charter hire payments of subsidiaries amounting to R1 137 690 000 (2013: R1 194 376 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2015 to 2022.

	Group			
	2014		2013	
	Year end rates	Average rates	Year end rates	Average rates
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:				
United States dollar	11.57	10.88	10.55	9.67
Euro	14.03	14.44	14.50	12.83
Pound Sterling	18.03	17.90	17.47	15.07
Singapore Dollar	8.75	8.57	8.35	8.26
Japanese Yen	0.10	0.10	0.10	0.10
Botswana Pula	1.22	1.21	1.21	1.15
Tanzanian Shilling	0.01	0.01	0.01	0.01
New Metical	0.34	0.35	0.36	0.32

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	Group R000
2014				
Ships	66 282	–	–	66 282
Locomotives	377 848	617 426	–	995 274
Properties	28 413	40 056	–	68 469
Other	4 908	–	–	4 908
	477 451	657 482	–	1 134 933
2013				
Ships	82 733	–	–	82 733
Locomotives	63 050	266 188	–	329 238
Properties	24 000	50 940	–	74 940
	169 783	317 128	–	486 911

36. Leases and ship charters (continued)

36.1 Operating leases and ship charters (continued)

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	Group R000
2014				
Ships	997 111	2 261 606	501 860	3 760 577
Properties	181 405	470 962	100 642	753 009
Terminals, vehicles and equipment	5 959	2 612	–	8 571
	1 184 475	2 735 180	602 502	4 522 157
2013				
Ships	653 148	1 913 070	522 734	3 088 952
Properties	146 586	399 634	144 550	690 770
Terminals, vehicles and equipment	6 813	1 658	–	8 471
	806 547	2 314 362	667 284	3 788 193

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.

36.2 Finance leases

36.2.1 Liabilities

Included in interest-bearing borrowings are capitalised finance lease liabilities in respect of property, terminals, vehicles and equipment in favour of various local finance institutions, details of which are as follows:

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2014				
Future minimum lease payments	25 247	20 585	–	45 832
Future interest	(1 327)	(2 536)	–	(3 863)
Present value of future minimum lease payments	23 920	18 049	–	41 969
2013				
Future minimum lease payments	30 833	25 383	–	56 216
Future interest	(1 360)	(378)	–	(1 738)
Present value of future minimum lease payments	29 473	25 005	–	54 478

Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 91.

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
37. Cash flow				
37.1 Reconciliation of operating profit before interest and taxation to cash generated from operations				
Operating profit before interest and taxation	618 868	423 578	248 879	2 921 321
Adjustments for:				
Depreciation	529 548	453 572		
Share option expense	11 793	8 425		
Dividends received	–	–	(250 477)	(2 917 810)
Amortisation of intangible assets and drydocking	17 595	9 540		
Non-cash financial instruments and foreign exchange losses/(gains)	9 875	(1 268)		
Profit on sale of ships and locomotives	(42 185)	(78 974)		
Fair value adjustment on forfeitable share plan	–	–	1 671	–
Fair value adjustment on financial services instruments	77 366	(80 108)		
Non-cash provisions/other	–	–	–	(26 273)
Operating profit before working capital changes	1 222 860	734 765	73	(22 762)
Working capital changes				
Decrease in inventories	472 652	89 439		
Decrease/(increase) in trade and other receivables	283 428	(97 824)	(20 077)	8
(Decrease)/increase in trade and other payables	(493 175)	(78 552)	19 813	475
Cash generated from/(absorbed by) operations	1 485 765	647 828	(191)	(22 279)
37.2 Dividends paid				
Dividends paid by company and group	(265 405)	(259 666)	(263 962)	(268 032)
37.3 Taxation paid				
Balance at the beginning of the year	(46 889)	(74 790)	12 718	189
Current year	(194 808)	(186 680)	(6 573)	–
Foreign exchange translation	(4 031)	1 770		
Businesses acquired/disposed	(21 671)	(6 300)		
Transferred to non-current assets held for sale (note 18)	–	(474)		
Balance at the end of the year	43 610	46 889	4 488	(12 718)
Taxation paid	(223 789)	(219 585)	10 633	(12 529)
37.4 Property, plant and equipment acquired				
Additions – ships	(192 694)	(406 251)		
Additions – property, terminals, vehicles and equipment	(379 929)	(661 881)		
Cash flow on acquisition of property, terminals, vehicles and equipment	(572 623)	(1 068 132)		

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
37. Cash flow (continued)				
37.5 Acquisition of businesses				
During the year the group acquired interests in subsidiaries and joint ventures as follows:				
Property, plant and equipment	(487 498)	(86 578)	(1 357 321)	(3 080 584)
Investments	213	(27 635)		
Working capital	(83 824)	80 859		
Cash and bank	(230 982)	20 328		
Long-term liabilities	333 053	39 523		
Business combination reserve	(13 186)	–		
Non-controlling interest	(47 249)	(25 269)		
Short-term borrowings	122 595	–		
Deferred taxation	(19 891)	(8 980)		
Taxation	21 671	5 695		
Bank overdraft	1 082	–		
Post-retirement medical aid	1 979	–		
Intangibles	(132 998)	(16 205)		
Total	(535 035)	(18 262)		
Earnout	71 300	–		
Less: Disposal of investment in joint ventures	219 621	–		
Less: Profit on sale of disposal of investment in joint ventures	421 278	–		
Goodwill and intangible assets arising on acquisition	(891 965)	(85 545)		
Purchase consideration relating to associate	–	(677 616)		
Total purchase consideration	(714 801)	(781 423)		
Less: Cash and cash equivalents	229 900	(20 328)		
Cash acquired	(484 901)	(801 751)	(1 357 321)	(3 080 584)
37.6 Disposal of businesses				
The group disposed of its interests in subsidiaries and joint ventures as follows:				
Property, plant and equipment	–	10 620		
Investments and interest in joint venture companies	14 885	(18 817)		
Working capital	–	31 453		
Cash and bank	–	26 451		
Taxation	–	(605)		
Long-term liabilities	–	(13 501)		
Short-term borrowings	–	(1 992)		
Deferred taxation	–	14 576		
Intangibles	–	20		
	14 885	48 205		
Profit on disposal	7 556	87 654		
Total purchase price	22 441	135 859		
Less: Cash and cash equivalents	–	(26 451)		
Cash flow on disposal net of cash disposed of	22 441	109 408		

■ **NOTES TO THE FINANCIAL STATEMENTS** continued
for the year ended 31 December 2014

	Group		Company	
	2014 R000	2013 R000	2014 R000	2013 R000
37. Cash flow (continued)				
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:				
	7 404 912	6 076 314	2 807	2 538
Deposits with the SA Reserve Bank	150 334	136 894		
Interbank call deposits	3 829 216	4 482 135		
Bank balances and cash	3 425 362	1 457 285	2 807	2 538
Bank and cash balances included in non-current assets held for sale (note 18)	17 418	170 592		
Bank overdrafts	(233 704)	(115 403)		
	7 188 626	6 131 503	2 807	2 538
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	3 979 550	4 651 250		

38. Business combinations

Acquisition of subsidiaries, joint ventures and associates

During the year the group acquired the following interests:

Company acquired	Nature of business	Percentage acquired	Acquired interest 2014	Purchase consideration R000
RRL Grindrod Locomotives Proprietary Limited	Rail	49	30 June 2014	264 110
RRL Grindrod Proprietary Limited	Rail	50	30 June 2014	37 500
Unicorn Calulo Shipping Services Proprietary Limited	Shipping services	50	30 June 2014	26 800
Unicorn Calulo Bunker Services Proprietary Limited	Bunker services	25	30 June 2014	127 400
Sturrock Grindrod Maritime Holdings Proprietary Limited	Ships agencies	50	30 June 2014	190 400
Grindrod South Africa Proprietary Limited	Freight services	25	30 June 2014	30 022
Grindrod Rail Construction Proprietary Limited	Rail	25	30 June 2014	9 000
Grindrod Corridor Management Proprietary Limited	Terminals	30	30 June 2014	7 900
Grindrod Locomotives Technology Proprietary Limited	Rail	100	1 October 2014	15 000
North West Rail Limited	Rail	89.5	1 October 2014	6 669
Total purchase consideration				714 801

Disposal of subsidiaries, joint ventures and associates

During the year the group disposed of the following interests:

Company disposed	Nature of business	Percentage disposed	Disposed interest 2014	Disposal consideration R000
Russelstone Proteins Proprietary Limited	Trading	30	31 December 2014	(17 419)
Oil tanking Grindrod Calulo Holdings Proprietary Limited	Liquid bulk storage and trading	7.5	30 June 2014	(5 022)
				(22 441)

38. Business combinations (continued)

Reasons for acquisitions

The primary reasons for acquisitions were to enable Grindrod to create greater alignment between subsidiary companies and the group, eliminate any conflicts of interest which might exist, enable more efficient management of the businesses, appropriately capitalise the business and leverage the group's balance sheet in raising debt facilities.

Impact of the acquisitions on the results of the group

From the dates of their acquisition, the acquired businesses contributed attributable profit of R26.2 million.

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

	Acquirees' carrying amount before combination at fair value R000
Net assets acquired	
Property, plant and equipment	487 498
Interest in associate companies	(213)
Working capital	83 824
Cash and bank	230 982
Long-term liabilities	(333 053)
Business combination reserve	13 186
Non-controlling interest	47 249
Short-term borrowings	(122 595)
Deferred taxation	19 891
Taxation	(21 671)
Bank overdraft	(1 082)
Post-retirement medical aid	(1 979)
Intangibles	132 998
Total	535 035
Earnout	(71 300)
Less: Disposal of investment in joint ventures	(219 621)
Less: Profit on sale of disposal of investment in joint ventures	(421 278)
Goodwill and intangible assets arising on acquisition	891 965
Cash acquired	(229 900)
	484 901
Interest in associate and joint venture companies disposed	(14 885)
Add: Profit on sale on disposal of associates	(7 556)
Net assets disposed	(22 441)
Net assets acquired and disposed	462 460

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

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.

	Group R000			Amounts due by/(to) related party
	Influence holders in the group	Associates	Joint ventures	
2014				
Goods and services sold to:				
Corr-Line Steel & Roof Proprietary Limited			609	5 629
IM Shipping (Pte) Ltd			84 320	121 508
Kapele Freight & Logistics Proprietary Limited			8 058	490
GPR Leasing Africa Proprietary Limited			117 230	
Moneyline 992 Proprietary Limited		792		
Maputo Port Development Company			40 125	(1 134)
Newsshelf 1279 Proprietary Limited	12 897			412 897
New Limpopo Bridge Projects Limited			29 691	32 633
Oreport Proprietary Limited			2	
OTGC Holdings Proprietary Limited			7	69
Petromoc – Petroleos de Mocambique S.A.R.L	56 647			
Röhlig-Grindrod Proprietary Limited			47 952	3 107
Terminal De Carvo da Matola Limitada			8 933	47 268
Tri-view Shipping Pte Ltd			42 029	30 452
Vanguard Rigging Proprietary Limited			145	90
Vitol Coal SA Proprietary Limited			243 039	
	69 544	792	622 140	653 009
Goods and services purchased from:				
AAS Logistics Proprietary Limited				20 000
Beitbridge Bulawayo Railway			(6 584)	6 398
Calulo Investments Proprietary Limited				940
Cavok				5 040
Chromtech Holdings Proprietary Limited			(1 068)	(46 324)
Cockett Marine Oil Pte Ltd			(81 221)	(8 993)
GPR Leasing Africa Proprietary Limited			(2 594)	(28 219)
Island Bulk Carriers Pte Ltd			(1 001)	278
IVS Bulk Pte Ltd			(3 352)	6 387
Maputo Intermodal Container Depot, S.A				10 282
Maputo Port Development Company			(116 990)	(586)
New Limpopo Bridge Projects Limited			(14 220)	10 200
Petromoc – Petroleos de Mocambique S.A.R.L	(18 646)			
Röhlig-Grindrod Proprietary Limited			(57 959)	116 333
Solethu Investments Proprietary Limited				71
Vitol Mauritius Limited				1 277
	(18 646)	-	(284 989)	93 084

39. Related party transactions (continued)

	Influence holders in the group	Group R000 Associates	Joint ventures	Amounts due by/(to) related party
2013				
Goods and services sold to:				
Unicorn Calulo Shipping Services Proprietary Limited			268	215
Rail Leasing Pembani Leasing Remgro			9 596	–
Grindrod Pembani Leasing Remgro			105 432	–
ISS-Voigt Shipping Proprietary Limited			5	–
Maputo Intermodal Container Depot, S.A			261	–
Mitchell Cotts Maritime, division of Grindrod Ships Agencies Proprietary Limited			10 914	916
Grindrod Ships Agencies Limitada			793	–
Island Bulk Carriers Pte Ltd			1 741	(9 305)
Cockett Marine Oil Pte Ltd			11 171	1 232
Petrochemical Shipping Limited			3 799	–
Portus Indico			12 577	12 502
Röhlig-Grindrod Proprietary Limited			5 781	(512)
RRL Grindrod Proprietary Limited			126	–
Vitol Coal SA Proprietary Limited			45 931	2 636
Terminal De Carvo da Matola Limitada			4 438	20
	–	–	212 833	7 704
Goods and services purchased from:				
King & Sons Proprietary Limited			(18 067)	554
OTGC Holdings Proprietary Limited			(1)	1
Cockett Marine Oil Pte Ltd			(61 821)	(2 017)
Grindrod Ships Agencies Limitada			(659)	
Erundu Stevedoring Proprietary Limited		(3 148)		(400)
Moneyline 992 Proprietary Limited		(1 017)		–
SM Business		(4)		1
IM Shipping Pte Ltd			(86 779)	129 638
CMA CGM Proprietary Limited			(321)	30
ISS-Voigt Shipping Proprietary Limited			(3 052)	1 190
Ocean Africa Container Liner			(359)	27
Kapele Freight & Logistics Proprietary Limited			(7 070)	1 165
Bow Properties			(1 800)	–
Chromtech Holdings Proprietary Limited			(386)	22
Mitchell Cotts Maritime, division of Grindrod Ships Agencies Proprietary Limited			(806)	66
Maputo Port Development Company		(124 486)		
Petrochemical Shipping Limited				31
Röhlig-Grindrod Proprietary Limited			(42 496)	8 218
Spinnaker Shipping & Logistics Proprietary Limited			(2)	2
Tri-view Shipping Pte Ltd			(59 045)	40 660
RRL Grindrod Proprietary Limited			(3 356)	(279)
JFM Sturrock Holdings Proprietary Limited			(1 226)	1 373
Vitol Coal SA Proprietary Limited			(56 244)	–
Petroleos de Mocambique S.A.			(10 815)	–
	–	(128 655)	(354 305)	180 282

39. Related party transactions (continued)

Associates

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

Joint ventures

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

Subsidiaries

Details of investments in subsidiaries are set out in note 4 and in the schedule of interest in subsidiaries on page 89.

Directors

Details of directors' interests in the company and directors' emoluments are set out in the remuneration report on page 74 to page 82 of the integrated annual report.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on page 104 of the integrated annual report.

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 finer 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 the Agricultural Logistics division. Main risk exposures are maize, wheat, soybean meal, manganese ore, mill rolls, ferromoly, calcium aluminate cement clinker, sulphuric acid, chrome, stainless steel.

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;
- Bank relationship management.

The treasury management committee (TMC)

The TMC meets eight times a year and reviews the total risk management process. It is responsible for implementing, reviewing and maintaining the treasury management policies. The TMC membership consists of the group financial director, Freight Services treasurer, Shipping treasurer, Financial Services treasurer and the group treasury manager. In addition to the risk management process the TMC reviews 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, is responsible for the ultimate approval of day-to-day treasury activities, and reporting on treasury matters.

40. Financial instruments risk management objectives and policies (continued)

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 quarterly. 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.

40.1 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.

Transaction and translation exposures are identified as they occur and are reported by the various entities to the respective treasury divisions and the group treasury management committee.

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:

	Group			
	2014 US\$000	2014 R000	2013 US\$000	2013 R000
Loans	(216 099)	(2 500 266)	(290 360)	(3 063 293)
Trade and other receivables	187 544	2 169 890	206 498	2 178 550
Trade and other payables	(65 044)	(752 558)	(66 640)	(703 057)
Bank balances	115 567	1 337 106	138 822	1 464 572
Subtotal	21 968	254 172	(11 680)	(123 228)
Less: Non-current liabilities held for sale	(267)	(3 095)	79 763	841 500
	21 701	251 077	68 083	718 272

Sensitivity analysis

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

	Group	
	2014 R000	2013 R000
Net exposure		
+10%	(152 034)	(101 845)
-10%	152 034	101 845

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

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:

	Group	
	2014 R000	2013 R000
Net exposure		
+10%	(8 828)	(17 209)
-10%	8 828	17 209

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:

	2014 R000	2013 R000
Loans linked to LIBOR	2 122 947	1 654 612
Loans linked to SA prime rate	1 070 403	1 171 356
Loans linked to JIBAR	950 050	1 139 401
Loans linked to Mozambique FPC	69 047	-
Short-term borrowings linked to LIBOR	347 047	1 220 781
Short-term borrowings linked to SA prime rate	233 704	791 043
Loans with a fixed interest rate	49 142	24 577
Subtotal	4 842 340	6 001 770
Less: Non-current liabilities held for sale	(42 250)	(1 658 067)
Total	4 800 090	4 343 703

Full details of the interest rate profile of long-term borrowings are set out in the schedule of loan funds on page 91.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2014 is as follows: local rates are between 7% and 11.3% (2013: 5.2% and 9.5%), foreign rates are between 1.4% and 15% (2013: 1.3% and 15%). Floating rates of interest are based on LIBOR (London inter-bank offered rate – for USD borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

Sensitivity analysis

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

	Group	
	2014 R000	2013 R000
Net exposure		
+50 BPS (2013: +50 BPS)	2 707	(8 312)
-50 BPS (2013: -50 BPS)	(2 707)	8 312

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

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

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	> 3 months	> 6 months	> 1 year	> 5 years	Non-rate	Total
	R000	< 6 months R000	< 1 year R000	< 5 years R000	R000	sensitive R000	
2014							
Assets	8 846 418	–	43 978	48 028	40 570	277 161	9 256 155
Equity and liabilities	(7 227 387)	(433 846)	(742 549)	(58 920)	–	(793 453)	(9 256 155)
Interest rate hedging activities	131 520	–	(43 466)	(48 152)	(39 902)	–	–
Repricing profile	1 750 551	(433 846)	(742 037)	(59 044)	668	(516 292)	–
Cumulative repricing profile	1 750 551	1 316 705	574 668	515 624	516 292	–	–
Expressed as a percentage of total assets of the financial institution (%)	18.9	14.2	6.2	5.6	5.6		
2013							
Assets	8 889 228	–	–	107 110	58 614	284 830	9 339 782
Equity and liabilities	(7 321 315)	(567 051)	(224 157)	(532 471)	–	(694 788)	(9 339 782)
Interest rate hedging activities	164 177	–	–	(106 298)	(57 879)	–	–
Repricing profile	1 732 090	(567 051)	(224 157)	(531 659)	735	(409 959)	–
Cumulative repricing profile	1 732 090	1 165 040	940 883	409 224	409 959	–	–
Expressed as a percentage of total assets of the financial institution (%)	18.5	12.5	10.1	4.4	4.4		

Interest income sensitivity	< 3 months	> 3 months	> 6 months	Total
	R000	< 6 months R000	< 1 year R000	
2014				
2% interest rate increase	5 714	6 442	14 960	27 116
2% interest rate decrease	(5 681)	(6 348)	(14 465)	(26 494)
2013				
2% interest rate increase	4 814	4 674	10 659	20 147
2% interest rate decrease	(4 767)	(4 572)	(10 176)	(19 515)

Hedging

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

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

■ NOTES TO THE FINANCIAL STATEMENTS continued

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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:

	Shipping		Freight Services		Group		Total	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
2014								
Trade debtors	191	237 309	2 082	1 024 351	53	409	2 326	1 262 069
Transfer to non-current assets held for sale			(277)	(15 295)			(277)	(15 295)
	191	237 309	1 805	1 009 056	53	409	2 049	1 246 774
2013								
Trade debtors	61	127 590	1 679	1 285 759	46	173	1 786	1 413 522
Transfer to non-current assets held for sale			(372)	(761 003)			(372)	(761 003)
	61	127 590	1 307	524 756	46	173	1 414	652 519

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 creditworthiness 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.

40. Financial instruments risk management objectives and policies (continued)

40.5 Credit risk (continued)

Monitoring exposure

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

	Group	
	2014 R000	2013 R000
Carrying amount of financial assets impaired during the year	27 345	74 256
Maximum credit risk exposure to the group is:		
Other investments	1 027 291	493 161
Finance lease receivables	32 854	–
Recoverables on cancelled ships	300 723	236 440
Loans and advances	4 306 693	3 674 567
Trade and other receivables before allowance for doubtful debts	3 767 945	3 461 162
Liquid assets and short-term negotiable securities	990 024	1 044 432
Short-term loan	149 556	–
Cash and cash equivalents	7 404 912	6 076 314
	17 979 998	14 986 076
Analysis of the ageing of financial assets which are past due but have not been impaired:		
Current	90 497	23 855
30 days	93 920	273 048
60 days	74 162	295 458
90 days	25 825	174 714
120+ days	258 026	107 675
Total	542 430	874 750

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.

40.7 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.

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

40. Financial instruments risk management objectives and policies (continued)

40.7 Liquidity risk (continued)

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.

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
2014							
Liabilities							
Provisions	-	-	-	66 130	-	-	66 130
Trade and other payables	2 083 597	-	13 000	3 213	-	90 781	2 190 591
Post-retirement medical aid	-	-	922	59 097	-	-	60 019
Financial liabilities	5 428	-	1 344	22 188	1 556	-	30 516
Deposits	7 157 134	410 307	182 762	22 440	36 880	-	7 809 523
	9 246 159	410 307	198 028	173 068	38 436	90 781	10 156 779

2013

Liabilities							
Provisions	-	-	-	-	52 436	-	52 436
Trade and other payables	1 173 996	15 339	145 175	-	-	53 266	1 387 776
Post-retirement medical aid	-	-	2 597	45 578	-	-	48 175
Financial liabilities	847	-	-	6 777	2 575	-	10 199
Deposits	7 182 573	553 658	245 965	32 694	-	-	8 014 890
	8 357 416	568 997	393 737	85 049	55 011	53 266	9 513 476

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
2014							
Liabilities							
Financial liabilities	-	-	1 551	2 160	1 702	-	5 413
Deposits	7 157 134	410 307	182 762	22 440	36 880	-	7 809 523
	7 157 134	410 307	184 313	24 600	38 582	-	7 814 936

2013

Liabilities							
Financial liabilities	847	-	-	6 777	2 575	-	10 199
Deposits	7 182 573	553 658	245 965	32 694	-	-	8 014 890
	7 183 420	553 658	245 965	39 471	2 575	-	8 025 089

The holding company has guaranteed a facility of R1 099 000 000 (2013: R1 053 000 000) 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 2014 was 13.03% (2013: 13.11%*). 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.

* Restated due to revised ratio calculated.

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 20, 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:

	Group	
	2014	2013
	R000	R000
Debt	4 780 980	4 343 703
Deposits from bank customers	7 809 523	8 014 890
Cash and cash equivalents	(7 404 912)	(6 076 314)
Recoverables on cancelled ships	(300 723)	(236 440)
Loans and advances to bank customers	(4 306 693)	(3 674 567)
Liquid assets and short-term negotiable securities	(990 024)	(1 044 432)
Short-term loan	(149 556)	–
Net non-current assets classified as held for sale	24 832	1 264 716
Net debt	(536 573)	2 591 556
Equity (including minority interest)	17 480 481	12 132 667
Net debt to equity ratio (%)	(3.1)	21.4

■ NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

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 1 R000	Level 2 R000	Level 3 R000	Total R000
2014				
Financial assets				
Derivative financial assets	–	–	–	–
Other financial assets held-for-trading	–	–	–	–
Financial assets designated at fair value through profit or loss	23 762	252 999	435 392	712 153
Total	23 762	252 999	435 392	712 153
Financial liabilities				
Derivative financial instruments	–	(88 540)	–	(88 540)
Other financial liabilities held-for-trading	–	–	–	–
Financial liabilities designated at fair value through profit or loss	–	–	–	–
Total	–	(88 540)	–	(88 540)
2013				
Financial assets				
Derivative financial assets	35 613	6 583	–	42 196
Other financial assets held-for-trading	–	23 769	–	23 769
Financial assets designated at fair value through profit or loss	25 532	175 604	342 501	543 637
Total	61 145	205 956	342 501	609 602
Financial liabilities				
Derivative financial instruments	(9 199)	(10 484)	–	(19 683)
Other financial liabilities held-for-trading	–	(45 193)	–	(45 193)
Financial liabilities designated at fair value through profit or loss	–	–	–	–
Total	(9 199)	(55 677)	–	(64 876)

Reconciliation of Level 3 fair value measurements of financial assets

	2014 Level 3 R000	2013 Level 3 R000
Opening balance	342 501	180 405
Additions	51 402	186 520
Disposals	(19 803)	(12 740)
Total (losses)/gains recognised		
– in other comprehensive income	–	25 000
Reclassified to profit or loss	–	(50 029)
Profit and loss	61 292	13 345
Closing balance	435 392	342 501

INTERESTS IN SUBSIDIARIES

for the year ended 31 December 2014

At 31 December 2014, the company had the following subsidiaries carrying on business which principally affected the profits and assets of the group.

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

		Share capital		Effective holding		Investments Shares at original cost		Share-based payments to employees		Loans to subsidiary	
		2014 R000	2013 R000	2014 %	2013 %	2014 R000	2013 R000	2014 R000	2013 R000	2014 R000	2013 R000
Incorporated in South Africa *											
Grindrod Freight Investments Proprietary Limited	F	1 495	1 495	100	100	203 500	203 500	610	610		
Grindrod Management Services Proprietary Limited	G			100	100			3 585	3 585	3 069 933	498 855
Grincor Shipping Holdings Limited	D	53	53	100	100	1	1				
Grindrod Shipping South Africa Proprietary Limited	S	5	5	100	100	230 308	76 108	1 090	1 090		
Unilog Proprietary Limited	F			100	100						
Unicorn Shipping Holdings Limited	D	15 020	15 020	100	100						
Unicorn Shipping Operations Proprietary Limited	D			100	100						
Grindrod Financial Holdings Limited	B	1 923	1 923	96	93	692 764	563 064			2 542	2 429
Grindrod Trading Holdings Proprietary Limited	G			100	100	1 408 343	1 408 343			211	–
Grindrod Freight Services Proprietary Limited	F	1	1	100	100	2 724 344	2 219 904	10 753	10 753	726 084	726 084
AAS Logistics Proprietary Limited	F			100	100	12 009	–				
Calulo Logistics Holdings Proprietary Limited	F			100	–	18 013	–				
RRL Grindrod Locomotives Proprietary Limited	F			100	–	128 800	–				
Incorporated in British Virgin Islands											
Swallow Enterprises Incorporated	G	415	415	100	100	415	415			4 576	4 576
Canosa Holdings Limited	G	–	–	100	100	23 290	23 290				
Incorporated in Isle of Man											
Grindrod Shipping Limited	S	–	–	100	100	–	–				
Grindrod Property Holdings Limited	G	–	–	100	100	34 344	34 344			1 175	1 807
Singapore											
Grindrod Shipping Pte Ltd	S	4 405 677	4 405 677	100	100	4 083 677	4 083 677	911	911	–	14 318
Interest in subsidiaries (note 4)						9 559 808	8 612 646	16 949	16 949	3 804 521	1 248 069

* Nature of business

B – Bank

D – Dormant

F – Freight and Property Services

G – Group Services

S – Shipping Services

■ VALUE ADDED STATEMENT

for the year ended 31 December 2014

	Group			
	2014 R000	%	2013 R000	%
Revenue	13 912 482		15 662 026	
Net cost of services	(10 515 312)		(12 768 666)	
Value added by operations	3 397 170		2 893 360	
Non-trading items	235 256		479 460	
Total value added	3 632 426		3 372 820	
Applied as follows:				
Employees' remuneration and service benefits	1 557 412	42.9	1 287 419	38.2
Taxation on income	191 092	5.3	111 518	3.3
Providers of share capital	59 094	1.6	55 354	1.7
Providers of loan capital	217 400	6.0	222 891	6.6
Reinvested in the business				
Depreciation and amortisation	547 143	15.0	463 112	13.7
Retained income	1 060 285	29.2	1 232 526	36.5
Total	3 632 426	100.0	3 372 820	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.

LOAN FUNDS

at 31 December 2014

	Date of redemption	Current rate of interest per annum (%)	31 December 2014 Carrying value		31 December 2013 Carrying value	
			R000	US\$000	R000	US\$000
Secured						
Foreign currency funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by mortgage bonds over ships	12/2016 – 05/2020	1.44 – 3.28	1 477 408	127 693	1 538 445	145 824
Loans secured by guarantee	05/2015 – 11/2018	3.55 – 15.00	363 658	31 431	381 050	36 118
Asset finance and capitalised finance leases secured by vehicles and equipment	12/2015 – 05/2017	2.24 – 15.00	406 325	35 119	30 307	2 873
Local currency funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by mortgage bond over property, terminals and locomotives	12/2017 – 04/2024	8.09 – 9.25	348 932		293 396	
Asset finance and capitalised finance leases secured by vehicles and equipment	03/2015 – 07/2018	7.25 – 10.25	300 667		460 805	
Loans secured by property			36 199		36 199	
Aggregate secured long-term borrowings			2 933 189		2 740 202	
Unsecured foreign currency funding			882		–	
Transferred to non-current assets held for sale			(19 110)		(69 219)	
Amount repayable within one year			(651 669)		(697 593)	
Net long-term borrowings			2 263 292		1 973 390	
Closing Rand/USD exchange rate at 31 December 2014			11.57		10.55	
Security						
Net book values of assets encumbered to secure long-term loans are as follows:						
			5 132 813		5 188 799	
Ships			3 713 026		4 087 527	
Land and buildings			199 656		213 959	
Equipment, plant and vehicles			1 220 131		887 313	

■ FINANCIAL SERVICES FUNDING INSTRUMENTS

at 31 December 2014

	Date of redemption	Current rate of interest per annum (%)	31 December 2014 Carrying value		31 December 2013 Carrying value	
			R000	US\$000	R000	US\$000
Secured						
Local funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by guarantee	02/2015 – 08/2016	*	336 171		340 291	
Listed corporate bond secured by guarantee	10/2015	7.88	508 414		507 417	
Loans secured by mortgage bond over property	05/2023	8.25 – 8.75	93 726		102 000	
Aggregate secured financial services funding instruments			938 311		949 708	
Redeemable preference shares	07/2015 – 09/2015	6.94	346 956		293 531	
Aggregate financial services funding instruments			1 285 267		1 243 239	
Amount repayable within one year			(922 550)		(160 253)	
Net financial services funding instruments			362 717		1 082 986	

*Rates linked to published South African market rates.



