GRINDROD LIMITED

## Contents



# ANNUAL FINANCIAL STATEMENTS 2012
for the year ended 31 December

# DIRECTORS' RESPONSIBILITY AND APPROVAL

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors of Grindrod Limited have pleasure in presenting the annual financial statements for the year ended 31 December 2012.

In terms of the South African Companies Act, 2008, as amended, the directors are required to prepare the consolidated annual financial statements that fairly present the state of affairs and business of the group at the end of the financial year and of the profit or loss for that year. To achieve the highest standards of financial reporting, these annual financial statements have been drawn up to comply with International Financial Reporting Standards.

The annual financial statements comprise:

- the statements of financial position;
- the income statements;
- the statements of comprehensive income;
- statements of changes in equity;
- the statements of cash flows;
- segmental analyses;
- accounting policies; and
- notes.

The reviews by the chairman, the chief executive officer, the finance director and the detailed operational reports discuss the results of operations for the year and those matters which are material for an appreciation of the state of affairs and business of the company and of the Grindrod group.

Supported by the audit committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. They are of the opinion that the annual financial statements fairly present in all material respects the state of affairs and business of the company and the group at 31 December 2012 and of the profit for the year to that date. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

In addition, the directors have also reviewed the cash flow forecast for the year to 31 December 2013 and believe that the Grindrod group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis and the external auditors concur.

The annual financial statements set out on pages 16 to 80 were approved by the board of directors on 26 February 2013 and were signed on their behalf by:

**IAJ Clark**
*Chairman*

**AK Olivier**
*Chief Executive Officer*

# CERTIFICATE BY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2012

In my capacity as company secretary, I hereby certify that Grindrod Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008 (or the Companies Act, 1973 where applicable). Further, I certify that such returns are true, correct and up to date.

**Mrs CI Lewis**
*Company Secretary*

Durban
26 February 2013

# PREPARER OF ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

These annual financial statements have been prepared under the supervision of AG Waller, CA (SA).

**AG Waller**
*Group Financial Director*

26 February 2013

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRINDROD LIMITED

We have audited the consolidated and separate financial statements of Grindrod Limited set out on pages 4 to 80, which comprise the statements of financial position as at 31 December 2012, 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 2012, 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 2012, 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*

26 February 2013

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 *(Client & industries)*, JK Mazzocco *(Talent & transformation)*, CR Beukman *(Finance)*, M Jordan *(Strategy)*, S Gwala *(Special projects)*, TJ Brown *(Chairman of the board)*, MJ Comber *(Deputy chairman of the board)*.

A full list of partners and directors is available on request.

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

Member of Deloitte Touche Tohmatsu Limited

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

**Nature of business**
The nature of the group's business is set out under the divisional reviews on pages 36 to 67 of the integrated annual report 2012.

**Review of operations**
The financial results for the year ended 31 December 2012, including the results of operations, are dealt with in the consolidated income statements and segmental analysis on pages 17 and 22 respectively of these annual financial statements and in the operational reviews on pages 36 to 67 of the integrated annual report 2012.

The year under review is fully covered in the chairman's, the chief executive's and the financial director's reviews on pages 24 to 31 of the integrated annual report.

**Acquisitions and disposals**
During the year under review the following material acquisitions and disposals took place:

Grindrod Shipping established a 50:50 joint venture with Vitol and contracted to purchase four 52 000 dwt products tankers.

The Cockett group established a 50:50 joint venture with Vitol to grow the marine fuels business.

Grindrod Mauritius sold 35% of its shares in Terminal de Carvao da Matola (TCM) to Vitol and acquired a 35% interest in a coal trading company, Vitol Coal South Africa B.V. (VCSA).

Grindrod Mauritius acquired a majority interest (75,5%) in Petrologistics Botswana (Pty) Ltd (Petrologistics), in which Fuelogic (Pty) Ltd, already held a 24,5% interest. Petrologistics is a bulk liquid fuel transporter operating in Botswana under long-term contracts.

Grindrod acquired a 46,4% interest in New Limpopo Bridge Projects Limited, the 56% shareholder in NLPI Limited, which owns and operates rail concessions in Africa.

Grindrod Ships Agencies (Pty) Ltd established a 50:50 joint venture with JFM Sturrock Holdings (Pty) Ltd.

Grindrod Holdings South Africa (Pty) Ltd acquired Safmarine's 51% share in Ocean Africa Container Lines (Pty) Ltd.

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 38.1 and 38.2 to these annual financial statements.

**Share capital**
Details of the authorised and issued shares are shown in note 19 and the share analysis is shown on pages 122 to 123 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 950 000 ordinary shares as a result of the allotment and issue of new shares in terms of the Grindrod Limited share option scheme.

**Dividends**
The directors have declared a final dividend of 15,4 cents per ordinary share (2011: 12,0 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 | 21.08.2012 | 07.09.2012 | 10.09.2012 | 14.09.2012 | 17.09.2012 | 17,5 |
| Final | 26.02.2013 | 14.03.2013 | 15.03.2013 | 22.03.2013 | 25.03.2013 | 15,4 |

The directors have also declared a dividend of 379 cents per preference share (2011: 363) which will be paid on the same day as the final dividend to ordinary shareholders.

**Special resolutions**
General authority for the company to provide financial assistance for subscription of securities and to provide financial assistance to certain categories of person and a renewal of authority for the company or its subsidiaries to repurchase its own shares was obtained at the 2012 annual general meeting.

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, joint venture and associated companies is contained in note 5,6 and 7 respectively on pages 31 to 33. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 36 to 67 of the integrated report.

**Directorate and company secretary**
Brief curricula vitae of the current directors are disclosed on pages 20 to 23 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear on pages 84 to 92 of the integrated annual report.

Mr MH Visser passed away tragically on 26 April 2012. Messrs JJ Durand and PJ Liddiard (as alternate) were appointed effective from 9 May 2012.

Mr AF Stewart resigned from the board on 31 May 2012.

Messrs AC Brahde and GG Gelink were appointed effective 1 January 2013.

The appointment of Messrs JJ Durand, PJ Liddiard (alternate), AC Brahde and GG Gelink will be confirmed at the annual general meeting.

According to the company's Memorandum of Incorporation, at the forthcoming annual general meeting, Messrs H Adams, WD Geach and IM Groves retire by rotation. All are eligible and have offered themselves for re-election.

Mr CAS Robertson resigned as company secretary effective 1 February 2013.

Mrs CI Lewis has been appointed in his place. Her address and that of the registered office 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.

**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 members of the audit committee.

**Major shareholders**
Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on pages 122 to 123 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.

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

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

## BASIS OF PREPARATION

### Accounting framework

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) using the historical cost convention except for certain financial instruments 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.

### 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 impractical 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 impractical 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 within the group 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**
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 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, a prior period error, or a change due to revised standards and interpretations adopted per note 1 to the financial statements.

**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.

**CONSOLIDATED ANNUAL 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 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.

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.

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.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

**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. 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.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant 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 ventures are accounted for using the equity method of accounting.

**FINANCIAL STATEMENT ITEMS**

**STATEMENT OF FINANCIAL POSITION**

**Ships, property, terminals, vehicles and equipment**

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

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

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

Terminals, 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.

**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 cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or joint venture recognised at the date of acquisition.

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. 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.

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

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

**Deferred taxation assets and liabilities**

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

**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 and 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 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.

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

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

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

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

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

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

**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.

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

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

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

Derivatives that are assets are measured at fair value, with changes in fair value being included in profit or loss other than derivatives designated as cash flow hedges. Derivative assets at fair value are classified as non-current assets if the remaining maturity 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.

**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.

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 expenditure required to settle the present 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.

**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 initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less 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.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

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

### Cost of sales

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

### Employee benefit costs

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

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

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

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

### 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 which 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 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.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2012

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 lease, which includes initial direct costs. 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.

**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 and loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease. 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.

**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.

**Fair value of derivative financial instruments**
The ship purchase option is revalued on a monthly basis over the period of the agreement to an estimated value of a vessel of a similar age and specification at the contract end. This is dependent on management's expectations and movements in the shipping markets. Note 40 provides more detail.

**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.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Notes | **2012 R000** | 2011 R000 | 2010 R000 | **2012 R000** | 2011 R000 | 2010 R000 |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Ships, property, terminals, vehicles and equipment | 3 | **5 443 757** | 5 267 565 | 4 564 226 | | | |
| Intangible assets | 4 | **679 643** | 547 931 | 648 729 | | | |
| Investments in subsidiaries | 5 | | | | **5 549 011** | 4 710 088 | 4 110 646 |
| Investments in joint ventures | 6 | **1 668 233** | 719 528 | 801 724 | | | |
| Investments in associates | 7 | **512 646** | 266 081 | 243 915 | | | |
| Investment property | 8 | **33 826** | 22 096 | – | | | |
| Other investments | 9 | **322 997** | 129 478 | 90 897 | | | |
| Deferred taxation | 10 | **107 435** | 89 472 | 162 379 | **918** | 603 | 2 318 |
| Derivative financial assets | 11 | **2 891** | – | 1 169 | | | |
| Recoverables on cancelled ships | 12 | **379 050** | 380 566 | – | | | |
| Total non-current assets | | **9 150 478** | 7 422 717 | 6 513 039 | **5 549 929** | 4 710 691 | 4 112 964 |
| Loans and advances to bank customers | 13 | **3 188 454** | 2 542 048 | 1 986 208 | | | |
| **Current assets** | | | | | | | |
| Liquid assets and short-term negotiable securities | 14 | **626 378** | 190 259 | 129 365 | | | |
| Inventories | 15 | **906 116** | 961 093 | 667 816 | | | |
| Trade and other receivables | 16 | **3 173 519** | 2 639 896 | 3 177 218 | **1 965 557** | 2 837 637 | 1 120 396 |
| Taxation | | **9 755** | 15 133 | 24 521 | **189** | – | – |
| Short-term loans | 17 | **518 819** | 303 513 | 243 406 | | | |
| Cash and cash equivalents | | **4 226 367** | 2 979 172 | 1 149 857 | **1 975** | 4 037 | – |
| | | **9 460 954** | 7 089 066 | 5 392 183 | **1 967 721** | 2 841 674 | 1 120 396 |
| Non-current assets classified as held for sale | 18 | **273 615** | 3 467 286 | – | | | |
| Total current assets | | **9 734 569** | 10 556 352 | 5 392 183 | **1 967 721** | 2 841 674 | 1 120 396 |
| **Total assets** | | **22 073 501** | 20 521 117 | 13 891 430 | **7 517 650** | 7 552 365 | 5 233 360 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Capital and reserves** | | | | | | | |
| Share capital and premium | 19 | **2 025 257** | 2 014 429 | 28 682 | **2 410 809** | 2 406 656 | 422 854 |
| Equity compensation reserve | | **42 126** | 37 947 | 37 300 | **17 510** | 16 668 | 16 021 |
| Non-distributable reserves | | **967 295** | 732 339 | (313 167) | | | |
| Accumulated profit | | **7 079 678** | 6 432 054 | 6 104 046 | **4 820 749** | 4 575 663 | 4 041 455 |
| Equity attributable to owners of the company | | **10 114 356** | 9 216 769 | 5 856 861 | **7 249 068** | 6 998 987 | 4 480 330 |
| Non-controlling interests | | **126 533** | 94 336 | 113 854 | | | |
| **Total equity** | | **10 240 889** | 9 311 105 | 5 970 715 | **7 249 068** | 6 998 987 | 4 480 330 |
| **Non-current liabilities** | | | | | | | |
| Long-term borrowings | 20 | **2 028 392** | 2 226 575 | 1 314 553 | | | |
| Financial services funding instruments | 21 | **813 947** | – | – | | | |
| Derivative financial liabilities | 11 | **25 949** | 19 188 | 15 938 | | | |
| Deferred taxation | 10 | **147 004** | 124 796 | 117 349 | | | |
| Provision for post-retirement medical aid | 22 | **49 426** | 52 336 | 49 628 | | | |
| Provisions | 23 | **32 662** | 14 481 | 15 199 | | | |
| Total non-current liabilities | | **3 097 380** | 2 437 376 | 1 512 667 | **–** | – | – |
| Deposits from bank customers | 24 | **4 661 346** | 2 910 945 | 2 016 137 | | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 25 | **1 653 586** | 1 238 377 | 2 358 290 | **268 582** | 550 837 | 751 349 |
| Provisions | 23 | **3 783** | 13 478 | – | | | |
| Current portion of long-term borrowings | 20 | **408 556** | 396 967 | 528 135 | | | |
| Current portion of financial services funding instruments | 21 | **193 519** | 130 514 | 54 771 | | | |
| Short-term borrowings and overdraft | 20 | **1 578 842** | 1 620 223 | 1 430 514 | | | |
| Taxation | | **84 545** | 45 181 | 20 201 | **–** | 2 541 | 1 681 |
| | | **3 922 831** | 3 444 740 | 4 391 911 | **268 582** | 553 378 | 753 030 |
| Non-current liabilities associated with assets classified as held for sale | 18 | **151 055** | 2 416 951 | – | | | |
| Total current liabilities | | **4 073 886** | 5 861 691 | 4 391 911 | **268 582** | 553 378 | 753 030 |
| **Total equity and liabilities** | | **22 073 501** | 20 521 117 | 13 891 430 | **7 517 650** | 7 552 365 | 5 233 360 |

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | Notes | **R000** | R000 | **R000** | R000 |
| **Revenue** | 26 | **27 262 223** | 35 885 258 | **524 530** | 863 405 |
| Other income | 27 | **287 416** | 153 328 | **322** | 1 966 |
| Operating expenses | 27 | **(26 595 814)** | (35 033 049) | **(48 785)** | (46 567) |
| **Earnings before interest, taxation, depreciation and amortisation** | | **953 825** | 1 005 537 | **476 067** | 818 804 |
| Depreciation and amortisation | 27 | **(412 430)** | (362 979) | | |
| **Operating profit before interest and taxation** | | **541 395** | 642 558 | **476 067** | 818 804 |
| Non-trading items | 28 | **199 689** | 60 152 | **–** | – |
| Interest received | 29 | **206 941** | 169 709 | **456** | 7 484 |
| Interest paid | 29 | **(227 398)** | (218 647) | **–** | (7 192) |
| **Profit before share of associate and joint venture companies' profit** | | **720 627** | 653 772 | **476 523** | 819 096 |
| Share of associate companies' profit after taxation | 7 | **9 385** | 4 291 | | |
| Share of joint venture companies' profit after taxation | 6 | **340 029** | 114 024 | | |
| **Profit before taxation** | | **1 070 041** | 772 087 | **476 523** | 819 096 |
| Taxation | 30 | **(148 228)** | (175 363) | **2 670** | (24 633) |
| **Profit for the year** | | **921 813** | 596 724 | **479 193** | 794 463 |
| **Attributable to:** | | | | | |
| Owners of the parent/company | | **910 563** | 584 176 | **479 193** | 794 463 |
| Non-controlling interests | | **11 250** | 12 548 | | |
| | | **921 813** | 596 724 | **479 193** | 794 463 |
| **Earnings per share** (cents) | 31 | | | | |
| Basic | | **144,6** | 111,0 | | |
| Diluted | | **144,0** | 110,8 | | |
| Dividends per share (cents) | | **32,9** | 29,5 | | |
| Interim | | **17,5** | 17,5 | | |
| Final | | **15,4** | 12,0 | | |
| Dividend cover (times) | | **4,4** | 3,8 | | |

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **R000** | R000 | **R000** | R000 |
| **Profit for the year** | **921 813** | 596 724 | **479 193** | 794 463 |
| **Other comprehensive income** | | | | |
| Exchange differences on translating foreign operations | | | | |
| Exchange differences arising during the year | **263 750** | 901 974 | | |
| Cash flow hedges | | | | |
| Recycled through profit and loss during the year | **(6 345)** | 161 735 | | |
| Reclassification adjustments for amounts recognised in assets | **(859)** | (2 070) | | |
| | **(7 204)** | 159 665 | **–** | – |
| Business combination release | **5 998** | – | | |
| Fair value loss arising on available-for-sale investments | **(25 000)** | – | | |
| **Total comprehensive income for the year** | **1 159 357** | 1 658 363 | **479 193** | 794 463 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent/company | **1 145 519** | 1 648 400 | **479 193** | 794 463 |
| Non-controlling interests | **13 838** | 9 963 | | |
| | **1 159 357** | 1 658 363 | **479 193** | 794 463 |

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Cash receipts from charter hire | | **2 406 969** | 27 431 | | |
| Cash receipts from freight | | **2 734 395** | 2 192 182 | | |
| Cash receipts from commodity sales | | **20 574 398** | 29 677 014 | | |
| Interest income from financial institution | | **298 422** | 238 875 | | |
| Interest expense from financial institution | | **(215 509)** | (181 033) | | |
| Dividend income from financial institution | | **22 710** | 9 231 | | |
| Corporate and structured finance fee income and other income | | **148 084** | 127 753 | | |
| Handling revenue | | **2 715 187** | 2 739 006 | | |
| Other revenue | | **102 497** | 197 015 | **34 205** | 27 255 |
| Cash receipts from customers | | **28 787 153** | 35 027 474 | **34 205** | 27 255 |
| Cash payments to suppliers and employees | | **(27 364 498)** | (35 222 509) | **(45 046)** | (22 841) |
| Cash generated from/(absorbed by) operations | 37.1 | **1 422 655** | (195 035) | **(10 841)** | 4 414 |
| Interest received | | **206 941** | 93 467 | **456** | 7 484 |
| Interest paid | | **(227 398)** | (218 647) | **–** | (7 192) |
| Dividends received | | **22 710** | 29 437 | **490 325** | 836 150 |
| Dividends paid | 37.2 | **(238 182)** | (259 552) | **(232 773)** | (262 042) |
| Taxation paid | 37.3 | **(101 985)** | (63 004) | **(374)** | (22 059) |
| | | **1 084 741** | (613 334) | **246 793** | 556 755 |
| Net proceeds on disposal of ships and locomotives | | **16 846** | – | | |
| Capital expenditure on ships and locomotives | 37.4 | **(242 372)** | (842 831) | | |
| **Cash flows from operating activities of financial institutions** | | | | | |
| Advances to customers | | **(646 406)** | (380 425) | | |
| Liquid assets and short-term negotiable securities | | **(436 119)** | (60 894) | | |
| Deposits from customers | | **1 750 401** | 894 808 | | |
| **Net cash flows from/(used in) operating activities** | | **1 527 091** | (1 002 676) | **246 793** | 556 755 |
| **INVESTING ACTIVITIES** | | | | | |
| Property, terminals, vehicles and equipment acquired | 37.4 | **(388 326)** | (296 837) | | |
| Replacement of property, terminals, vehicles and equipment | | **(10 566)** | (10 566) | | |
| Additions to property, terminals, vehicles and equipment | | **(377 760)** | (286 271) | | |
| Acquisition of other investments | | **(95 046)** | (30 190) | | |
| Acquisition of subsidiaries, joint ventures and associates | 37.5 | **(560 974)** | (23 657) | **(838 643)** | (496 806) |
| Proceeds on disposal of property, terminals, vehicles and equipment | | **33 916** | 69 469 | | |
| Proceeds from repayment of share capital by joint venture | | **–** | 262 235 | | |
| Proceeds from disposal of investments | 37.6 | **466 020** | 41 593 | | |
| Acquisition of intangible assets | | **(17 891)** | (2 903) | | |
| Loans advanced to associate companies | | **(73 186)** | (13 249) | | |
| Net advances to subsidiaries | | | | **585 638** | (2 039 714) |
| **Net cash flows (used in)/from investing activities** | | **(635 487)** | 6 461 | **(253 005)** | (2 536 520) |
| **FINANCING ACTIVITIES** | | | | | |
| Net proceeds from issue of ordinary share capital | | **7 839** | 1 983 803 | **7 836** | 1 983 802 |
| Repurchase of preference share capital | | **–** | – | **(3 686)** | – |
| Proceeds from disposal of treasury shares | | **2 989** | 1 945 | | |
| Long-term borrowings raised | | **1 432 603** | 1 548 382 | | |
| Payment of capital portion of long-term borrowings | | **(834 015)** | (708 718) | | |
| Short-term loan issued | | **(126 514)** | 179 130 | | |
| **Net cash flows from financing activities** | | **482 902** | 3 004 542 | **4 150** | 1 983 802 |
| Net increase/(decrease) in cash and cash equivalents | | **1 374 506** | 2 008 327 | **(2 062)** | 4 037 |
| Cash and cash equivalents at beginning of year | | **2 901 050** | 903 846 | **4 037** | – |
| Difference arising on translation | | **(25 306)** | (11 123) | | |
| **Cash and cash equivalents at end of year** | 37.7 | **4 250 250** | 2 901 050 | **1 975** | 4 037 |

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

| GROUP | Ordinary share capital R000 | Preference share capital R000 | Share premium R000 | Equity compensation reserve R000 |
|---|---|---|---|---|
| **Balance at 31 December 2010** | 9 | 2 | 28 671 | 37 300 |
| Share options exercised | | | 2 612 | |
| Share issue | 3 | | 1 999 997 | |
| Share issue expenses | | | (18 810) | |
| Share-based payments | | | | 647 |
| Treasury shares sold | | | 1 945 | |
| Non-controlling interest acquired | | | | |
| Profit for the year | | | | |
| Other comprehensive income | | | | |
| Total comprehensive income | | | | |
| Ordinary dividends paid | | | | |
| Preference dividends paid | | | | |
| **Balance at 31 December 2011** | 12 | 2 | 2 014 415 | 37 947 |
| Share options exercised | | | 7 839 | |
| Share-based payments | | | | 4 179 |
| Treasury shares sold | | | 2 989 | |
| Business acquisitions | | | | |
| Non-controlling interest acquired | | | | |
| Profit for the year | | | | |
| Other comprehensive income | | | | |
| Total comprehensive income | | | | |
| Ordinary dividends paid | | | | |
| Preference dividends paid | | | | |
| **Balance at 31 December 2012** | **12** | **2** | **2 025 243** | **42 126** |
| **Analysis of holding company and subsidiary interests** | | | | |
| Holding company | 12 | 2 | 2 410 795 | 17 510 |
| Subsidiaries | | | (385 552) | 24 616 |
| | 12 | 2 | 2 025 243 | 42 126 |

| COMPANY | Share capital R000 | Preference share capital R000 | Share premium R000 | Equity compensation reserve R000 |
|---|---|---|---|---|
| **Balance at 31 December 2010** | 9 | 2 | 422 843 | 16 021 |
| Share options exercised | | | 2 612 | |
| Share issue | 3 | | 1 999 997 | |
| Share issue expenses | | | (18 810) | |
| Share-based payments | | | | 647 |
| Total comprehensive income | | | | |
| Ordinary dividends paid | | | | |
| Preference dividends paid | | | | |
| **Balance at 31 December 2011** | 12 | 2 | 2 406 642 | 16 668 |
| Shares repurchased | | | (3 686) | |
| Share issue | | | 7 839 | |
| Share-based payments | | | | 842 |
| Total comprehensive income | | | | |
| Ordinary dividends paid | | | | |
| Preference dividends paid | | | | |
| **Balance at 31 December 2012** | **12** | **2** | **2 410 795** | **17 510** |

| | Foreign currency translation reserve R000 | Business combination reserve R000 | Hedging reserve R000 | Other non-distributable reserve R000 | Accumulated profit R000 | Interest of shareholders of Grindrod Limited R000 | Non-controlling interests R000 | Interest of all shareholders R000 |
|---|---|---|---|---|---|---|---|---|
| | (160 461) | – | (152 706) | – | 6 104 046 | 5 856 861 | 113 854 | 5 970 715 |
| | | | | | | 2 612 | | 2 612 |
| | | | | | | 2 000 000 | | 2 000 000 |
| | | | | | | (18 810) | | (18 810) |
| | | | | | | 647 | | 647 |
| | | | | | | 1 945 | | 1 945 |
| | | (18 718) | | | | (18 718) | (26 277) | (44 995) |
| | | | | | 584 176 | 584 176 | 12 548 | 596 724 |
| | 904 559 | | 159 665 | | | 1 064 224 | (2 585) | 1 061 639 |
| | | | | | | 1 648 400 | 9 963 | 1 658 363 |
| | | | | | (202 897) | (202 897) | (3 204) | (206 101) |
| | | | | | (53 271) | (53 271) | | (53 271) |
| | 744 098 | (18 718) | 6 959 | – | 6 432 054 | 9 216 769 | 94 336 | 9 311 105 |
| | | | | | | 7 839 | | 7 839 |
| | | | | | | 4 179 | | 4 179 |
| | | | | | | 2 989 | | 2 989 |
| | | | | | (31 160) | (31 160) | 23 397 | (7 763) |
| | | | | | | – | 2 849 | 2 849 |
| | | | | | 910 563 | 910 563 | 11 250 | 921 813 |
| | 261 162 | 5 998 | (7 204) | (25 000) | | 234 956 | 2 588 | 237 544 |
| | | | | | | 1 145 519 | 13 838 | 1 159 357 |
| | | | | | (174 482) | (174 482) | (7 887) | (182 369) |
| | | | | | (57 297) | (57 297) | | (57 297) |
| | **1 005 260** | **(12 720)** | **(245)** | **(25 000)** | **7 079 678** | **10 114 356** | **126 533** | **10 240 889** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | 4 820 749 | 7 249 068 |
| | 1 005 260 | (12 720) | (245) | (25 000) | 2 258 929 | 2 865 288 |
| | 1 005 260 | (12 720) | (245) | (25 000) | 7 079 678 | 10 114 356 |

| | Accumulated profit R000 | Interest of shareholders of Grindrod Limited R000 |
|---|---|---|
| | 4 041 455 | 4 480 330 |
| | | 2 612 |
| | | 2 000 000 |
| | | (18 810) |
| | | 647 |
| | 794 463 | 794 463 |
| | (206 984) | (206 984) |
| | (53 271) | (53 271) |
| | 4 575 663 | 6 998 987 |
| | | (3 686) |
| | | 7 839 |
| | | 842 |
| | 479 194 | 479 194 |
| | (176 811) | (176 811) |
| | (57 297) | (57 297) |
| | **4 820 749** | **7 249 068** |

# SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2012

The group has identified the following five main segments, namely Shipping, Trading, 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 36 to 67 of the integrated annual report.

| | Freight Services | | Trading | | Shipping | |
|---|---|---|---|---|---|---|
| **BUSINESS SEGMENTS** | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 | **2012 R000** | 2011* R000 |
| Revenue – external | **3 929 411** | 3 190 083 | **27 074 222** | 29 756 780 | **4 009 832** | 3 914 926 |
| Revenue – internal | **53 489** | – | **364 939** | – | **379 175** | – |
| Trading profit (excluding amortisation) | **729 753** | 680 726 | **258 660** | 218 474 | **308 390** | 245 322 |
| Depreciation and amortisation | **(219 911)** | (200 037) | **(16 845)** | (15 608) | **(243 236)** | (191 593) |
| Operating profit | **509 842** | 480 689 | **241 815** | 202 866 | **65 154** | 53 729 |
| Non-trading items | **419 379** | 37 338 | **(35 300)** | 7 942 | **(173 300)** | 14 872 |
| Share of associate and joint venture companies' profit after taxation | **50 196** | 4 291 | **(815)** | – | **–** | – |
| Segment result excluding net interest and taxation | **979 417** | 522 318 | **205 700** | 210 808 | **(108 146)** | 68 601 |
| Interest received | **40 426** | 34 431 | **84 464** | 49 320 | **(2 388)** | 29 849 |
| Interest paid | **(100 960)** | (85 057) | **(119 380)** | (82 398) | **(53 648)** | (60 738) |
| Taxation | **(95 342)** | (122 875) | **(50 388)** | (31 336) | **(3 138)** | (13 536) |
| Profit for the year | **823 541** | 348 817 | **120 396** | 146 394 | **(167 320)** | 24 176 |
| Non-controlling interest shareholders | **(7 294)** | (9 674) | **8 047** | 12 466 | **(2 390)** | (5 801) |
| Profit attributable to shareholders | **816 247** | 339 143 | **128 443** | 158 860 | **(169 710)** | 18 375 |
| Preference dividends | **(22 919)** | (21 312) | **(14 897)** | (14 871) | **–** | (11 574) |
| Profit attributable to ordinary shareholders | **793 328** | 317 831 | **113 546** | 143 989 | **(169 710)** | 6 801 |
| Capital expenditure excluding investment acquisitions | **362 869** | 266 931 | **12 475** | 7 510 | **250 306** | 865 262 |
| Total segment assets | **6 062 673** | 5 154 305 | **4 831 048** | 3 769 115 | **6 123 214** | 6 445 340 |
| Segment assets excluding investments in associates | **5 385 982** | 4 888 224 | **4 801 988** | 3 769 115 | **6 123 214** | 6 445 340 |
| Investments in associates | **676 691** | 266 081 | **29 060** | – | **–** | – |
| Segment liabilities | **(2 850 960)** | (2 436 020) | **(3 830 575)** | (2 533 330) | **(2 493 860)** | (2 912 762) |

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

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

| | USA/Bermuda | | South America | | Middle East | |
|---|---|---|---|---|---|---|
| **GEOGRAPHIC SEGMENTS** | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 |
| Revenue – external | **276 899** | 403 337 | **880 091** | 1 122 321 | **387 618** | 451 057 |
| Profit attributable to ordinary shareholders | **1 533** | 3 099 | **59 074** | 43 796 | **5 525** | 11 079 |
| Capital expenditure excluding investment acquisitions | **–** | – | **–** | 264 | **–** | – |
| Segment assets | **–** | – | **87 248** | 228 812 | **172 271** | – |

* *Restated due to segmental adjustments in relation to IFRS 8 Operating Segments.*

| | **Financial Services** | | **Group** | | **Total Group** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **2012** | | | **2011** | | |
| | **2012** | 2011* | **2012** | 2011* | **Total** | **Adjustments*** | **Total** | Total | Adjustments* | Total |
| | **R000** | R000 | **R000** | R000 | **R000** | **R000** | **R000** | R000 | R000 | R000 |
| | **252 686** | 193 558 | **911** | 433 | **35 267 062** | **(8 004 839)** | **27 262 223** | 37 055 780 | (1 170 522) | 35 885 258 |
| | **4 276** | 3 861 | **121 358** | 86 229 | **923 237** | **–** | **923 237** | 90 090 | 1 272 979 | 1 363 069 |
| | **127 702** | 81 512 | **(10 340)** | (1 312) | **1 414 165** | **(460 340)** | **953 825** | 1 224 722 | (219 185) | 1 005 537 |
| | **(1 322)** | (1 050) | **(3 633)** | (3 311) | **(484 947)** | **72 517** | **(412 430)** | (411 599) | 48 620 | (362 979) |
| | **126 380** | 80 462 | **(13 973)** | (4 623) | **929 218** | **(387 823)** | **541 395** | 813 123 | (170 565) | 642 558 |
| | **–** | – | **670** | – | **211 449** | **(11 760)** | **199 689** | 60 152 | – | 60 152 |
| | **–** | – | **–** | – | **49 381** | **300 033** | **349 414** | 4 291 | 114 024 | 118 315 |
| | **126 380** | 80 462 | **(13 303)** | (4 623) | **1 190 048** | **(99 550)** | **1 090 498** | 877 566 | (56 541) | 821 025 |
| | **(7 490)** | (23 146) | **102 712** | 79 255 | **217 724** | **(10 783)** | **206 941** | 169 709 | – | 169 709 |
| | **–** | 23 146 | **(10 267)** | (31 245) | **(284 255)** | **56 857** | **(227 398)** | (236 292) | 17 645 | (218 647) |
| | **(24 756)** | (10 927) | **(28 061)** | (35 585) | **(201 685)** | **53 457** | **(148 228)** | (214 259) | 38 896 | (175 363) |
| | **94 134** | 69 535 | **51 081** | 7 802 | **921 832** | **(19)** | **921 813** | 596 724 | – | 596 724 |
| | **(9 632)** | (9 539) | **–** | – | **(11 269)** | **19** | **(11 250)** | (12 548) | – | (12 548) |
| | **84 502** | 59 996 | **51 081** | 7 802 | **910 563** | **–** | **910 563** | 584 176 | – | 584 176 |
| | **(19 357)** | (1 598) | **(124)** | (3 916) | **(57 297)** | **–** | **(57 297)** | (53 271) | – | (53 271) |
| | **65 145** | 58 398 | **50 957** | 3 886 | **853 266** | **–** | **853 266** | 530 905 | – | 530 905 |
| | **15 428** | 913 | **7 512** | 1 955 | **648 590** | **–** | **648 590** | 1 142 571 | – | 1 142 571 |
| | **6 697 341** | 4 027 451 | **1 847 768** | 2 194 249 | **25 562 044** | **(3 488 543)** | **22 073 501** | 21 590 460 | (1 069 343) | 20 521 117 |
| | **6 697 341** | 4 027 451 | **1 847 768** | 2 194 249 | **24 856 293** | **(3 488 543)** | **21 367 750** | 21 324 379 | (1 069 343) | 20 255 036 |
| | **–** | – | **–** | – | **705 751** | **–** | **705 751** | 266 081 | – | 266 081 |
| | **(5 957 652)** | (3 326 370) | **(200 849)** | (351 346) | **(15 333 896)** | **3 350 229** | **(11 983 667)** | (11 559 828) | (1 976 389) | (13 536 217) |

| | **United Kingdom/ Europe/Isle of Man** | | **Singapore/Asia/Far East** | | **Rest of Africa** | | **South Africa** | | **Total Group** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **R000** | R000 | **R000** | R000 | **R000** | R000 | **R000** | R000 | **R000** | R000 |
| | **6 163 340** | 9 829 537 | **9 827 534** | 14 379 077 | **585 578** | 446 339 | **9 141 163** | 9 253 590 | **27 262 223** | 35 885 258 |
| | **(93 972)** | (27 960) | **(75 660)** | 220 653 | **701 569** | 116 098 | **255 197** | 164 140 | **853 266** | 530 905 |
| | **1 313** | 2 759 | **243 707** | 863 880 | **155 314** | 52 559 | **248 256** | 223 109 | **648 590** | 1 142 571 |
| | **319 002** | 1 897 259 | **6 878 754** | 7 684 973 | **2 495 582** | 1 304 776 | **12 120 644** | 9 405 297 | **22 073 501** | 20 521 117 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 1. NEW AND REVISED IFRSs 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 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the company are treated as related parties of the group under the revised Standard whilst such entities were not treated as related parties of the group under the previous Standard. The related party disclosures set out in note 39 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

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

The group adopted the following new and revised IFRSs that have been issued but are not yet effective in 2012:

| | |
|---|---|
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IAS 27 (as revised in 2011) | Separate Financial Statements |
| IAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |

### 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 | Classification of Rights Issues |
| Amendments to IFRIC 14 | Prepayments of a Minimum Funding Requirement |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Amendments to IAS 12 | Deferred Tax – Recovery of Underlying Assets |
| Improvements to IFRSs | Issued in 2010 |

### 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 13 | Fair Value Measurement[1] |
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income[2] |
| IAS 19 (as revised in 2011) | Employee Benefits[1] |

1 *Effective for annual periods beginning on or after 1 January 2013.*

2 *Effective for annual periods beginning on or after 1 July 2012.*

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

**1. NEW AND REVISED IFRSs AFFECTING AMOUNTS REPORTED IN THE CURRENT YEAR** continued

**1.4 New and revised IFRSs in issue but not yet effective** continued

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities (e.g. the group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

The directors anticipate that the amendments to IAS 19 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have an impact on amounts reported in respect of the groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 2. RECLASSIFICATION

The statement of financial position has been restated to disclose funding relating to the financial services segment separately. There has also been a re-allocation of 2011 voyages in progress in the shipping segment.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| Statements of financial position as at 31 December 2011 | As previously stated R000 | Adjustment R000 | Restated R000 | As previously stated R000 | Adjustment R000 | Restated R000 |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Ships, property, terminals, vehicles and equipment | 5 267 565 | – | 5 267 565 | 4 564 226 | – | 4 564 226 |
| Intangible assets | 547 931 | – | 547 931 | 648 729 | – | 648 729 |
| Investments in joint ventures | 719 528 | – | 719 528 | 801 724 | – | 801 724 |
| Investments in associates | 266 081 | – | 266 081 | 243 915 | – | 243 915 |
| Investment property | 22 096 | – | 22 096 | – | – | – |
| Other investments | 129 478 | – | 129 478 | 90 897 | – | 90 897 |
| Deferred taxation assets | 89 472 | – | 89 472 | 162 379 | – | 162 379 |
| Derivative financial assets | – | – | – | 1 169 | – | 1 169 |
| Recoverables on cancelled ships | 380 566 | – | 380 566 | – | – | – |
| Total non-current assets | 7 422 717 | – | 7 422 717 | 6 513 039 | – | 6 513 039 |
| Loans and advances to bank customers | 2 073 903 | 468 145 | 2 542 048 | 1 709 796 | 276 412 | 1 986 208 |
| **Current assets** | | | | | | |
| Liquid assets and short-term negotiable securities | 190 259 | – | 190 259 | 129 365 | – | 129 365 |
| Inventories | 899 420 | 61 673 | 961 093 | 667 816 | – | 667 816 |
| Trade and other receivables | 2 610 823 | 29 073 | 2 639 896 | 3 177 218 | – | 3 177 218 |
| Taxation | 15 133 | – | 15 133 | 24 521 | – | 24 521 |
| Short-term loans | 771 658 | (468 145) | 303 513 | 519 818 | (276 412) | 243 406 |
| Cash and cash equivalents | 2 979 172 | – | 2 979 172 | 1 149 857 | – | 1 149 857 |
| | 7 466 465 | (377 399) | 7 089 066 | 5 668 595 | (276 412) | 5 392 183 |
| Non-current assets classified as held for sale | 3 467 286 | – | 3 467 286 | – | – | – |
| Total current assets | 10 933 751 | (377 399) | 10 556 352 | 5 668 595 | (276 412) | 5 392 183 |
| **Total assets** | 20 430 371 | 90 746 | 20 521 117 | 13 891 430 | – | 13 891 430 |

## 2. RECLASSIFICATION continued

| Statements of financial position as at 31 December 2011 | Group 2011 As previously stated R000 | 2011 Adjustment R000 | 2011 Restated R000 | 2010 As previously stated R000 | 2010 Adjustment R000 | 2010 Restated R000 |
|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | |
| **Capital and reserves** | | | | | | |
| Share capital and premium | 2 014 429 | – | 2 014 429 | 28 682 | – | 28 682 |
| Equity compensation reserve | 37 947 | – | 37 947 | 37 300 | – | 37 300 |
| Non-distributable reserves | 732 339 | – | 732 339 | (313 167) | – | (313 167) |
| Accumulated profit | 6 432 054 | – | 6 432 054 | 6 104 046 | – | 6 104 046 |
| Equity attributable to owners of the company | 9 216 769 | – | 9 216 769 | 5 856 861 | – | 5 856 861 |
| Non-controlling interests | 94 336 | – | 94 336 | 113 854 | – | 113 854 |
| **Total equity** | 9 311 105 | – | 9 311 105 | 5 970 715 | – | 5 970 715 |
| **Non-current liabilities** | | | | | | |
| Long-term borrowings | 2 226 575 | – | 2 226 575 | 1 314 553 | – | 1 314 553 |
| Provision for post-retirement medical aid | 52 336 | – | 52 336 | 49 628 | – | 49 628 |
| Derivative financial liabilities | 19 188 | – | 19 188 | 15 938 | – | 15 938 |
| Deferred taxation liabilities | 124 796 | – | 124 796 | 117 349 | – | 117 349 |
| Provisions | 14 481 | – | 14 481 | 15 199 | – | 15 199 |
| Total non-current liabilities | 2 437 376 | – | 2 437 376 | 1 512 667 | – | 1 512 667 |
| Deposits from bank customers | 2 910 945 | – | 2 910 945 | 2 016 137 | – | 2 016 137 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 1 147 631 | 90 746 | 1 238 377 | 2 358 290 | – | 2 358 290 |
| Provisions | 13 478 | – | 13 478 | – | – | – |
| Short-term borrowings and overdraft | 1 620 223 | – | 1 620 223 | 1 430 514 | – | 1 430 514 |
| Current portion of long-term borrowings | 527 481 | (130 514) | 396 967 | 582 906 | (54 771) | 528 135 |
| Current portion of financial services funding instruments | – | 130 514 | 130 514 | – | 54 771 | 54 771 |
| Taxation | 45 181 | – | 45 181 | 20 201 | – | 20 201 |
| | 3 353 994 | 90 746 | 3 444 740 | 4 391 911 | – | 4 391 911 |
| Non-current liabilities associated with assets classified as held for sale | 2 416 951 | – | 2 416 951 | – | – | – |
| Total current liabilities | 5 770 945 | 90 746 | 5 861 691 | 4 391 911 | – | 4 391 911 |
| **Total equity and liabilities** | 20 430 371 | 90 746 | 20 521 117 | 13 891 430 | – | 13 891 430 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 3. SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT

| | Cost/ valuation R000 | Accumulated depreciation, amortisation and impairment R000 | Group 2012 Carrying value R000 | 2011 Carrying value R000 |
|---|---|---|---|---|
| **Freehold and leasehold properties** | | | | |
| Opening balance | 599 700 | (112 049) | **487 651** | 515 979 |
| Translation gain | 3 134 | (355) | **2 779** | 7 287 |
| Reclassification | 44 237 | (8 647) | **35 590** | (9 303) |
| Additions and improvements | 9 076 | – | **9 076** | 2 544 |
| Acquisition of businesses | 6 669 | (1 547) | **5 122** | – |
| Disposal of business | – | – | **–** | (1 311) |
| Disposals | (340) | 287 | **(53)** | (2 514) |
| Depreciation and amortisation | – | (27 223) | **(27 223)** | (24 160) |
| Impairment | – | – | **–** | (871) |
| Transferred to non-current assets classified as held for sale | (547) | 541 | **(6)** | – |
| Closing balance | 661 929 | (148 993) | **512 936** | 487 651 |
| **Ships** | | | | |
| Opening balance | 4 064 713 | (421 051) | **3 643 662** | 1 998 577 |
| Translation gain | 172 194 | (20 094) | **152 100** | 560 203 |
| Additions | 136 376 | – | **136 376** | 434 007 |
| Disposals | (23) | 7 | **(16)** | – |
| Depreciation and amortisation | – | (205 085) | **(205 085)** | (148 232) |
| Impairment | – | (153 435) | **(153 435)** | (19 142) |
| Reclassification | (9 206) | 3 689 | **(5 517)** | 846 506 |
| Transferred from financial assets | – | – | **–** | 98 106 |
| Transferred to non-current assets classified as held for sale | – | – | **–** | (126 363) |
| Closing balance | 4 364 054 | (795 969) | **3 568 085** | 3 643 662 |
| **Ships under construction** | | | | |
| Opening balance | 179 550 | – | **179 550** | 815 203 |
| Translation gain | 11 515 | – | **11 515** | 98 374 |
| Additions | 105 996 | – | **105 996** | 408 824 |
| Reclassification | – | – | **–** | (840 087) |
| Transferred (to)/from recoverables on cancelled ships | – | – | **–** | (342 062) |
| Reversal of impairment | – | – | **–** | 39 298 |
| Closing balance | 297 061 | – | **297 061** | 179 550 |
| **Property under construction** | | | | |
| Opening balance | 42 340 | – | **42 340** | 226 950 |
| Translation gain | 516 | – | **516** | 25 957 |
| Additions | 19 592 | – | **19 592** | 51 882 |
| Transferred to non-current assets classified as held for sale | – | – | **–** | (864) |
| Finance costs capitalised | – | – | **–** | 114 |
| Disposals | (653) | – | **(653)** | – |
| Reclassification | (47 661) | – | **(47 661)** | (261 699) |
| Closing balance | 14 134 | – | **14 134** | 42 340 |

## 3. SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT continued

| | Cost/ valuation R000 | Accumulated depreciation, amortisation and impairment R000 | Group 2012 Carrying value R000 | Group 2011 Carrying value R000 |
|---|---|---|---|---|
| **Terminals, vehicles and equipment** | | | | |
| Opening balance | 1 656 115 | (822 213) | **833 902** | 971 065 |
| Translation gain | 20 463 | (8 050) | **12 413** | 69 093 |
| Reclassification | (22 942) | 4 354 | **(18 588)** | 264 241 |
| Additions | 327 108 | (180) | **326 928** | 189 630 |
| Acquisition of businesses | 25 263 | (17 128) | **8 135** | 22 838 |
| Impairment | – | (24 653) | **(24 653)** | (1 218) |
| Disposals | (177 658) | 126 797 | **(50 861)** | (57 310) |
| Disposal of business | – | – | **–** | (3 886) |
| Depreciation | – | (135 857) | **(135 857)** | (170 777) |
| Transferred to non-current assets classified as held for sale | (40 482) | 29 887 | **(10 595)** | (449 774) |
| Closing balance | 1 787 867 | (847 043) | **940 824** | 833 902 |
| **Leased terminals, vehicles and equipment** | | | | |
| Opening balance | 114 140 | (33 680) | **80 460** | 36 452 |
| Reclassification | (11 241) | 3 319 | **(7 922)** | 342 |
| Additions | 20 831 | – | **20 831** | 52 781 |
| Acquisition of businesses | 71 174 | (29 724) | **41 450** | – |
| Disposal of business | – | – | **–** | (1 310) |
| Disposals | (5 874) | 3 438 | **(2 436)** | (723) |
| Depreciation | – | (21 666) | **(21 666)** | (7 082) |
| Closing balance | 189 030 | (78 313) | **110 717** | 80 460 |
| Aggregate | 7 314 075 | (1 870 318) | **5 443 757** | 5 267 565 |

| | Cost/ valuation R000 | Accumulated depreciation, amortisation and impairment R000 | Carrying value R000 |
|---|---|---|---|
| **2011 Group** | | | |
| Freehold and leasehold properties | 599 700 | (112 049) | 487 651 |
| Ships | 4 064 713 | (421 051) | 3 643 662 |
| Ships under construction | 179 550 | – | 179 550 |
| Property under construction | 42 340 | – | 42 340 |
| Terminals, vehicles and equipment | 1 656 115 | (822 213) | 833 902 |
| Leased terminals, vehicles and equipment | 114 140 | (33 680) | 80 460 |
| | 6 656 558 | (1 388 993) | 5 267 565 |

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 79.

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$433 000 000 (2011: US$508 900 000).

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 027 000 000 (2011: R7 345 100 000).

**Impairment**

During the year, the Shipping segment impaired their ships by R153 435 000 to their values in use due to a decline in the shipping markets. In the prior year, the Shipping segment reversed an impairment of R39 298 000 on two ships under construction which were cancelled due to non-performance of certain conditions by the shipyard.

The freight services segment impaired a conveyor belt which will no longer be used.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 4. INTANGIBLE ASSETS

| | Cost/ valuation R000 | Accumulated amortisation and impairment losses R000 | Group 2012 Carrying value R000 | Group 2011 Carrying value R000 |
|---|---|---|---|---|
| **4.1 Goodwill** | | | | |
| Opening balance | 495 289 | – | **495 289** | 555 285 |
| Translation gain | 9 829 | – | **9 829** | 57 243 |
| Recognised on acquisition of business | 167 471 | – | **167 471** | 482 |
| Disposal of business | (13 388) | – | **(13 388)** | (1 717) |
| Impairment | – | (21 045) | **(21 045)** | (9 168) |
| Transferred to non-current assets classified as held for sale (note 18) | (4 225) | – | **(4 225)** | (106 836) |
| Closing balance | 654 976 | (21 045) | **633 931** | 495 289 |
| **4.2 Other intangible assets** | | | | |
| Opening balance | 104 720 | (52 078) | **52 642** | 93 444 |
| Translation gain | 25 | 30 | **55** | 756 |
| Reclassification to investments in joint venture | – | (1 535) | **(1 535)** | – |
| Additions | 17 891 | – | **17 891** | 2 903 |
| Recognised on acquisition of business | 2 809 | – | **2 809** | 1 000 |
| Disposals | (9 520) | 5 933 | **(3 587)** | – |
| Impairment | (4 372) | 3 358 | **(1 014)** | – |
| Amortisation | – | (15 600) | **(15 600)** | (12 728) |
| Transferred to non-current assets classified as held for sale (note 18) | (5 949) | – | **(5 949)** | (32 733) |
| Closing balance | 105 604 | (59 892) | **45 712** | 52 642 |
| Total | 760 580 | (80 937) | **679 643** | 547 931 |

**Impairment testing of goodwill**

An impairment of R21 045 000 was recognised in one of the group's minerals trading businesses. The minerals business has been impacted by industrial action and a shortage of supply of mineral commodities.

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to the underlying discreet businesses as they represent separately identifiable cash-generating units. The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the group's total goodwill balance:

| | 2012 R000 | 2011 R000 |
|---|---|---|
| Shipping | **24 762** | 23 716 |
| Trading | **270 034** | 286 721 |
| Freight Services | | |
| Grindrod Terminals | **12 327** | 16 406 |
| Grindrod Intermodal | **25 080** | 25 080 |
| Grindrod Logistics | **142 809** | 133 766 |
| Grindrod Ships Agencies | **–** | 9 600 |
| Grindrod Seafreight | **108 505** | – |
| Financial Services | **50 414** | – |
| | **633 931** | 495 289 |

**Significant other intangible assets**

Included in other intangible assets above are:

| | 2012 R000 | 2011 R000 |
|---|---|---|
| *Leases* | | |
| Intangible asset raised on acquisition of businesses in respect of the inherent value attached to beneficial lease agreements | **5 925** | 10 581 |
| *SAP systems* | | |
| Financial systems implemented for processing | **23 370** | 22 212 |

**Write-off periods of intangible assets**

Intangible assets are written off over periods ranging from three (2011: three) to 25 (2011: 25) years.

| | | Company | |
|---|---|---|---|
| | | **2012** | 2011 |
| | | **R000** | R000 |
| **5.** | **INVESTMENTS IN SUBSIDIARIES** | | |
| | Investments in subsidiaries | **5 532 062** | 4 693 420 |
| | Share-based payments | **16 949** | 16 668 |
| | | **5 549 011** | 4 710 088 |

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 78.

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

| | | | Group | |
|---|---|---|---|---|
| | | | **2012** | 2011 |
| | | | **%** | % |
| **6.** | **INVESTMENTS IN JOINT VENTURES** | | | |
| | The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated: | | | |
| | Handyventure (Singapore) Pte Ltd | Shipowning and operating | **50,0** | 50,0 |
| | Petrochemical Shipping Limited | Shipowning | **50,0** | 50,0 |
| | Röhlig-Grindrod (Pty) Ltd | Clearing and forwarding | **42,5** | 50,0 |
| | Unicorn Calulo Shipping Services (Pty) Ltd | Barge operations | **50,0** | 50,0 |
| | Chromtech Holdings (Pty) Ltd | Minerals trading | **50,0** | 50,0 |
| | Unicorn-Heidmar Tankers LLC | Ship operating | **50,0** | 50,0 |
| | Tri-View Shipping Pte Ltd | Shipowning and operating | **51,0** | 51,0 |
| | Vanguard Rigging (Pty) Ltd | 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 Portouarios SA | Port operations | **48,5** | 48,5 |
| | Corr-line Steel & Roof (Pty) Ltd | Minerals trading | **50,1** | 50,0 |
| | East Coast Maritime (Pty) Ltd | Minerals trading | **50,0** | 50,0 |
| | RRL Grindrod (Pty) Ltd | Rail operations | **50,0** | 50,0 |
| | RRL Grindrod Locomotives (Pty) Ltd | Rail owning | **50,5** | 50,5 |
| | Amanita Africa Limited | Grain trading | **50,0** | 50,0 |
| | Progroup Holdings (Private) Limited | Grain trading | **50,0** | 50,0 |
| | Jacobs Bulk Milling (Pty) Ltd | Milling and blending of agricultural commodity | **50,0** | 50,0 |
| | Island Bulk Carriers Pte Ltd | Shipowning and operating | **75,0** | 75,0 |
| | Intermodal Container Depot Maputo SA | Intermodal | **50,0** | 50,0 |
| | JFM Sturrock Holdings (Pty) Ltd | Ships agencies | **50,0** | – |
| | Leopard Tankers Pte Limited | Shipowning and operating | **50,0** | – |
| | Cockett Marine Oil Pte Limited | Marine fuel and lubricants | **50,0** | – |
| | Cockett Marine South Africa (Pty) Ltd | Marine fuel and lubricants | **50,0** | – |
| | Vitol Coal South Africa BV | Trading | **35,0** | – |
| | Terminal De Carvo da Matola Limitada | Terminals | **65,0** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**6. 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 | | Trading | | Shipping | | Group | |
|---|---|---|---|---|---|---|---|---|
| | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 | **2012 R000** | 2011 R000 |
| **Income statement** | | | | | | | | |
| Revenue | **716 125** | 285 016 | **6 893 862** | 567 415 | **394 852** | 318 091 | **8 004 839** | 1 170 522 |
| Operating income before interest and taxation | **216 498** | 98 347 | **165 025** | 48 356 | **58 452** | 23 862 | **439 975** | 170 565 |
| Net interest paid | **(34 179)** | (6 060) | **(5 225)** | (5 902) | **(7 082)** | (5 683) | **(46 486)** | (17 645) |
| Taxation | **(20 518)** | (25 651) | **(26 881)** | (9 479) | **(6 061)** | (3 766) | **(53 460)** | (38 896) |
| Net income after taxation | **161 801** | 66 636 | **132 919** | 32 975 | **45 309** | 14 413 | **340 029** | 114 024 |
| **Statement of cash flow** | | | | | | | | |
| Cash (outflow)/inflow from operating activities | **(50 279)** | (28 586) | **(182 697)** | (35 130) | **50 576** | 197 277 | **(182 400)** | 133 561 |
| Cash (outflow)/inflow from investing activities | **(39 220)** | (132 935) | **(24 643)** | (48 110) | **(116 544)** | 104 507 | **(180 407)** | (76 538) |
| Cash inflow/(outflow) in financing activities | **2 723** | 166 483 | **223 151** | 37 501 | **58 124** | (280 746) | **283 998** | (76 762) |
| Net cash (outflow)/inflow | **(86 776)** | 4 962 | **15 811** | (45 739) | **(7 844)** | 21 038 | **(78 809)** | (19 739) |
| **Statement of financial position** | | | | | | | | |
| Non-current assets | **1 033 139** | 575 540 | **456 225** | 48 895 | **902 794** | 581 300 | **2 392 158** | 1 205 735 |
| Current assets | **892 772** | 460 090 | **1 649 162** | 241 405 | **128 603** | 131 456 | **2 670 537** | 832 951 |
| Non-current liabilities | **(255 432)** | (235 488) | **(64 915)** | (11 740) | **(302 209)** | (404 370) | **(622 556)** | (651 598) |
| Current liabilities | **(897 718)** | (422 262) | **(1 399 116)** | (188 701) | **(475 072)** | (56 597) | **(2 771 906)** | (667 560) |
| Net assets | **772 761** | 377 880 | **641 356** | 89 859 | **254 116** | 251 789 | **1 668 233** | 719 528 |
| **Total liabilities comprise:** | | | | | | | | |
| Interest-bearing liabilities | **(594 536)** | (284 498) | **(29 846)** | (5 629) | **(313 174)** | (431 752) | **(937 556)** | (721 879) |
| Non-interest-bearing liabilities | **(558 614)** | (373 252) | **(1 434 185)** | (194 812) | **(464 107)** | (29 215) | **(2 456 906)** | (597 279) |

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

| | Group | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Authorised and contracted for | **565 577** | 119 124 |
| Due within one year | **565 577** | 119 124 |
| Due between years one and two | **–** | – |
| Due between years two and three | **–** | – |
| Authorised and not contracted for | **10 548** | 246 568 |
| Total | **576 125** | 365 692 |

**Acquisition of joint ventures**

Refer to note 38 for acquisitions and disposals.

| | Group 2012 % | Group 2011 % |
|---|---|---|
| **7. INVESTMENTS IN ASSOCIATES** | | |
| The group has associate interests in the following companies: | | |
| Ocean Africa Container Lines (Pty) Ltd | **–** | 49 |
| Moneyline 992 (Pty) Ltd | **47** | 47 |
| Erundu Stevedoring (Pty) Ltd | **49** | 49 |
| Petrologistics Limited | **–** | 25 |
| Empresa De Dragagem Do Porto de Mozambique | **26** | 26 |
| Baobab Investments Limited | **39** | 39 |
| Oiltanking Grindrod Calulo (Pty) Ltd | **30** | 38 |
| New Limpopo Bridge Projects Limited | **46** | – |
| Russelstone Proteins (Pty) Ltd | **30** | – |

During the year the group acquired additional interests in Ocean Africa Container Lines (Pty) Ltd and Petrologistics Limited resulting in these companies becoming subsidiaries.

The proportionate interest in the associates is as follows:

| | Freight Services 2012 R000 | Freight Services 2011 R000 | Trading 2012 R000 | Trading 2011 R000 | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|---|---|---|
| **Income statement** | | | | | | |
| Revenue | **40 612** | 255 766 | **648** | – | **41 260** | 255 766 |
| Depreciation | **(2 357)** | (1 797) | **–** | – | **(2 357)** | (1 797) |
| Operating income/(loss) before interest and taxation | **19 248** | 9 120 | **(242)** | – | **19 006** | 9 120 |
| Net interest paid | **(4 641)** | (1 282) | **(573)** | – | **(5 214)** | (1 282) |
| Taxation | **(4 407)** | (3 547) | **–** | – | **(4 407)** | (3 547) |
| Net income/(loss) after taxation | **10 200** | 4 291 | **(815)** | – | **9 385** | 4 291 |
| **Statement of cash flow** | | | | | | |
| Cash (outflow)/inflow from operating activities | **(2 206)** | (6 191) | **5 140** | – | **2 934** | (6 191) |
| Cash outflow from investing activities | **(5 969)** | (4 396) | **(33 820)** | – | **(39 789)** | (4 396) |
| Cash inflow in financing activities | **9 417** | 5 851 | **37 986** | – | **47 403** | 5 851 |
| Net cash inflow/(outflow) | **1 242** | (4 736) | **9 306** | – | **10 548** | (4 736) |
| **Statement of financial position** | | | | | | |
| Non-current assets | **534 470** | 322 506 | **33 486** | – | **567 956** | 322 506 |
| Current assets | **456 779** | 17 470 | **5 414** | – | **462 193** | 17 470 |
| Non-current liabilities | **(173 133)** | (58 601) | **(7 070)** | – | **(180 203)** | (58 601) |
| Current liabilities | **(334 530)** | (15 294) | **(2 770)** | – | **(337 300)** | (15 294) |
| Net assets | **483 586** | 266 081 | **29 060** | – | **512 646** | 266 081 |
| **Total liabilities comprise:** | | | | | | |
| Interest-bearing liabilities | **(161 065)** | (28 053) | **(2 333)** | – | **(163 398)** | (28 053) |
| Non-interest-bearing liabilities | **(346 598)** | (45 842) | **(7 507)** | – | **(354 105)** | (45 842) |
| Group's share of net assets of associates | **483 586** | 266 081 | **29 060** | – | **512 646** | 266 081 |

**Acquisition of associates**

Refer to note 38 for acquisitions and disposals.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| **8.** | **INVESTMENT PROPERTY** | | |
| | Balance at beginning of year | **22 096** | – |
| | Addition | **11 643** | 16 318 |
| | Fair value gain on revaluation | **87** | 5 778 |
| | Balance at end of year | **33 826** | 22 096 |

The investment properties were independently valued as at 31 December 2012 by a professional valuer registered with the South African Council for the Property Valuers Profession.

Details of the investment properties are recorded in a register available for inspection at the registered office of the company and subsidiaries.

| | | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| **9.** | **OTHER INVESTMENTS** | | |
| | Investment banking portfolio | | |
| | Held for trading | | |
| | Listed equities at fair value | **39 458** | 14 323 |
| | Unlisted equities at fair value | **155 376** | 54 294 |
| | Other financial assets | | |
| | Pension fund surplus recognised* | **83 028** | 46 801 |
| | Financial assets at amortised cost | **26 137** | 4 987 |
| | Available-for-sale financial assets | **25 030** | 43 143 |
| | Other investments transferred to non-current assets held for sale (note 18) | **(6 032)** | (34 070) |
| | | **322 997** | 129 478 |
| | Directors' valuation | **322 997** | 129 478 |

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

| | | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|---|
| **10.** | **DEFERRED TAXATION** | | | | |
| | Deferred taxation analysed by major category: | | | | |
| | Capital allowances | **(152 697)** | (190 910) | | |
| | Other timing differences | **64 372** | 58 867 | **918** | 385 |
| | Secondary taxation on companies credits | **–** | 11 073 | | |
| | Estimated taxation losses | **48 756** | 85 646 | **–** | 218 |
| | | **(39 569)** | (35 324) | **918** | 603 |
| | Reconciliation of deferred taxation: | | | | |
| | Opening balance | **(35 324)** | 45 030 | **603** | 2 318 |
| | Income statement effect | **19 254** | (87 417) | **315** | (1 715) |
| | Transfer from non-distributable reserve | **–** | (2 070) | | |
| | Translation adjustment | **2 983** | 13 602 | | |
| | Disposal of businesses | **(3 666)** | (5 796) | | |
| | Acquisition of businesses | **(5 260)** | 1 957 | | |
| | Transferred to non-current assets associated with assets classified as held for sale (note 18) | **(17 556)** | (630) | | |
| | Closing balance | **(39 569)** | (35 324) | **918** | 603 |
| | Comprising: | | | | |
| | Deferred taxation assets | **107 435** | 89 472 | **918** | 603 |
| | Deferred taxation liabilities | **(147 004)** | (124 796) | | |
| | | **(39 569)** | (35 324) | **918** | 603 |

## 11. FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of cash deposits with banks, investments, trade and other receivables and payables, bank borrowings and loans to and from subsidiaries. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, cross currency swaps, forward freight agreements, 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 | |
|---|---|---|---|---|
| | **2012 R000** | 2011 R000 | **2012 R000** | **2011 R000** |
| **Financial assets** | | | | |
| Loans and receivables | **12 040 089** | 8 836 000 | **1 967 532** | 2 841 674 |
| Held for trading | **332 570** | 265 468 | | |
| Derivative financial assets | **67 639** | 56 505 | | |
| Derivative financial instruments designated as cash flow hedges | **(1 823)** | 6 959 | | |
| Total financial assets | **12 438 475** | 9 164 932 | **1 967 532** | 2 841 674 |
| Total non-financial assets | **9 635 026** | 11 356 185 | **5 550 118** | 4 710 691 |
| Total assets | **22 073 501** | 20 521 117 | **7 517 650** | 7 552 365 |
| **Financial liabilities** | | | | |
| Held at amortised cost | **11 319 244** | 8 529 213 | **268 582** | 550 837 |
| Derivative financial liabilities | **132 832** | 94 008 | | |
| Derivative financial instruments designated as cash flow hedges | **(2 068)** | (137) | | |
| Total financial liabilities | **11 450 008** | 8 623 084 | **268 582** | 550 837 |
| Total non-financial liabilities and equity | **10 623 493** | 11 898 033 | **7 249 068** | 7 001 528 |
| Total liabilities and equity | **22 073 501** | 20 521 117 | **7 517 650** | 7 552 365 |

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

### DERIVATIVE FINANCIAL INSTRUMENTS

### 11.1 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 income statement. 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 | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Total change in fair value recognised in profit/loss | **4 453** | (20 762) |

Details of these forward exchange contracts are as follows:

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Contract value** | | **Asset/ (liability)** | | Contract value | | Asset/ (liability) |
| **Foreign currency** | **Average rate** | **US$000** | **R000** | **R000** | Average rate | US$000 | R000 | R000 |
| Purchase US Dollars | **5,13** | **27 572** | **141 469** | **2 931** | 7,97 | 29 538 | 235 478 | 7 525 |
| Purchase US Dollars | **8,60** | **68 402** | **588 427** | **(8 374)** | 8,17 | 54 566 | 445 940 | (4 871) |
| Sell US Dollars | **9,02** | **6 527** | **58 859** | **3 431** | 8,46 | 10 820 | 91 579 | 3 833 |
| | | **102 501** | **788 755** | **(2 012)** | | 94 924 | 772 997 | 6 487 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**11. FINANCIAL INSTRUMENTS** continued

**11.2 Cross currency swaps**

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

| Maturity date | Currency | Currency swapped with | Nominal value: Nominal currency amount '000 | Nominal value: Nominal swapped currency amount '000 | **2012 Asset/ (liability) R000** | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|---|---|
| 1 January 2012 – 31 March 2013 | GBP | USD | 3 456 | 5 232 | **–** | 138 |
| 1 January 2012 – 29 February 2012 | EUR | USD | 140 | 181 | **–** | 6 |
| January 2012 | USD | ZAR | 198 | 24 | **–** | 2 |
| | | | | | **–** | 146 |

**11.3 Forward freight agreements (FFAs)**

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 2012, there was one (2011: one) open FFA, designated as cash flow hedge, maturing as follows:

| Settlement periods | Hedged item | Strike price US$ | Quantity/ duration | Nominal value US$000 | **2012 Asset/ (liability) R000** | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|---|---|
| 1 January 2012 – 31 December 2012 | Handysize | 13 150 | 180 days | 2 367 | **–** | 6 959 |
| 1 January 2012 – 31 December 2013 | Handysize | 7 875 | 181 days | 1 425 | **1 823** | – |
| | | | | 3 792 | **1 823** | 6 959 |
| Ineffective cash flow hedge | | | | | **–** | – |
| Effective cash flow hedge | | | | | **1 823** | 6 959 |

**11. FINANCIAL INSTRUMENTS** continued

**11.3 Forward freight agreements** continued

In addition to the above FFAs the group has entered into the following additional FFAs which are not treated as hedges:

| Settlement periods | Hedged item | Strike price US$ | Quantity/ duration days | Nominal value US$000 | 2012 Asset/ (liability) R000 | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|---|---|
| 1 January 2012 – 31 December 2012 | Handymax | 12 100 | 180 | – | **–** | 1 225 |
| 31 July 2012 – 31 December 2012 | Handymax | 11 300 | 90 | – | **–** | 414 |
| 1 January 2012 – 30 June 2012 | Handymax | 11 300 | 90 | – | **–** | (356) |
| 1 January 2012 – 31 December 2013 | Handysize | 9 750 | 120 | 1 170 | **(1 908)** | – |
| 1 January 2012 – 31 December 2013 | Handysize | 11 100 | 120 | 1 332 | **(2 540)** | – |
| 1 January 2012 – 31 December 2013 | Handymax | 9 750 | 120 | 1 170 | **(1 908)** | – |
| 1 January 2012 – 31 December 2013 | Handymax | 9 750 | 120 | 1 170 | **(1 908)** | – |
| 1 January 2012 – 31 December 2013 | Handymax | 9 500 | 60 | 570 | **(822)** | – |
| 1 January 2012 – 31 December 2013 | Handymax | 9 600 | 60 | 576 | **(872)** | – |
| 1 January 2012 – 31 December 2013 | Handysize | 11 000 | 60 | 660 | **(1 312)** | – |
| | | | | 6 648 | **(11 270)** | 1 283 |

At 31 December 2012, the sensitivity of the FFAs to a 10% (2011: 10%) movement in the shipping market prices would have the following effect:

| | Group 2012 R000 | 2011 R000 |
|---|---|---|
| **10% increase** | | |
| Increase in FFA liability | **(4 365)** | (1 156) |
| Decrease in hedging reserve deficit | **4 365** | 1 156 |
| Decrease in profit | **–** | – |
| **10% decrease** | | |
| Decrease in FFA liability | **4 365** | 1 156 |
| Increase in hedging reserve deficit | **(4 365)** | (1 156) |
| Increase in profit | **–** | – |
| **10% increase** | | |
| Decrease in FFA asset | **(3 270)** | (3 270) |
| Decrease in hedging reserve deficit | **3 270** | 3 270 |
| Decrease in profit | **–** | – |
| **10% decrease** | | |
| Increase in FFA asset | **3 270** | 3 270 |
| Increase in hedging reserve deficit | **(3 270)** | (3 270) |
| Decrease in profit | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**11. FINANCIAL INSTRUMENTS** continued

**11.4 Futures and options**

The group has entered into certain futures and options in order to commercially hedge the price risk in respect of commodity contracts which mature between January 2013 and November 2013.

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

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 | **2012 Asset/ (liability) R000** | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|---|
| White maize | Sales | (11 100) | (27 220) | **(3 538)** | (20 025) |
| White maize | Purchase | 5 800 | 13 755 | **1 923** | 13 795 |
| White maize | Sales | (972) | (6 737) | **8 033** | 6 083 |
| White maize | Purchase | 2 300 | 4 473 | **(77)** | – |
| Yellow maize | Purchase | 6 700 | 14 006 | **(955)** | (21) |
| Yellow maize | Sales | (188) | (602) | **1 582** | 23 |
| Yellow maize | Purchase | 47 601 | 108 091 | **10 476** | 5 175 |
| Yellow maize | Sales | (100) | (252) | **(28)** | – |
| Sunflower | Sales | (11 000) | (46 638) | **–** | (112) |
| Sunflower | Purchase | 1 050 | 4 512 | **–** | (18) |
| Corn | Sales | (1 441) | 466 | **(178)** | (8 564) |
| Corn | Sales | (13 340) | (20 165) | **5 188** | 8 395 |
| Corn | Purchase | – | (1 509) | **(1 509)** | (3 399) |
| Corn | Purchase | 26 365 | 2 354 438 | **–** | 6 196 |
| Soya bean meal | Purchase | 7 711 | (28 103) | **2 128** | – |
| Soya bean meal | Sales | (6 441) | 22 540 | **(2 781)** | (162) |
| Soya bean meal | Sales | (1 823) | 72 | **1 052** | – |
| Soya bean meal | Purchase | 48 806 | (196 210) | **(7 318)** | (3 528) |
| Soya bean | Sales | (22 180) | (81 611) | **–** | 1 119 |
| Soya bean | Sales | (1 750) | (4 554) | **–** | (1 553) |
| Soya bean | Purchase | 2 025 | 9 624 | **633** | 5 337 |
| Soya bean | Purchase | 275 | 1 321 | **(53)** | (499) |
| Wheat | Sales | (1 951) | 246 | **(1 187)** | (5 470) |
| Wheat | Sales | (2 441) | 4 836 | **648** | – |
| Wheat | Purchase | 12 100 | 44 830 | **2 540** | – |
| Wheat | Purchase | 136 | (746) | **(390)** | – |
| Other | Purchase | 2 391 | 8 111 | **766** | – |
| | | | | **16 955** | 2 772 |
| Mark to market settled through margin account – asset | | | | **(34 092)** | 14 028 |
| Mark to market settled through margin account – asset | | | | **7 387** | (22 348) |
| Futures and options held on behalf of customers – liability | | | | **(4 825)** | 13 699 |
| Futures and options held on behalf of customers – asset | | | | **4 825** | (13 710) |
| | | | | **(9 750)** | (5 559) |

| **Foreign currency** | Contract value US$000 | R000 | **2012 (Gain)/ loss recognised R000** | 2011 (Gain)/ loss recognised R000 |
|---|---|---|---|---|
| Purchase US Dollars | 44 000 | 302 874 | **–** | 29 065 |
| Mark to market settled through margin account | | | **–** | (29 065) |
| Liability | | | **–** | – |

**11. FINANCIAL INSTRUMENTS** continued

**11.5 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. These contracts have maturity dates between January 2012 and July 2013.

The forward contracts are designated as 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 | **2012 Asset/ (liability) R000** | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|---|
| Wheat | Purchase | 84 396 | 262 441 | **1 549** | 8 417 |
| Wheat | Sales | (74 397) | (240 171) | **3 536** | 953 |
| Wheat | Sales | (1 923) | (5 805) | **(536)** | (5 346) |
| Soya bean meal | Purchase | 5 967 | 29 299 | **1 674** | 12 504 |
| Soya bean meal | Purchase | 84 705 | 83 695 | **(10 007)** | – |
| Soya bean meal | Sales | (173 115) | (70 804) | **18 281** | 6 613 |
| Soya bean meal | Sales | (48 632) | (233 226) | **(22 926)** | (30 861) |
| Soya bean | Purchase | 1 957 | 6 821 | **–** | 71 |
| Soya bean | Purchase | 8 350 | 12 723 | **(990)** | – |
| Soya bean | Sales | (13 048) | (14 161) | **1 330** | – |
| Soya bean | Sales | (34 131) | (18 899) | **–** | (126) |
| Corn | Purchase | 150 | 365 | **17** | – |
| Corn | Purchase | 52 500 | – | **–** | (7 031) |
| Corn | Sales | (6 288) | (670) | **(2 425)** | (16) |
| White maize | Purchase | 119 291 | 39 469 | **5 191** | – |
| White maize | Purchase | 139 707 | 59 447 | **(10 451)** | (4 172) |
| White maize | Sales | (20 416) | (19 978) | **2 029** | 2 777 |
| Yellow maize | Sales | (3 156) | (7 712) | **644** | 1 025 |
| Yellow maize | Purchase | 123 646 | 98 482 | **(12 617)** | (3 944) |
| Yellow maize | Purchase | 120 490 | 90 770 | **5 772** | – |
| Sunflower | Purchase | 3 400 | 13 351 | **738** | – |
| Sunflower | Purchase | 5 500 | 19 453 | **(3 596)** | (389) |
| Sunflower | Sales | (3 400) | (12 957) | **1 501** | 764 |
| Sunflower | Sales | (11 385) | (45 212) | **(5 407)** | – |
| Fuel | Purchase | 71 470 | 5 799 | **–** | 5 804 |
| Fuel | Purchase | 9 400 | 730 | **–** | (728) |
| Fuel | Sales | (2 700) | (284) | **–** | 287 |
| Fuel | Sales | (9 300) | (1 168) | **–** | (1 170) |
| Other | Purchases | 13 000 | 6 424 | **(949)** | (505) |
| Other | Sales | (11 391) | (44 432) | **(3 668)** | – |
| Other | Purchases | 14 503 | 11 280 | **1 250** | – |
| Other | Sales | (4 589) | (14 439) | **1 945** | – |
| | | | | **(28 115)** | (15 073) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| **11. FINANCIAL INSTRUMENTS** continued | | |
| **11.6 Hedging details** | | |
| The above mentioned derivative's hedging details are as follows: | | |
| **Ineffectiveness recognised in profit and loss:** | | |
| – Cash flow hedge | **–** | – |

| **Details of cash flow hedges:** | **2012 < 3 months** | **2012 3 – 6 months** | **2012 6 –12 months** | **2012 >12 months** | 2011 <3 months | 2011 3 – 6 months | 2011 6 – 12 months | 2011 >12 months |
|---|---|---|---|---|---|---|---|---|
| Financial asset | **670** | **365** | **789** | **–** | 2 019 | 1 768 | 4 866 | – |
| Financial liability | **(2 586)** | **(1 272)** | **(3 562)** | **(3 850)** | – | – | – | – |

| **Reconciliation of cash flow hedge accumulated in equity** | **2012 Amount accu-mulated in equity Hedging reserve R000** | **2012 Amount recycled from equity into Income statement R000** | **2012 Amount recycled from equity into Asset/ (liability) R000** | 2011 Amount accu-mulated in equity Hedging reserve R000 | 2011 Amount recycled from equity into Income statement R000 | 2011 Amount recycled from equity into Asset/ (liability) R000 |
|---|---|---|---|---|---|---|
| Opening balance | **(6 959)** | | | 152 706 | | |
| Amount recognised through other comprehensive income in the current year | **1 727** | | **1 727** | | | |
| Amount removed from equity to income statement | **4 190** | **(4 190)** | | (161 735) | 161 735 | |
| Deferred tax | **859** | | **(859)** | 2 070 | | (2 070) |
| Translation adjustments | **(62)** | | **(62)** | | | |
| Closing balance | **(245)** | **(4 190)** | **806** | (6 959) | 161 735 | (2 070) |
| Comprised of: | | | | | | |
| Financial Instruments | **(320)** | | | (7 096) | | |
| Deferred tax | **75** | | | 137 | | |
| | **(245)** | | | (6 959) | | |

**11.7 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. The group's subsidiary, Grindrod Bank Limited, enters into various interest rate swaps in the normal course of business. Grindrod Bank's interest rate swaps fix interest rates which are linked to JIBAR to rates between 6,65% per annum (2011: 7,35% per annum) and 11,71% per annum (2011: 15,29% per annum) and mature over the periods as indicated below:

| **Maturity date** | Interest rate | Nominal value R000 | **2012 Asset/ (liability) R000** | 2011 Asset/ (liability) R000 |
|---|---|---|---|---|
| December 2012 | Various | 184 167 | **–** | (19 188) |
| Between April 2014 and December 2020 | Various | 187 074 | **(22 097)** | – |
| | | | **(22 097)** | (19 188) |

## 11. FINANCIAL INSTRUMENTS continued

### 11.8 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 | Asset/ (liability) R000 | Income statement R000 |
|---|---|---|---|---|
| January 2012 | 400 | 5,08 | – | 85 |
| February 2012 | 400 | 5,08 | – | 42 |
| March 2012 | 400 | 5,08 | – | 6 |
| January 2012 | 500 | 5,15 | – | 85 |
| February 2012 | 500 | 5,09 | – | 42 |
| January 2012 | 1 000 | 5,24 | – | 58 |
| February 2012 | 1 000 | 5,24 | – | (83) |
| March 2012 | 1 000 | 5,24 | – | (172) |
| April 2012 | 1 000 | 5,24 | – | (233) |
| May 2012 | 1 000 | 5,24 | – | (282) |
| June 2012 | 1 000 | 5,24 | – | (316) |
| July 2012 | 1 000 | 5,24 | – | (355) |
| January 2013 – July 2014 | 9 500 | 4,84 | 2 955 | – |
| January 2013 – July 2014 | 9 500 | 4,93 | 3 002 | – |
| January 2013 – July 2014 | 9 500 | 4,62 | 2 998 | – |
| | | | 8 955 | (1 123) |

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

| | Hedging reserve 2012 R000 | Financial assets 2012 R000 | Financial liabilities 2012 R000 | Hedging reserve 2011 R000 | Financial assets 2011 R000 | Financial liabilities 2011 R000 |
|---|---|---|---|---|---|---|
| Forward currency exchange contracts on ships and other trading commitments | – | 6 362 | (8 374) | – | 11 358 | (4 871) |
| Cross currency swap | – | – | – | – | 146 | – |
| Forward freight agreements | (1 823) | 1 823 | (11 270) | 6 959 | 8 598 | (356) |
| Futures and options | – | 5 700 | (15 452) | – | 10 066 | (15 625) |
| Forward contracts | – | 45 457 | (73 572) | – | 39 215 | (54 288) |
| Interest rate swaps | 2 068 | – | (22 097) | 137 | – | (19 188) |
| Bunker swaps | – | 8 955 | – | – | 318 | (1 441) |
| | 245 | 68 297 | (130 765) | 7 096 | 69 701 | (95 769) |
| Less portion due within one year included in trade and other payables (note 16 and 25) | – | (62 925) | 104 816 | – | (63 464) | 74 683 |
| Transfer to non-current (asset)/liabilities held for sale (note 18) | – | (2 481) | – | – | (6 237) | 1 898 |
| Long-term portion | 245 | 2 891 | (25 949) | 7 096 | – | (19 188) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|
| **12.** | **RECOVERABLES ON CANCELLED SHIPS** | | |
| | Opening balance | **380 566** | – |
| | Transferred from ships | **–** | 342 062 |
| | Interest accrued | **–** | 44 599 |
| | Cash receipt | **(16 846)** | (40 893) |
| | Translation gain | **16 783** | 34 798 |
| | Release to income statement | **(1 453)** | – |
| | | **379 050** | 380 566 |

In the prior year, the group cancelled two ships due to non-performance of certain contracted conditions from the ship yard. These matters are currently in the arbitration process.

| | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|
| **13.** | **LOANS AND ADVANCES TO BANK CUSTOMERS** | | |
| | Loans and receivables | **2 978 370** | 2 337 704 |
| | Held at fair value through profit or loss using year-end market related interest rate yield curves to discount expected future cash flows | **210 084** | 204 344 |
| | | **3 188 454** | 2 542 048 |
| | Loans and advances – companies and close corporations | **2 583 358** | 2 052 572 |
| | Loans and advances – unincorporated businesses | **283 182** | 197 261 |
| | Loans and advances – individuals | **81 481** | 76 860 |
| | Property in possession | **–** | 3 059 |
| | Preference shares | **207 872** | 181 908 |
| | Interest accrued | **21 293** | 19 916 |
| | Revaluation of loans held at fair value through profit or loss | **21 221** | 18 460 |
| | Less: impairments against advances | **(9 953)** | (7 988) |
| | | **3 188 454** | 2 542 048 |

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.

| | Group 2012 R000 | 2011 R000 |
|---|---|---|
| **Contractual maturity analysis:** | | |
| Maturity on demand | **834 339** | 359 192 |
| Maturing within one month | **279 973** | 179 733 |
| Maturing after one month but within three months | **468 442** | 66 854 |
| Maturing after three months but within six months | **86 665** | 130 564 |
| Maturing after six months but within one year | **210 040** | 743 378 |
| Maturing after one year but within three years | **555 673** | 466 017 |
| Maturing after three years but within five years | **318 523** | 220 985 |
| Maturing after five years but within ten years | **356 923** | 343 918 |
| Maturing after ten years | **45 315** | 1 019 |
| Interest accrued | **21 293** | 19 916 |
| Revaluation of loans held at fair value through profit or loss | **21 221** | 18 460 |
| Less: impairment against advances | **(9 953)** | (7 988) |
| | **3 188 454** | 2 542 048 |
| Maximum exposure to credit risk before impairments | **3 198 407** | 2 550 036 |
| 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.

| | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|
| 13. | **LOANS AND ADVANCES TO BANK CUSTOMERS** continued | | |
| | **Sectoral analysis** | | |
| | Agriculture, hunting, forestry and fishing | **46 958** | 23 590 |
| | Mining and quarrying | **49 823** | 46 |
| | Manufacturing | **216 286** | 178 867 |
| | Construction | **17 152** | 10 093 |
| | Wholesale and retail trade, repair of specified items, hotels and restaurants | **184 189** | 150 074 |
| | Transport, storage and communication | **144 783** | 105 391 |
| | Financial intermediation and insurance | **228 999** | 98 048 |
| | Real estate | **1 211 715** | 826 741 |
| | Business services | **113 809** | 142 720 |
| | Community, social and personal services | **16 641** | 17 898 |
| | Private households | **41 617** | 29 746 |
| | Other | **916 482** | 958 834 |
| | | **3 188 454** | 2 542 048 |
| | **Geographical analysis** | | |
| | South Africa | **3 188 454** | 2 542 048 |
| | 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 | **63 200** | 169 566 |
| | Revaluation of loans and advances held at fair value through profit or loss | **21 221** | 18 460 |
| | Fair value of loans and advances held at fair value through profit or loss | **84 421** | 188 026 |
| | Loans and advances made to related parties at market related rates of interest: | | |
| | Grindrod group companies – guarantees | **–** | 2 895 |
| | Analysis of impairments: | | |
| | Impairments at the beginning of the year | **(7 988)** | (8 540) |
| | Net (increase)/decrease in impairments | **(1 965)** | 552 |
| | Impairments at the end of the year | **(9 953)** | (7 988) |
| | Analysis of impaired loans and advances: | | |
| | Loans and advances classified as special mention | **60 774** | 35 407 |
| | Loans and advances displaying significant weakness | **4 156** | 12 009 |
| | Carrying amount of impaired loans and advances | **64 930** | 47 416 |
| | Collateral held against impaired loans and advances | **64 930** | 43 222 |
| | **Sectoral analysis of impaired loans and advances** | | |
| | Community, social and personal services | **4 179** | 3 700 |
| | Real estate | **47 447** | 36 364 |
| | Business services | **–** | 2 575 |
| | Other | **13 304** | 4 777 |
| | | **64 930** | 47 416 |
| 14. | **LIQUID ASSETS AND SHORT-TERM NEGOTIABLE SECURITIES** | | |
| | Measured at amortised cost | | |
| | Preference shares | **109 374** | 84 902 |
| | Statutory liquid asset | | |
| | Negotiable certificates of deposit | **200 962** | 105 357 |
| | Money market investments | **316 042** | – |
| | | **626 378** | 190 259 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| **15.** | **INVENTORIES** | | |
| | Bunkers and other consumables | **102 144** | 171 496 |
| | Commodities | | |
| | Agricultural | **774 214** | 703 860 |
| | Metal and mineral | **1 901** | 72 573 |
| | Merchandise and containers | **49 397** | 70 170 |
| | Transferred to non-current assets classified as held for sale (note 18) | **(21 540)** | (57 006) |
| | | **906 116** | 961 093 |

The fair value less costs to sell of the commodities inventory amounts to R825 710 000 (2011: R804 382 000).

Agricultural and other commodities, amounting to R689 754 430 (2011: R712 572 000) have been ceded to financial institutions in order to secure available borrowing facilities of R1 187 000 000 (2011: R1 171 895 000).

| | | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|---|
| **16.** | **TRADE AND OTHER RECEIVABLES** | | | | |
| | Trade debtors | **1 272 784** | 2 797 714 | **8** | 3 |
| | Less: Allowances for doubtful debts | **(69 148)** | (35 025) | | |
| | Net trade debtors | **1 203 636** | 2 762 689 | **8** | 3 |
| | Prepayments | **129 692** | 127 009 | | |
| | Amounts due from group subsidiaries | | | **1 965 549** | 2 837 634 |
| | Related party loans | **26 150** | – | | |
| | Current portion of derivative financial assets (note 11.9) | **62 925** | 63 464 | | |
| | Other receivables | **1 929 663** | 2 151 981 | | |
| | Transferred to non-current assets classified as held for sale (note 18) | **(178 547)** | (2 465 247) | | |
| | | **3 173 519** | 2 639 896 | **1 965 557** | 2 837 637 |

Trade and other receivables, other than the current portion of financial assets, are classified as loans and receivables at amortised cost and their carrying amount approximates fair value. Trade and other receivables are predominately non-interest-bearing. For long outstanding debtors, interest is charged at a fixed rate.

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

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| Forward exchange contracts on ships and other trading commitments | **3 881** | 11 358 | | |
| Futures and options | **5 700** | 10 066 | | |
| Forward contracts | **45 457** | 33 124 | | |
| Forward freight agreements | **1 823** | 8 598 | | |
| Other | **6 064** | 318 | | |
| | **62 925** | 63 464 | **–** | – |
| Reconciliation of allowances for doubtful debts | | | | |
| Opening balance | **35 025** | 24 652 | | |
| Increase in allowance | **49 577** | 21 146 | | |
| Allowance utilised | **(15 454)** | (10 773) | | |
| Closing balance | **69 148** | 35 025 | **–** | – |

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:

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| | **639 917** | 1 255 863 |
| Trading | **637 922** | 1 222 677 |
| Freight Services | **–** | 33 186 |
| Shipping | **1 995** | – |

| | | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| **17.** | **SHORT-TERM LOANS** | | |
| | Loan to Fincrop Risk Management (Pty) Ltd | **518 819** | 303 513 |

During the year, the group continued their local agricultural commodity origination project loan with Fincrop Risk Management (Pty) Ltd which bears interest at a rate of prime plus 1% per annum and is payable in May and July 2013. The loan is secured by the agricultural commodity, crop insurance and procurement contracts on produce.

| | | Group 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| **18.** | **NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE** | | |
| | Ships, property, terminals, vehicles and equipment | | |
| | Ships | **–** | 126 363 |
| | Terminals, vehicles and equipment | **10 595** | 449 774 |
| | Property under construction | **–** | 864 |
| | Freehold and leasehold properties | **6** | – |
| | Goodwill | **4 225** | 106 836 |
| | Intangible assets | **5 949** | 32 733 |
| | Other investments | **6 032** | 34 070 |
| | Financial assets | **2 481** | 6 237 |
| | Taxation | **–** | 2 028 |
| | Inventory | **21 540** | 57 006 |
| | Bank and cash | **26 684** | 185 498 |
| | Deferred taxation | **17 556** | 630 |
| | Trade and other receivables | **178 547** | 2 465 247 |
| | | **273 615** | 3 467 286 |
| | **Non-current liabilities associated with assets classified as held for sale** | | |
| | Financial liabilities | **–** | 1 898 |
| | Bank overdraft | **–** | 227 226 |
| | Short-term borrowings | **53 377** | – |
| | Taxation | **(934)** | 13 780 |
| | Post-retirement medical aid | **12 773** | – |
| | Interest-bearing debt | **4 402** | 248 001 |
| | Trade and other liabilities | **81 437** | 1 926 046 |
| | | **151 055** | 2 416 951 |

Depreciation for the current year relating to ships, property, terminals, vehicles and equipment and amortisation on intangible assets amounted to R6 999 000.

**Business disposals**

In the current year the group decided to dispose of Tank Terminals and Oreport, a portion of the Freight Services and Trading divisions respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **19. SHARE CAPITAL AND PREMIUM** | | | | |
| **Authorised** | | | | |
| 2 750 000 000 ordinary shares of 0,002 cent each (2011: 2 750 000 000 ordinary shares of 0,002 cent each) | **55** | 55 | **55** | 55 |
| 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2011: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each) | **6** | 6 | **6** | 6 |
| | **61** | 61 | **61** | 61 |
| **Issued** | | | | |
| 599 665 314 ordinary shares of 0,002 cent each (2011: 598 715 314 shares of 0,002 cent each) | **12** | 12 | **12** | 12 |
| 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2011: 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each) | **2** | 2 | **2** | 2 |
| **Share premium** | **2 025 243** | 2 014 415 | **2 410 795** | 2 406 642 |
| Balance at beginning of year | **2 014 415** | 28 671 | **2 406 642** | 422 843 |
| Premium on shares issued | **10 828** | 2 004 554 | **7 839** | 2 002 609 |
| Shares repurchased | **–** | – | **(3 686)** | – |
| Share issue expenses | **–** | (18 810) | **–** | (18 810) |
| Total issued share capital and premium | **2 025 257** | 2 014 429 | **2 410 809** | 2 406 656 |

In the prior the year, the group had a specific issue of 133 333 334 shares at a nominal amount of R15,00 per share. R18 810 000 share issue costs were incurred in respect of this issue and were written off against share premium.

950 000 ordinary shares (2011: 400 000 ordinary shares) with a nominal value of R19,00 per share (2011: R8,00) were issued for R7 836 481 (2011: R2 614 992).

18 547 (2011: 48 125) cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R91,55 (2011: R97,20) are held by a subsidiary of the group.

9 179 348 (2011: 9 179 348) ordinary shares are held by a Grindrod company and a subsidiary of the group.

2 302 884 of these shares 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.

During the current year, 29 578 (2011: 21 350) treasury cumulative, non-redeemable, non-participating and non-convertible preference shares were sold for R2 989 000 (2011: R1 944 802).

| | Group 2012 R000 | 2011 R000 |
|---|---|---|
| **20. INTEREST-BEARING BORROWINGS** | | |
| **Unsecured** | | |
| Aggregate loans | **201 578** | 121 658 |
| **Secured** | | |
| Long and medium-term financing | **3 053 719** | 2 749 885 |
| Transferred to non-current assets held for sale (note 18) | **(4 402)** | (248 001) |
| Total amounts repayable within one year | **(408 556)** | (396 967) |
| Financial services funding instruments (note 21) | **(813 947)** | – |
| Total loans | **2 028 392** | 2 226 575 |
| | **1 578 842** | 1 620 223 |
| Short-term borrowings and overdraft | **1 632 219** | 1 847 449 |
| Transferred to non-current assets held for sale (note 18) | **(53 377)** | (227 226) |
| | **3 607 234** | 3 846 798 |
| Interest-bearing borrowings is classified as financial liabilities measured at amortised cost and its carrying value approximates fair value | **3 607 234** | 3 846 798 |

Group assets of R5 454 234 000 (2011: R6 159 675 000) are pledged as security for loans of R4 823 281 000 (2011: R4 500 622 000).

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

Full details of the long and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of loan funds on page 79.

**Available facilities**

Interest-bearing debt is raised to fund ships, 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 2012, as follows:

| | Expiry date | Currency | Interest rate | 2012 R000 | 2011 R000 |
|---|---|---|---|---|---|
| Long-term debt facilities | 03/2017 | USD | 1,61 | **2 728** | – |
| | 07/2018 | USD | 2,68 | **257 368** | 202 750 |
| | 09/2018 | USD | 2,82 | **82 426** | 81 100 |
| Short-term borrowing facilities | 06/2012 | ZAR | – | **–** | 20 000 |
| | 06/2013 | ZAR | – | **75 000** | 75 000 |
| | 06/2013 | ZAR | – | **105 000** | 105 000 |
| | 12/2013 | ZAR | – | **100 000** | 100 000 |
| | | | | **622 522** | 583 850 |

| The maturity profile of the group's borrowings is as follows: | 1 year R000 | 2 – 5 years R000 | >5 years R000 | Group R000 |
|---|---|---|---|---|
| **2012** | | | | |
| Interest-bearing debt repayable as follows | **2 045 176** | **2 440 338** | **402 002** | **4 887 516** |
| **2011** | | | | |
| Interest-bearing debt repayable as follows | 2 622 931 | 1 445 868 | 780 707 | 4 849 506 |

**Security**

Agricultural and other commodities, amounting to R689 754 430 (2011: R712 572 000) have been ceded to financial institutions in order to secure available borrowing facilities of R1 187 000 000 (2011: R1 171 895 000).

Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows: Trading R637 922 000 (2011: R1 222 677 000) and Freight Rnil (2011: R33 186 000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|
| **21.** | **FINANCIAL SERVICES FUNDING INSTRUMENTS** | | |
| | **Secured** | | |
| | Loans secured by guarantee | **298 543** | 130 514 |
| | Listed corporate bond secured by guarantee | **507 345** | – |
| | Total secured funding | **805 888** | 130 514 |
| | Redeemable preference shares | **201 578** | – |
| | Aggregate funding | **1 007 466** | 130 514 |
| | Amount repayable within one year | **(193 519)** | (130 514) |
| | | **813 947** | – |

**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 the prior financial year, 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 on the scheme.

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

| | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|
| Recognised liability at beginning of the year | | **53 649** | 49 628 |
| Recognised as an expense in the current year | | **12 327** | 6 103 |
| Interest on obligation | | **3 428** | 3 395 |
| Current service cost | | **205** | 269 |
| Actuarial loss recognised | | **7 290** | 2 616 |
| Other | | **1 404** | (177) |
| Contributions paid | | **(3 777)** | (2 082) |
| Present value of unfunded obligations recognised as a liability at end of the year | | **62 199** | 53 649 |
| Transfer to current portion of provisions (note 23) | | **–** | (1 313) |
| Transferred to non-current liabilities associated with assets held for sale (note 18) | | **(12 773)** | – |
| Long-term portion of provision for post-retirement medical aid | | **49 426** | 52 336 |

There are no unrecognised actuarial gains or losses.

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

| | | Group 2012 | 2011 |
|---|---|---|---|
| Health care cost inflation | (%) | **8,5** | 7,3 |
| Discount rate | (%) | **8,8** | 8,3 |
| Continuation at retirement | (%) | **83,0** | 83,0 |

An actuarial valuation was undertaken during 2012.

## 22. EMPLOYEE BENEFIT OBLIGATIONS continued

### 22.1 Provision for post-retirement medical aid continued

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

| | | **2012 Effect of a 1%** | | 2011 Effect of a 1% | |
|---|---|---|---|---|---|
| | | **Increase** | **(Decrease)** | Increase | (Decrease) |
| Aggregate of the current service cost and interest cost | (%) | **14,8** | **(12,1)** | 15,0 | (12,2) |
| Accrued liability at year-end | (%) | **14,0** | **(11,5)** | 14,0 | (11,5) |

The history of experience adjustments is as follows:

| | **2012** | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Present value of obligations | **62 199** | 53 649 | 49 628 | 77 034 | 77 900 |
| Present value of obligations in excess of plan assets | **62 199** | 53 649 | 49 628 | 77 034 | 77 900 |
| Experience adjustments on obligations | **(933)** | – | – | – | 1 567 |

| | | **Group 2012 R000** | 2011 R000 |
|---|---|---|---|
| **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 funded status of the pension fund is as follows: | | | |
| Actuarial value of assets | | **143 779** | 111 090 |
| Present value of liabilities | | **(60 751)** | (64 289) |
| Actuarial surplus (note 9) | | **83 028** | 46 801 |
| An actuarial valuation was performed on 31 December 2012. 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 | (%) | **6,3** | 8,3 |
| Salary increase | (%) | **6,0** | 6,3 |
| Pension increase | (%) | **1,2** | 3,1 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| **23. PROVISIONS** | | |
| **Provision for onerous contracts** | | |
| Opening balance | **–** | – |
| Charged to income statement | **3 606** | 15 451 |
| Foreign exchange gain | **189** | – |
| Utilisation of provision | **1 668** | (3 286) |
| Non-current portion of onerous contract provisions | **5 463** | 12 165 |
| Current portion included under current liabilities | **–** | (12 165) |
| | **5 463** | – |
| **Provision for share price linked option scheme and phantom share scheme** | | |
| Opening balance | **14 481** | 15 199 |
| Charged to income statement | **16 865** | – |
| Foreign exchange gain | **70** | (718) |
| Utilisation of provision | **(1 137)** | – |
| Payments made | **1 966** | – |
| Provision disposed of | **(1 263)** | – |
| Balance at 31 December | **30 982** | 14 481 |
| Current portion included under current liabilities | **(3 783)** | – |
| Non-current portion of share price linked option scheme | **27 199** | 14 481 |
| Total | **32 662** | 14 481 |

**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 phantom share scheme**

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

**Cash-settled share-based payment scheme**

Grindrod Bank cash-settled share-based payment scheme is based on notional shares in issue and based on the higher of net asset value or seven times the price earnings ratio per share.

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| **Current portion of provisions** | | |
| Provision for post-retirement medical aid (note 22) | **–** | (1 313) |
| Onerous contract provisions | **–** | (12 165) |
| Provision for share price linked option scheme | **(3 783)** | – |
| | **(3 783)** | (13 478) |

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| **24. DEPOSITS FROM BANK CUSTOMERS** | | |
| Measured at amortised cost | | |
| Call deposits | **2 955 971** | 1 178 614 |
| Notice and fixed deposits | **571 607** | 618 991 |
| Prime linked notice deposits | **1 095 340** | 1 081 750 |
| Interest accrued | **38 428** | 31 590 |
| | **4 661 346** | 2 910 945 |
| Amounts owed to corporate banking depositors | **2 895 321** | 2 743 855 |
| Amounts owed to retail banking depositors | **1 708 712** | – |
| Amounts owed to banks | **57 313** | 167 090 |
| | **4 661 346** | 2 910 945 |
| **Contractual maturity analysis** | | |
| Withdrawable on demand | **2 955 971** | 1 178 614 |
| Maturing within one month | **147 753** | 198 768 |
| Maturing after one month but within six months | **1 470 950** | 1 362 291 |
| Maturing after six months | **48 244** | 139 682 |
| Interest accrued | **38 428** | 31 590 |
| | **4 661 346** | 2 910 945 |
| The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date. | | |
| **Sectoral analysis** | | |
| Banks | **57 313** | 167 090 |
| Government and public sector | **30 506** | 46 309 |
| Individuals | **2 162 183** | 1 102 068 |
| Business sector | **2 411 344** | 1 595 478 |
| | **4 661 346** | 2 910 945 |
| **Geographical analysis** | | |
| South Africa | **4 661 346** | 2 910 945 |
| Included in deposits are funds from related parties earning interest at market related rates: | | |
| Directors (directly or indirectly) | **20 606** | 26 232 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **25. TRADE AND OTHER PAYABLES** | | | | |
| Trade creditors | **391 433** | 1 236 023 | | |
| Accrued expenses | **653 137** | 1 578 043 | **5 840** | 2 900 |
| Operating lease accrual | **12 577** | 24 729 | | |
| Related party loans | **11 492** | 11 200 | | |
| Other payables | **541 798** | 213 572 | **1 757** | 1 842 |
| Shareholders for dividends | **19 770** | 26 173 | **29 105** | 27 770 |
| Amounts due to subsidiaries | | | **231 880** | 518 325 |
| Current portion of derivative financial liabilities (note 11.9) | **104 816** | 74 683 | | |
| Transferred to non-current liabilities associated with assets classified as held for sale (note 18) | **(81 437)** | (1 926 046) | | |
| | **1 653 586** | 1 238 377 | **268 582** | 550 837 |

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:

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| Forward exchange contracts on ships and other trading commitments | **8 374** | 4 871 |
| Futures and options | **15 452** | 15 625 |
| Forward contracts | **73 572** | 52 390 |
| Other | **–** | 1 441 |
| Forward freight agreements | **7 418** | 356 |
| | **104 816** | 74 683 |

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 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 | **882 039** | 885 215 | | |
| Freight revenue | **2 734 395** | 2 192 182 | | |
| Sale of commodities | **20 574 398** | 29 677 014 | | |
| Net interest income of the financial institution | **82 913** | 57 842 | | |
| Fee income of the financial institution | **148 084** | 127 753 | | |
| Dividends received | **22 710** | 9 231 | **490 325** | 836 150 |
| Handling revenue | **2 715 187** | 2 739 006 | | |
| Other revenue | **102 497** | 197 015 | **34 205** | 27 255 |
| | **27 262 223** | 35 885 258 | **524 530** | 863 405 |
| **Analysis of the financial institution's net interest income included above:** | | | | |
| Interest income | **298 422** | 238 875 | | |
| Advances | **228 259** | 187 387 | | |
| Preference share dividends, advances portfolio | **19 830** | 20 873 | | |
| Balances at banks and short-term funds | **41 290** | 27 793 | | |
| Preference share dividends, negotiable securities portfolio | **6 740** | 2 063 | | |
| Other short-term securities | **9 970** | 9 112 | | |
| Paid on derivative instruments | **(7 667)** | (8 353) | | |
| Interest expense | **215 509** | 181 033 | | |
| Call deposits | **65 866** | 56 376 | | |
| Notice and fixed deposits | **22 972** | 27 889 | | |
| Other interest expense | **32 130** | 69 397 | | |
| Prime linked notice deposits | **94 541** | 27 371 | | |
| Net interest income | **82 913** | 57 842 | | |
| Interest income calculated using the effective interest method | **67 055** | 38 624 | | |
| Interest income at fair value through profit or loss | **15 858** | 19 218 | | |
| | **82 913** | 57 842 | | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **27. OPERATING INCOME BEFORE INTEREST AND TAXATION** | | | | |
| **Other income** | | | | |
| Ship option write up | **–** | 3 443 | | |
| Foreign exchange gains | **73 186** | 69 059 | **322** | 1 134 |
| On foreign currency exposure | **72 803** | 68 743 | **322** | 1 134 |
| On commodity trading | **383** | 316 | | |
| Pension fund surplus recognised | **36 227** | 11 730 | | |
| Other sundry income | **126 537** | 50 301 | | |
| Net gain on financial instruments | **51 466** | 18 795 | **–** | 832 |
| | **287 416** | 153 328 | **322** | 1 966 |
| **Operating expenses** | | | | |
| Voyage expenses | **2 403 772** | 2 705 646 | | |
| Charter hire | **1 271 168** | 1 089 422 | | |
| Fuel | **219 566** | 799 806 | | |
| Port expenses | **201 789** | 162 109 | | |
| Provision for onerous voyage contracts | **–** | 15 451 | | |
| Other voyage expenses | **711 249** | 638 858 | | |
| Cost of sales | **21 482 268** | 29 593 580 | | |
| Agricultural commodities | **7 030 277** | 7 272 674 | | |
| Bunker fuels | **12 253 303** | 19 967 109 | | |
| Container handling and logistics | **624 404** | 581 235 | | |
| Merchandise | **1 217 437** | 1 358 493 | | |
| Other commodities | **356 847** | 414 069 | | |
| Distribution and selling costs | **142 039** | 131 534 | **3 934** | 4 217 |
| Staff costs | **1 270 638** | 1 230 134 | **13 108** | 8 454 |
| Foreign exchange losses | **113 735** | 229 121 | **–** | – |
| Other operating expenses | **1 183 362** | 1 143 034 | **31 743** | 33 896 |
| | **26 595 814** | 35 033 049 | **48 785** | 46 567 |
| **Depreciation and amortisation** | | | | |
| Amortisation | | | | |
| Leasehold properties | **7 905** | 4 916 | | |
| Ships | **16 505** | 10 700 | | |
| Depreciation – owned assets | | | | |
| Ships | **188 945** | 137 532 | | |
| Other | **154 810** | 190 022 | | |
| Depreciation – capitalised leased assets | | | | |
| Other | **21 666** | 7 081 | | |
| Amortisation of intangible assets | **15 600** | 12 728 | | |
| Non-current assets held for sale depreciation | | | | |
| Ships | **5 572** | – | | |
| Other | **1 427** | – | | |
| | **412 430** | 362 979 | | |

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **27. OPERATING INCOME BEFORE INTEREST AND TAXATION** continued | | | | |
| **The above costs are arrived at after including:** | | | | |
| Auditors' remuneration | | | | |
| Audit fees – current year provision | **30 638** | 27 294 | **3 128** | 3 459 |
| Prior year under/(over) provision | **1 544** | (282) | **382** | (882) |
| Fees for other services | **3 177** | 6 550 | **162** | 400 |
| Expenses | **175** | 192 | | |
| | **35 534** | 33 754 | **3 672** | 2 977 |
| Operating lease rentals | | | | |
| Land and buildings | **183 583** | 148 626 | **104** | – |
| Ships | **1 271 168** | 1 089 422 | | |
| Other | **73 428** | 10 317 | | |
| | **1 528 179** | 1 248 365 | **104** | – |
| Professional fees | | | | |
| Administrative and managerial | **29 408** | 30 901 | | |
| Technical/projects | **10 674** | 23 705 | | |
| | **40 082** | 54 606 | | |
| Share-based expenses | **4 179** | 647 | | |
| Amortisation of residual beneficiary stream | **1 041** | 463 | | |
| (Provision for credit losses)/impairment against advances | **(1 125)** | 410 | | |
| **28. NON-TRADING ITEMS** | | | | |
| (Impairment)/reversal of impairment of ships, property, terminals, vehicles and equipment | **(177 628)** | 18 067 | | |
| Impairment of goodwill | **(21 045)** | (9 168) | | |
| Impairment of intangible assets | **(1 020)** | – | | |
| Profit on disposal of investments | **378 648** | 48 180 | | |
| Impairment of other investment | **(11 208)** | (5 849) | | |
| (Loss)/profit on disposal of property, terminals, vehicles and equipment | **(2 023)** | 8 922 | | |
| Foreign currency translation reserve adjustment on disposal of investment | **33 965** | – | | |
| | **199 689** | 60 152 | – | – |
| **29. NET FINANCE COSTS** | | | | |
| Interest received | **206 941** | 169 709 | **456** | 7 484 |
| Net interest paid | **(227 398)** | (218 647) | **–** | (7 192) |
| Interest paid | **(227 398)** | (218 761) | **–** | (7 192) |
| Interest capitalised | **–** | 114 | | |
| | **(20 457)** | (48 938) | **456** | 292 |
| Interest received is classified as received from loans and receivables at amortised cost. | | | | |
| Interest paid is classified as follows: | | | | |
| Financial liabilities held at amortised cost | **(221 944)** | (214 912) | **–** | (7 192) |
| Finance leases | **(5 454)** | (3 735) | | |
| | **(227 398)** | (218 647) | **–** | (7 192) |

Net finance costs excludes interest from the financial institution of the group which is shown as revenue in note 26.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **30. TAXATION** | | | | |
| **South African normal taxation** | | | | |
| Current | | | | |
| On income for the year | **(98 229)** | (31 641) | | |
| Capital gains taxation | **(3 768)** | – | | |
| Prior year | **2 025** | (196) | **2 694** | (33) |
| Secondary taxation on companies | **(347)** | (29 974) | **(339)** | (22 885) |
| Deferred | | | | |
| On income for the year | **(1 674)** | (77 950) | **315** | – |
| Prior year | **3 254** | (897) | | |
| On secondary taxation on companies credits | **(9 143)** | 5 999 | **–** | (1 715) |
| **Foreign** | | | | |
| Current | | | | |
| On income for the year | **(70 702)** | (39 105) | | |
| Prior year | **3 539** | 12 970 | | |
| Deferred | | | | |
| On loss/(income) for the year | **27 005** | (14 083) | | |
| Prior year | **(188)** | – | | |
| On secondary taxation on companies credits | **–** | (486) | | |
| | **(148 228)** | (175 363) | **2 670** | (24 633) |

| | % | % | % | % |
|---|---|---|---|---|
| **Effective rate of taxation** | | | | |
| Normal rate of taxation | **28,0** | 28,0 | **28,0** | 28,0 |
| Adjusted for: | | | | |
| Current year tax losses not utilised | **(0,9)** | 0,6 | **(0,6)** | (0,1) |
| Exempt income | **(22,3)** | (9,4) | **(28,8)** | (28,6) |
| Non-taxable foreign items | **0,7** | 1,4 | | |
| Non-allowable items | **14,2** | 5,5 | **1,3** | 0,6 |
| CGT | **0,9** | – | **0,1** | – |
| Deferred tax on STC credits | **0,8** | 3,2 | **–** | 3,0 |
| Associate tax | **(6,7)** | (4,0) | | |
| Differing tax rates | **0,6** | – | | |
| Prior year | **(1,4)** | (2,5) | **(0,6)** | – |
| Effective rate of taxation | **13,9** | 22,8 | **(0,6)** | 2,9 |
| The reconciliation of the effective tax rate is: | | | | |
| Effective rate of taxation on profit before tax | **13,9** | 22,8 | | |
| Associates and joint ventures | **6,7** | 4,0 | | |
| Effective rate of taxation on profit before share of associate and joint venture companies' profit | **20,6** | 26,8 | | |

Subsidiary companies have estimated tax losses of R386 696 000 (2011: R457 683 000) of which R196 645 000 (2011: R298 153 000) has been utilised in the calculation of deferred taxation.

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

| | | | Group 2012 R000 | 2011 R000 |
|---|---|---|---|---|
| **31.** | **EARNINGS PER SHARE** | | | |
| | Basic earnings reconciliation | | | |
| | Profit attributable to Grindrod Limited shareholders | | **910 563** | 584 176 |
| | Less preference dividends | | **(57 297)** | (53 271) |
| | Profit attributable to ordinary shareholders | | **853 266** | 530 905 |
| | Basic earnings per share is based on earnings of | | **853 266** | 530 905 |
| | and on the weighted average number of shares in issue for the year | (000's) | **590 097** | 478 234 |
| | Diluted earnings per share is based on earnings of | | **853 266** | 530 905 |
| | and on the diluted weighted average number of shares in issue for the year | (000's) | **592 728** | 479 192 |
| | Reconciliation of weighted average number of shares | (000's) | | |
| | Basic average number of shares in issue | | **590 097** | 478 234 |
| | Shares that will be issued for no value in terms of share option scheme | | **2 631** | 958 |
| | Diluted average number of shares in issue | | **592 728** | 479 192 |
| | Earnings per share | (cents) | | |
| | Basic | | **144,6** | 111,0 |
| | Diluted | | **144,0** | 110,8 |
| | Headline earnings per share is based on headline earnings of | | **719 507** | 476 362 |
| | and on the weighted average number of shares in issue for the year | (000's) | **590 097** | 478 234 |
| | Diluted headline earnings per share is based on headline earnings of | | **719 507** | 476 362 |
| | and on the weighted average number of shares in issue for the year | (000's) | **592 728** | 479 192 |
| | Headline earnings per share | (cents) | | |
| | Basic | | **121,9** | 99,6 |
| | Diluted | | **121,4** | 99,4 |

| | Gross R000 | Net R000 |
|---|---|---|
| **2012** | | |
| Headline earnings reconciliation: | | |
| Earnings attributable to ordinary shareholders | | **853 266** |
| Adjusted for: | | |
| IAS 16 Impairment of ships, property, terminals, vehicles and equipment | **178 648** | **171 342** |
| IAS 38 Impairment of goodwill | **21 045** | **21 045** |
| IFRS 3 Profit on disposal of investments | **(281 291)** | **(293 568)** |
| IAS 16 Loss on disposal of property, terminals, vehicles and equipment | **2 023** | **1 470** |
| IAS 38 Impairment of other investment | **11 208** | **11 208** |
| IAS 21 Foreign currency translation reserve adjustment on disposal of investment | **(33 965)** | **(33 965)** |
| Joint ventures: | | |
| IFRS 3 Negative goodwill released | **(31 596)** | **(31 596)** |
| IAS 16 Impairment of ships, property, terminals, vehicles and equipment | **20 305** | **20 305** |
| Headline earnings | **(113 623)** | **719 507** |
| **2011** | | |
| Headline earnings reconciliation: | | |
| Earnings attributable to ordinary shareholders | | 530 905 |
| Adjusted for: | | |
| IAS 16 Impairment reversal of ships, property, terminals, vehicles and equipment | (18 067) | (18 067) |
| IAS 16 Impairment of goodwill | 9 168 | 9 168 |
| IFRS 3 Profit on disposal of investments | (48 180) | (42 384) |
| IAS 16 Profit on disposal of property, terminals, vehicles and equipment | (8 922) | (9 109) |
| IAS 38 Impairment of assets | 5 849 | 5 849 |
| Headline earnings | (60 152) | 476 362 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 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 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 | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | **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 | **3 300 000** | **1 067** | 3 900 000 | 1 034 |
| Lapsed during the year | **(100 000)** | **–** | (200 000) | – |
| Exercised during the year | **(950 000)** | **1 212** | (400 000) | 654 |
| Outstanding at the end of the year | **2 250 000** | **881** | 3 300 000 | 1 067 |
| Exercisable at the end of the year | **2 900 000** | | 2 900 000 | |

The weighted average share price at the date of exercise for the share options exercised during the year was R12,12 (2011: R6,54). Details of the options outstanding at the end of the year are disclosed in the remuneration report on page 84 to 92 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 | |
|---|---|---|---|
| | | **2012** | 2011 |
| Weighted average share price | (cents) | **1 253** | 1 253 |
| Weighted average exercise price | (cents) | **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 affects of employee turnover and exercise behaviour.

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

**32. SHARE-BASED PAYMENTS** continued

**Equity-settled forfeitable share plan**

During the year 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 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.

| Date of grant | | **25/06/2012** | **27/08/2012** |
|---|---|---|---|
| Number of shares granted and remaining at year-end | | **2 150 000** | **152 884** |
| Share price at grant date | (Rands) | **13,65** | **14,71** |
| Estimated fair value per share at grant date | (Rands) | **13,65** | **14,71** |

**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 R18 467 000 (2011: R14 481 000).

The group recorded total current year expenses of R3 211 000 (2011: Rnil).

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** | |
|---|---|---|---|
| | | **2012** | 2011 |
| Share price | (cents) | **1 585** | 1 400 |
| Expected rolling volatility | | | |
| Three-year expected option lifetime | (%) | **21,99** | 22,62 |
| Four-year expected option lifetime | (%) | **21,56** | 26,82 |
| Five-year expected option lifetime | (%) | **24,05** | 27,47 |
| 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 | (%) | **5,02** | 5,67 |
| Four-year expected option lifetime | (%) | **5,09** | 4,81 |
| Five-year expected option lifetime | (%) | **5,17** | 5,86 |
| Expected dividend yield | (%) | **2,34** | 3,09 |
| Forfeiture rate per annum compound | (%) | **10,00** | 10,00 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 |
|---|---|---|
| **33. CAPITAL COMMITMENTS** | | |
| Authorised and contracted for | **185 857** | 247 016 |
| Due within one year | **185 857** | 199 190 |
| Due between years one and two | **–** | 44 232 |
| Due thereafter | **–** | 3 594 |
| Authorised and not contracted for | **461 467** | 225 407 |
| | **647 324** | 472 423 |
| Financing guarantees | **179 799** | 132 302 |
| 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. | **108 801** | 148 228 |

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:

| **2012** | **2013 R000** | **2014 R000** | **Thereafter R000** | **Total R000** |
|---|---|---|---|---|
| Ships | **102 774** | **–** | **–** | **102 774** |
| Property, terminals, vehicles and equipment | **205 368** | **68 982** | **3 824** | **278 174** |
| Intangible assets | **28 016** | **2 100** | **–** | **30 116** |
| Investment in businesses | **198 974** | **18 688** | **18 598** | **236 260** |
| | **535 132** | **89 770** | **22 422** | **647 324** |
| **2011** | 2012 R000 | 2013 R000 | Thereafter R000 | Total R000 |
| Ships | 151 759 | 42 232 | – | 193 991 |
| Property, terminals, vehicles and equipment | 119 245 | 127 966 | 2 253 | 249 464 |
| Intangible assets | 915 | 3 859 | – | 4 774 |
| Investment in businesses | 21 500 | 1 353 | 1 341 | 24 194 |
| | 293 419 | 175 410 | 3 594 | 472 423 |

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

**34. CONTINGENT ASSETS/LIABILITIES**

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R6 422 946 000 (2011: R5 101 000 000) of which R3 104 728 000 (2011: R2 372 000 000) had been utilised at year-end.

The company has guaranteed charter hire payments of subsidiaries amounting to R1 524 356 000 (2011: R1 501 250 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2012 to 2019.

On disposal of an interest in an entity, the group has reached an agreement with a counterparty whereby the counterparty has agreed to compensate the group if certain targets are met. At reporting date, the achievability of these targets was undetermined.

**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:

| | Group | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | **Year-end rates** | **Average rates** | Year-end rates | Average rates |
| US Dollar | **8,48** | **8,22** | 8,11 | 7,27 |
| Euro | **11,18** | **10,57** | 10,56 | 10,12 |
| Pound Sterling | **13,70** | **13,04** | 12,65 | 11,66 |
| Swedish Krona | **1,30** | **1,21** | 1,18 | 1,11 |
| Singapore Dollar | **6,96** | **7,09** | 6,25 | 5,75 |
| Danish Kroner | **1,50** | **1,42** | 1,42 | 1,34 |
| Japanese Yen | **0,09** | **0,10** | 0,11 | 0,09 |
| Botswana Pula | **1,08** | **1,08** | 1,09 | 1,06 |
| Tanzanian Shilling | **0,01** | **0,01** | 0,01 | 0,00 |
| New Metical | **0,29** | **0,29** | 0,30 | 0,25 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 36. LEASES AND SHIPCHARTERS

### 36.1 Operating leases and shipcharters

#### 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 |
|---|---|---|---|---|
| **2012** | | | | |
| Ships | **288 310** | **151 146** | **9 701** | **449 157** |
| Properties | **18 921** | **45 366** | **–** | **64 287** |
| Other | **53 199** | **196 562** | **62** | **249 823** |
| | **360 430** | **393 074** | **9 763** | **763 267** |
| **2011** | | | | |
| Ships | 354 201 | 217 532 | – | 571 733 |
| Properties | 19 743 | 65 788 | – | 85 531 |
| Other | 525 | 1 486 | 137 | 2 148 |
| | 374 469 | 284 806 | 137 | 659 412 |

#### 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 |
|---|---|---|---|---|
| **2012** | | | | |
| Ships | **670 070** | **1 409 548** | **44 027** | **2 123 645** |
| Properties | **134 400** | **282 714** | **98 373** | **515 487** |
| Terminals, vehicles and equipment | **10 844** | **2 645** | **106** | **13 595** |
| | **815 314** | **1 694 907** | **142 506** | **2 652 727** |
| **2011** | | | | |
| Ships | 689 941 | 1 609 983 | 163 579 | 2 463 503 |
| Properties | 154 168 | 380 380 | 765 274 | 1 299 822 |
| Terminals, vehicles and equipment | 4 116 | 1 419 | – | 5 535 |
| | 848 225 | 1 991 782 | 928 853 | 3 768 860 |

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 |
|---|---|---|---|---|
| **2012** | | | | |
| Future minimum lease payments | **31 431** | **49 361** | **–** | **80 792** |
| Future interest | **(3 341)** | **(1 590)** | **–** | **(4 931)** |
| Present value of future minimum lease payments | **28 090** | **47 771** | **–** | **75 861** |
| **2011** | | | | |
| Future minimum lease payments | 18 912 | 45 862 | – | 64 774 |
| Future interest | (3 686) | (4 271) | – | (7 957) |
| Present value of future minimum lease payments | 15 226 | 41 591 | – | 56 817 |

Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 79.

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 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 | **541 395** | 642 558 | **476 067** | 818 804 |
| Adjustments for: | | | | |
| Depreciation | **396 830** | 339 552 | | |
| Share option expense | **4 179** | 647 | | |
| Dividends received | | | **(490 325)** | (836 150) |
| Amortisation of intangible assets and drydocking | **15 600** | 23 428 | | |
| Non-cash financial instruments and foreign exchange (gains)/losses | **2 744** | 81 445 | **–** | (832) |
| Ship option write-up | **–** | (3 443) | | |
| Fair value adjustment on financial services instruments | **(48 875)** | – | | |
| Non-cash provisions/other | **(21 683)** | (14 845) | **561** | 22 518 |
| Operating profit before working capital changes | **890 190** | 1 069 342 | **(13 697)** | 4 340 |
| Working capital changes | | | | |
| Decrease/(increase) in inventories | **58 585** | (202 164) | | |
| (Increase)/decrease in trade and other receivables | **(135 084)** | (1 551 137) | **(5)** | 221 |
| Increase/(decrease) in trade and other payables | **608 964** | 488 924 | **2 861** | (147) |
| Cash generated from/(absorbed by) operations | **1 422 655** | (195 035) | **(10 841)** | 4 414 |
| **37.2 Dividends paid** | | | | |
| Dividends paid by company | **(238 182)** | (259 552) | **(232 773)** | (262 042) |
| **37.3 Taxation paid** | | | | |
| Balance at the beginning of the year | **(30 048)** | (4 320) | **(2 540)** | (1 681) |
| Current year | **(167 482)** | (87 946) | **2 355** | (22 918) |
| Foreign exchange translation | **19 821** | 10 966 | | |
| Transferred to non-current assets held for sale (note 18) | **934** | (11 752) | | |
| Balance at the end of the year | **74 790** | 30 048 | **(189)** | 2 540 |
| Taxation paid | **(101 985)** | (63 004) | **(374)** | (22 059) |
| **37.4 Property, plant and equipment acquired** | | | | |
| Additions – ships and locomotives | **(242 372)** | (842 831) | | |
| Additions – property, terminals, vehicles and equipment | **(388 326)** | (296 837) | | |
| Cash flow on acquisition of property, terminals, vehicles and equipment | **(630 698)** | (1 139 668) | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | Group 2011 R000 | Company 2012 R000 | Company 2011 R000 |
|---|---|---|---|---|
| **37. CASH FLOW** continued | | | | |
| **37.5 Acquisition of businesses** | | | | |
| During the year the group acquired additional interests in subsidiaries as follows: | | | | |
| Ships, property, terminals, vehicles and equipment | **(54 707)** | (22 838) | | |
| Investments | **(465 348)** | – | **(838 643)** | (496 806) |
| Working capital | **74 928** | 28 923 | | |
| Bank | **(158 954)** | 2 164 | | |
| Long-term liabilities | **27 431** | 14 976 | | |
| Provision | **15 392** | 2 233 | | |
| Non-controlling interest | **8 037** | (26 277) | | |
| Deferred taxation | **5 260** | (1 957) | | |
| Taxation asset | **(1 687)** | – | | |
| Business combination reserve | **–** | (17 235) | | |
| Goodwill and intangible assets | **(170 280)** | (1 482) | | |
| Total purchase price | **(719 928)** | (21 493) | **(838 643)** | (496 806) |
| Less cash and cash equivalents | **158 954** | (2 164) | | |
| Cash flow on acquisition net of cash acquired | **(560 974)** | (23 657) | **(838 643)** | (496 806) |
| **37.6 Disposal of businesses** | | | | |
| The group disposed of its interests in subsidiaries as follows: | | | | |
| Ships, property, terminals, vehicles and equipment | **5 975** | 6 507 | | |
| Investments | **(60 449)** | – | | |
| Working capital | **(197 156)** | 4 843 | | |
| Bank and cash | **199 223** | 10 157 | | |
| Holding company loan and interdivisional loan | **48 456** | – | | |
| Short-term borrowings | **(1 476)** | – | | |
| Deferred taxation | **3 666** | 5 796 | | |
| Non-controlling interest | **(8 037)** | – | | |
| Goodwill and intangible assets | **13 388** | 1 717 | | |
| Non-current assets disposed | **622 460** | – | | |
| | **626 050** | 29 020 | | |
| Profit on disposal | **39 193** | 22 730 | | |
| Total purchase price | **665 243** | 51 750 | **–** | – |
| Less cash and cash equivalents | **(199 223)** | (10 157) | | |
| Cash flow on disposal net of cash disposed of | **466 020** | 41 593 | **–** | – |
| **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: | | | | |
| | **4 226 367** | 2 979 172 | **1 975** | 4 037 |
| Deposits with the SA Reserve Bank | **90 090** | 51 768 | | |
| Interbank call deposits | **2 146 235** | 773 323 | | |
| Bank balances and cash | **1 990 042** | 2 154 081 | **1 975** | 4 037 |
| Bank and cash balances included in non-current assets held for sale (note 18) | **26 684** | (41 728) | | |
| Bank overdrafts | **(2 801)** | (36 394) | | |
| | **4 250 250** | 2 901 050 | **1 975** | 4 037 |
| 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 | **2 278 215** | 880 763 | | |

## 38. BUSINESS COMBINATIONS

### 38.1 Acquisition of subsidiaries, joint ventures and associates

During the year the group acquired the following additional interests:

| Company acquired | Nature of business | Percentage acquired | Interest acquired 2012 | Purchase consideration R000 |
|---|---|---|---|---|
| Ocean Africa Container Lines (Pty) Ltd | Seafreight | 51,0 | 1 January | – |
| Petrologistics Botswana (Pty) Ltd | Logistics | 75,5 | 1 June | 28 891 |
| JFM Sturrock Holdings (Pty) Ltd | Ships agencies | 50,0 | 1 November | – |
| Grey Haven Riches 27 Limited (Plexus) | Financial | 95,1 | 31 July | 50 414 |
| Vitol Coal South Africa BV | Trading | 35,0 | 1 January | 156 643 |
| New Limpopo Bridge Projects Limited | Rail | 46,4 | 1 July | 388 478 |
| Russelstone Protein (Pty) Ltd | Soybean crushing | 30,0 | 1 September | 29 060 |
| Total purchase consideration | | | | **653 486** |

**Reasons for acquisitions**

The primary reasons for the business acquisitions were to acquire outstanding non-controlling interests to consolidate Grindrod's position and to expand Grindrod's presence into new markets and geographical areas.

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

| **Net assets acquired** | **Acquirees' carrying amount before combination R000** |
|---|---|
| Property, plant and equipment | **54 707** |
| Interest in associate companies | **208 899** |
| Interest in joint venture companies | **156 643** |
| Investments | **4 304** |
| Taxation | **1 687** |
| Working capital | **(90 320)** |
| Cash and bank | **158 954** |
| Non-controlling interest | **(8 037)** |
| Long-term liabilities | **(27 431)** |
| Deferred taxation | **(5 260)** |
| Total | **454 146** |
| Goodwill and intangible assets arising on acquisition | **170 280** |
| Purchase consideration relating to associate | **29 060** |
| | **653 486** |

The goodwill arising on the acquisition of these businesses is attributable to the anticipated profitability of these businesses and synergies expected.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**38. BUSINESS COMBINATIONS** continued

**38.2 Disposal of subsidiaries, joint ventures and associates**

During the year the group disposed of the following interests:

| **Company disposed** | Nature of business | Percentage disposed | Interest disposed 2012 | Disposal consideration R000 |
|---|---|---|---|---|
| Terminal De Carvo da Matola Limitada (Mozambique) | Terminals | 35,00 | 1 January | 444 379 |
| Röhlig-Grindrod (Pty) Ltd | Clearing and forwarding | 7,50 | 1 June | – |
| Grindrod Ships Agencies (Pty) Ltd | Ships agencies | 50,00 | 1 November | – |
| Grindrod Ships Agencies (Mozambique) Limitada | Ships agencies | 50,00 | 1 November | – |
| Sinpor Trading (Pty) Ltd | Steel trading | 100,00 | 9 November | 456 |
| Cockett Holdings Limited | Marine fuel and lubricants | 50,00 | 30 June | 16 045 |
| Grindrod Trading and Bunkering Netherlands BV (Bunker Trading) | Bunker trading | 50,00 | 30 June | 11 298 |
| Equus Investments Limited | Marine fuel and lubricants | 50,00 | 30 June | 132 608 |
| Cockett Marine Oil Asia, a division of Grindrod Trading Asia Pte Ltd | Marine fuel and lubricants | 50,00 | 30 June | 50 319 |
| Cockett Marine South Africa (Pty) Ltd | Marine fuel and lubricants | 50,00 | 30 June | 673 |
| Total disposal consideration | | | | 655 778 |

**Reasons for disposals**

The primary reasons for the disposals were to rationalise operations in terms of the group's long-term goals.

| | **2012 R000** |
|---|---|
| Property, plant and equipment | **5 975** |
| Intangible assets | **13 388** |
| Interest in associate companies | **28 862** |
| Investments | **(98 775)** |
| Working capital | **(148 701)** |
| Cash and bank | **199 223** |
| Non-controlling interest | **(8 037)** |
| Short-term liabilities | **(1 476)** |
| Deferred taxation | **3 666** |
| Non-current assets disposed | **622 460** |
| Total | **616 585** |
| Profit on disposal | **39 193** |
| | **655 778** |

## 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 | | | |
|---|---|---|---|---|
| | Influence holders in the group R000 | Associates R000 | Joint ventures R000 | Amounts due by/(to) related party R000 |
| **2012** | | | | |
| **Goods and services sold to:** | | | | |
| Amanita Africa Limited | | | 611 | 6 914 |
| Calulo Investments (Pty) Ltd | | (789) | | 789 |
| Chromtech Holdings (Pty) Ltd | | | (719) | |
| Chronmin (Pty) Ltd | | | (695) | 391 |
| Crocodile Chrome (Pty) Ltd | | | (1 139) | (13) |
| Grindrod Ships Agencies Limitada | | | (161) | 68 |
| Island Bulk Carriers Pte Ltd | | | (1 480) | |
| King & Sons (Pty) Ltd | | | (774) | 42 |
| Oreport (Pty) Ltd | | | (624) | (1) |
| OTGC Holdings (Pty) Ltd | | | | 10 492 |
| Petrochemical Shipping Limited | | | (789) | |
| Progroup Holdings (Private) Limited | | | (110 137) | 45 478 |
| Röhlig-Grindrod (Pty) Ltd | | | (7 252) | 6 716 |
| RRL Grindrod (Pty) Ltd | | | (1 886) | 59 975 |
| RRL Grindrod Locomotives (Pty) Ltd | | | (4 084) | 59 952 |
| Russelstone Proteins (Pty) Ltd | | (26) | | 32 |
| Terminal De Carvo da Matola Limitada | | | (3 400) | 1 085 |
| Tri-View Shipping Pte Ltd | | | | 39 695 |
| Umngani Trading (Pty) Ltd | | | (681) | 52 |
| | – | (815) | (133 210) | 231 667 |
| **Goods and services purchased from:** | | | | |
| Barberry Group CC | | | 3 857 | 539 |
| Bay Stevedores, division of Grindrod (South Africa) (Pty) Ltd | | 4 | | 3 |
| Bow Properties | 2 139 | | | |
| Cockett Marine Oil Pte Ltd | | | 8 705 | 8 480 |
| Cockett Marine South Africa (Pty) Ltd | | | 25 726 | (4 810) |
| Corr-Line Steel & Roof (Pty) Ltd | | | 1 788 | 12 187 |
| Erundu Stevedoring (Pty) Ltd | | | | (98) |
| Grindrod (Mozambique) Limitada | | 16 | | |
| Grindrod Trading and Bunkering | | | 45 077 | |
| IM Shipping (Pte) Ltd | | | 67 749 | 129 998 |
| Island Bulk Carriers Pte Ltd | | | | (8 064) |
| ISS-Voigt Shipping (Pty) Ltd | | | 754 | 47 |
| Jacobs Bulk Milling (Pty) Ltd | | | 160 | |
| Kapele Freight & Logistics (Pty) Ltd | | | 3 950 | 1 567 |
| King & Sons (Pty) Ltd | | | 4 220 | (2 362) |
| Leopard Tankers Pte Ltd | | | 227 328 | |
| Mitchell Cotts Maritime, division of Grindrod Ships Agencies (Pty) Ltd | | | 5 295 | 48 |
| Maputo Port Development Company | | 99 987 | | (6 860) |
| Petrochemical Shipping Limited | | | 2 547 | (1 722) |
| Röhlig-Grindrod (Pty) Ltd | | | 41 048 | 6 169 |
| Spinnaker Shipping & Logistics (Pty) Ltd | | 8 | | |
| Tri-View Shipping Pte Ltd | | | 48 284 | |
| Unicorn Calulo Shipping Services (Pty) Ltd | | | 2 759 | (5 748) |
| Vanguard Rigging (Pty) Ltd | | | 500 | 72 |
| Vitol Coal South Africa BV Inc | | | 91 732 | 2 304 |
| Voigt Shipping, division of Ships Agencies | | | 21 | (1 457) |
| | 2 139 | 100 015 | 581 500 | 130 293 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Group | | | |
|---|---|---|---|---|
| | Influence holders in the group R000 | Associates R000 | Joint ventures R000 | Amounts due by/(to) related party R000 |
| **39. RELATED PARTY TRANSACTIONS** continued | | | | |
| **2011** | | | | |
| **Goods and services sold to:** | | | | |
| Javelin Trucking | 715 | | | (63) |
| Mama Consulting | 425 | | | |
| Ocean Africa Container Lines (Pty) Ltd | | 18 596 | | 1 263 |
| Petrochemical Shipping Limited | | | 2 181 | |
| Röhlig-Grindrod (Pty) Ltd | | | 1 127 | |
| Vanguard Rigging (Pty) Ltd | | | | 1 060 |
| Island Bulk Carriers | | | 1 745 | (7 648) |
| Bow Properties | 1 477 | | | |
| Progroup Holdings | | | 95 731 | 43 486 |
| Amanita Africa | | | 11 109 | 219 |
| Calulo Investment (Pty) Ltd | 220 | | | |
| Arrow bulk | | | | 162 |
| RRL Grindrod Locomotives (Pty) Ltd | | | | 31 340 |
| Maputo Port Development Company | | 15 687 | | (79) |
| | 2 837 | 34 283 | 111 893 | 69 740 |
| **Goods and services purchased from:** | | | | |
| Tri-View Shipping Pte Ltd | | | 44 391 | 42 796 |
| Boltim Property Holdings | 2 086 | | | |
| Petrologistics (Pty) Ltd | | 27 268 | | 16 769 |
| Ocean Africa Container Lines (Pty) Ltd | | 1 974 | | |
| Röhlig-Grindrod (Pty) Ltd | | | 4 841 | |
| Petrochemical Shipping Limited | | | 4 084 | (601) |
| East Coast Maritime (Pty) Ltd | | | 240 | 46 |
| Vanguard Rigging (Pty) Ltd | | | 316 | |
| Calulo Services (Pty) Ltd | | | | (5 566) |
| Handyventure (Singapore) Pte Ltd | | | | (16 220) |
| IM Shipping Pte Ltd | | | 7 241 | 122 299 |
| Oiltanking Grindrod Calulo (Pty) Ltd | | 2 651 | | |
| Jacobs Bulk Milling | | 54 | | |
| | 2 086 | 31 947 | 61 113 | 159 523 |

| | Company | | | |
|---|---|---|---|---|
| | Dividends received R000 | Other revenue received R000 | Guarantee fees and other expenses paid R000 | Amounts due by/(to) related party R000 |
| **39. RELATED PARTY TRANSACTIONS** continued | | | | |
| **2012** | | | | |
| **Subsidiaries** | | | | |
| Grindrod Freight Services (Pty) Ltd | **107 338** | **1 933** | | **726 084** |
| Grindrod Financial Holdings Limited | **43 677** | **3 387** | | |
| Grindrod Freight Investments (Pty) Ltd | **53 073** | | | **(4 070)** |
| Grindrod Management Services (Pty) Ltd | | | **(3 523)** | **1 225 946** |
| Grindrod Shipping Limited | | | **(22 378)** | **(5 912)** |
| Grindrod Shipping South Africa (Pty) Ltd | | **27** | | |
| Grindrod Trading Holdings (Pty) Ltd | **286 237** | | | **(50 707)** |
| Swallow Enterprises Incorporated | | | | **4 576** |
| Unicorn Shipping (Pty) Ltd | | | | **21** |
| Grincor Shipping Holdings Limited | | | | **(168 926)** |
| | **490 325** | **5 347** | **(25 901)** | **1 727 012** |
| **2011** | | | | |
| **Subsidiaries** | | | | |
| Grindrod Freight Services (Pty) Ltd | 60 521 | 2 784 | | 937 130 |
| Grindrod Financial Holdings Limited | 13 746 | 1 625 | | 8 873 |
| Grindrod Freight Investments (Pty) Ltd | 4 033 | | | (5 364) |
| Grindrod Management Services (Pty) Ltd | | | (9 243) | 1 529 764 |
| Grindrod Shipping Limited | 705 683 | 17 660 | (27 195) | (9 721) |
| Grindrod Shipping South Africa (Pty) Ltd | | 1 295 | | 15 899 |
| Grindrod Trading Holdings (Pty) Ltd | 52 167 | 3 891 | | (48 374) |
| Swallow Enterprises Incorporated | | | | 4 405 |
| Unilog (Pty) Ltd | | | | 21 |
| Grincor Shipping Holdings Limited | | | | (113 325) |
| | 836 150 | 27 255 | (36 438) | 2 319 308 |

**Associates**

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

**Joint ventures**

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

**Subsidiaries**

Details of investments in subsidiaries are set out in note 5 and in the schedule of interests in subsidiaries on page 78.

**Directors**

Details of directors' interests in the company and directors' emoluments are set out in the remuneration report on page 84 to page 92 of the integrated annual report.

**Shareholders**

The principal shareholders of the company are detailed in the share analysis schedule on page 122 to page 123 of the integrated annual report.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 Trading division. Main risk exposures are yellow maize, corn, white maize, soya bean meal, wheat, bunker fuel, iron ore and chrome.

**Treasury function**

The treasury function incorporates the following main sections:

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

**Treasury 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, Trading treasurer and the group treasury accountant. 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 financial director together with the divisional executives are responsible for the ultimate approval of day-to-day treasury activities, and reporting on treasury matters.

**Executive committee**

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

**Board of directors**

The board of directors is the highest approval authority for all treasury matters. A formal treasury review performed by the treasury department is tabled 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. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### 40.1 Foreign currency risk

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

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

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

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 cover forward 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.

| | Group | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| **Foreign currency balances** | **US$000** | **R000** | US$000 | R000 |
| The uncovered foreign currency denominated balances at 31 December were as follows: | | | | |
| Loans | **(170 830)** | **(1 448 639)** | (361 279) | (2 929 974) |
| Trade and other receivables | **202 930** | **1 720 850** | 518 211 | 4 202 692 |
| Trade and other payables | **(48 385)** | **(410 301)** | (268 662) | (2 178 849) |
| Bank balances | **163 689** | **1 388 080** | 150 489 | 1 220 462 |
| | **147 404** | **1 249 990** | 38 759 | 314 331 |

**Sensitivity analysis**

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

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **R000** | R000 |
| Net exposure | | |
| +10% | **(29 663)** | 68 738 |
| -10% | **29 663** | (68 738) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**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 | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Net exposure | | |
| +10% | **(25 040)** | 34 491 |
| -10% | **25 040** | (34 491) |

**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:

| | Group | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Loans linked to LIBOR | **1 706 877** | 1 979 082 |
| Loans linked to SA money market | **–** | 919 167 |
| Loans linked to SA prime rate | **753 701** | – |
| Loans linked to JIBAR | **983 839** | – |
| Short-term borrowings linked to LIBOR | **549 986** | 1 494 901 |
| Short-term borrowings linked to SA money market | **–** | 352 546 |
| Short-term borrowings linked to SA prime rate | **1 028 856** | – |
| Loans with a fixed interest rate | **–** | 103 808 |
| | **5 023 259** | 4 849 504 |

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 79.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2012; local rates are between 5% and 20% (2011: 6,3% and 9%); foreign rates are between 0% and 10% (2011: 0% and 10%). At December 2012 and 2011 all of the group's non-current borrowings were at floating rates of interest. 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 | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Net exposure | | |
| +50 bps (2011: +150 bps) | **24 773** | (36 048) |
| -50 bps (2011: -150 bps) | **(24 773)** | 36 048 |

**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.

Traditional gap analysis is used to measure interest rate exposure. The company 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.

| **Interest rate repricing gap** | <3 months | >3 months <6 months | >6 months <1 year | >1 year <5 years | >5 years | Non-rate sensitive | Total |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| Assets | **5 259 170** | **–** | **–** | **122 594** | **66 269** | **540 873** | **5 988 906** |
| Equity and liabilities | **(4 336 650)** | **(400 601)** | **(48 244)** | **(598 500)** | **–** | **(604 911)** | **(5 988 906)** |
| Interest rate hedging activities | **187 074** | **–** | **–** | **(121 710)** | **(65 364)** | **–** | **–** |
| Repricing profile | **1 109 594** | **(400 601)** | **(48 244)** | **(597 616)** | **905** | **(64 038)** | **–** |
| Cumulative repricing profile | **1 109 594** | **708 993** | **660 750** | **63 133** | **64 039** | | |
| Expressed as a percentage of total assets of the financial institution (%) | **18,5** | **11,8** | **11,0** | **1,1** | **1,1** | | |
| **2011** | | | | | | | |
| Assets | 3 101 388 | – | – | 96 471 | 80 684 | 178 575 | 3 457 118 |
| Equity and liabilities | (2 900 955) | (39 729) | (11 337) | (28 346) | – | (476 751) | (3 457 118) |
| Interest rate hedging activities | 175 652 | – | – | (95 726) | (79 926) | – | – |
| Repricing profile | 376 085 | (39 729) | (11 337) | (27 601) | 758 | (298 176) | – |
| Cumulative repricing profile | 376 085 | 336 356 | 325 019 | 297 418 | 298 176 | | |
| Expressed as a percentage of total assets of the financial institution (%) | 10,9 | 9,7 | 9,4 | 8,6 | 8,6 | | |

| **Interest income sensitivity** | <3 months | >3 months <6 months | >6 months <1 year | Total |
|---|---|---|---|---|
| **2012** | | | | |
| 2% interest rate increase | **3 260** | **4 218** | **9 769** | **17 247** |
| 2% interest rate decrease | **(3 230)** | **(4 149)** | **(9 456)** | **(16 835)** |
| **2011** | | | | |
| 2% interest rate increase | 2 647 | 3 155 | 6 955 | 12 757 |
| 2% interest rate decrease | (2 633) | (3 114) | (6 754) | (12 501) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**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** | | **Trading** | | **Group** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of debtors | R000 | Number of debtors | R000 | Number of debtors | R000 | Number of debtors | R000 | Number of debtors | R000 |
| **2012** | | | | | | | | | | |
| Trade debtors | **107** | **201 779** | **1 395** | **428 749** | **180** | **602 227** | **45** | **40 029** | **1 727** | **1 272 784** |
| **2011** | | | | | | | | | | |
| Trade debtors | 247 | 235 709 | 1 508 | 472 884 | 1 004 | 2 088 955 | 1 | 166 | 2 760 | 2 797 714 |

**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 are 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.

*Loans and advances*

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.

*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** | |
|---|---|---|
| | **2012 R000** | 2011 R000 |
| Carrying amount of financial assets past due or impaired and whose terms have been renegotiated | **–** | 3 003 |
| Carrying amount of financial assets impaired during the year | **26 200** | 22 456 |
| Maximum credit risk exposure to the group is: | | |
| Other investments | **322 997** | 129 478 |
| Loans and advances | **3 188 454** | 2 542 048 |
| Trade and other receivables before allowance for doubtful debts | **3 421 214** | 5 140 168 |
| Liquid assets and short-term negotiable securities | **626 378** | 190 259 |
| Short-term loan | **518 819** | 303 513 |
| Cash and cash equivalents | **4 226 367** | 2 979 172 |
| | **12 304 229** | 11 284 638 |
| Analysis of the ageing of financial assets which are past due but have not been impaired: | | |
| Current | **45 524** | 51 193 |
| 30 days | **212 957** | 118 702 |
| 60 days | **152 073** | 18 827 |
| 90 days | **121 932** | 23 484 |
| 120+ days | **161 133** | 39 895 |
| Total | **693 619** | 252 101 |

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

## 40. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### 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 articles of association of the company or its subsidiaries.

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

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

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

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

**Group liquidity analysis**

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

| | <3 months | >3 months <6 months | >6 months <1 year | >1 year <5 years | >5 years | Non-contractual | Total |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Liabilities** | | | | | | | |
| Provisions | **–** | **–** | **–** | **32 662** | **–** | **–** | **32 662** |
| Trade and other payables | **1 242 335** | **30 345** | **211 816** | **–** | **–** | **41 961** | **1 526 457** |
| Post-retirement medical aid | **20 604** | **–** | **–** | **5 827** | **22 995** | **–** | **49 426** |
| Financial liabilities | **1 003** | **–** | **104 816** | **17 661** | **7 286** | **–** | **130 766** |
| Deposits | **4 201 528** | **384 929** | **74 889** | **–** | **–** | **–** | **4 661 346** |
| | **5 465 470** | **415 274** | **391 521** | **56 150** | **30 281** | **41 961** | **6 400 657** |
| **2011** | | | | | | | |
| **Liabilities** | | | | | | | |
| Provisions | – | – | – | 14 481 | – | – | 14 481 |
| Trade and other payables | 2 881 111 | 54 854 | 29 080 | 32 271 | – | 17 635 | 3 014 951 |
| Post-retirement medical aid | 44 | 30 | 955 | 40 640 | 11 980 | – | 53 649 |
| Financial liabilities | 74 251 | 1 038 | 560 | 10 052 | 7 971 | – | 93 872 |
| Deposits | 2 713 697 | 2 791 | 149 854 | 44 603 | – | – | 2 910 945 |
| | 5 669 103 | 58 713 | 180 449 | 142 047 | 19 951 | 17 635 | 6 087 898 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

**40. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES** continued

**40.7 Liquidity risk** continued

**Bank liquidity analysis**

| | <3 months | >3 months <6 months | >6 months <1 year | >1 year <5 years | >5 years | Non-contractual | Total |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| **Liabilities** | | | | | | | |
| Financial liabilities | **1 003** | **–** | **–** | **13 808** | **7 286** | **–** | **22 097** |
| Deposits | **4 201 528** | **384 929** | **74 889** | **–** | **–** | **–** | **4 661 346** |
| | **4 202 531** | **384 929** | **74 889** | **13 808** | **7 286** | **–** | **4 683 443** |
| **2011** | | | | | | | |
| **Liabilities** | | | | | | | |
| Financial liabilities | 959 | – | 206 | 10 052 | 7 971 | – | 19 188 |
| Deposits | 2 713 697 | 2 791 | 149 854 | 44 603 | – | – | 2 910 945 |
| | 2 714 656 | 2 791 | 150 060 | 54 655 | 7 971 | – | 2 930 133 |

The holding company has guaranteed a facility of R863 000 000 (2011: R341 000 000) to the Bank as additional liquidity.

**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 2012 was 13,32% (2011: 12,73%). The Bank will raise additional capital as and when capital is required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

**40.9 Capital risk management**

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from 2011.

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 2012 R000 | Group 2011 R000 |
|---|---|---|---|
| Debt | | **5 023 256** | 4 374 278 |
| Deposits from bank customers | | **4 661 346** | 2 910 945 |
| Cash and cash equivalents (excluding the Bank) | | **(4 226 367)** | (2 979 172) |
| Recoverables on cancelled ships | | **(379 050)** | (380 566) |
| Loans and advances to bank customers | | **(3 188 454)** | (2 542 048) |
| Liquid assets and short-term negotiable securities | | **(626 378)** | (190 259) |
| Short-term loan | | **(518 819)** | (303 513) |
| Net (cash)/debt | | **745 534** | 889 665 |
| Equity (including minority interest) | | **10 240 889** | 9 311 105 |
| Net debt to equity ratio | (%) | **7** | 10 |

**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 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2012** | | | | |
| **Financial assets** | | | | |
| Derivative financial assets | **67 129** | **28 615** | **25 029** | **120 773** |
| Other financial assets held for trading | **–** | **–** | **–** | **–** |
| Financial assets designated at fair value through profit or loss | **–** | **–** | **–** | **–** |
| Total | **67 129** | **28 615** | **25 029** | **120 773** |
| **Financial liabilities** | | | | |
| Derivative financial instruments | **(57 809)** | **(75 519)** | **–** | **(133 328)** |
| Other financial liabilities held for trading | **–** | **–** | **–** | **–** |
| Financial liabilities designated at fair value through profit or loss | **–** | **–** | **–** | **–** |
| Total | **(57 809)** | **(75 519)** | **–** | **(133 328)** |
| **2011** | | | | |
| **Financial assets** | | | | |
| Derivative financial assets | 90 610 | 3 018 | – | 93 628 |
| Other financial assets held for trading | – | – | – | – |
| Financial assets designated at fair value through profit or loss | – | – | – | – |
| Total | 90 610 | 3 018 | – | 93 628 |
| **Financial liabilities** | | | | |
| Derivative financial instruments | (100 615) | (3 695) | – | (104 310) |
| Other financial liabilities held for trading | – | – | – | – |
| Financial liabilities designated at fair value through profit or loss | – | – | – | – |
| Total | (100 615) | (3 695) | – | (104 310) |

| **Reconciliation of Level 3 fair value measurements of financial assets** | Level 3 | Total |
|---|---|---|
| **2012** | | |
| Opening balance | **–** | **–** |
| Reclassification | **33 118** | **33 118** |
| Addition | **16 911** | **16 911** |
| Total (losses)/gains – in other comprehensive income | **(25 000)** | **(25 000)** |
| Closing balance | **25 029** | **25 029** |

The Level 3 financial asset was reclassified from non-current asset held for sale in 2011 to other investments in 2012.

# INTERESTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER 2012

At 31 December 2012, 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.

| | Nature of business* | Share capital 2012 R000 | Share capital 2011 R000 | Effective holding 2012 % | Effective holding 2011 % | Investment shares at original cost 2012 R000 | Investment shares at original cost 2011 R000 | Share-based payments to employees 2012 R000 | Share-based payments to employees 2011 R000 | Loans to subsidiary 2012 R000 | Loans to subsidiary 2011 R000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Incorporated in South Africa** | | | | | | | | | | | |
| Grindrod Freight Investments (Pty) Ltd | F | **1 495** | 1 495 | **100** | 100 | **203 500** | 203 500 | **610** | 575 | | |
| Grindrod Management Services (Pty) Ltd | G | | | **100** | 100 | | | **3 585** | 3 445 | **1 225 946** | – |
| Grincor Shipping Holdings Limited | D | **53** | 53 | **100** | 100 | **144 451** | 144 451 | | | **21** | 21 |
| Grindrod Shipping South Africa (Pty) Ltd | S | **5** | 5 | **100** | 100 | **76 108** | 5 000 | **1 090** | 1 020 | | |
| Voigt Shipping (Pty) Ltd | F | **–** | 10 000 | **–** | 100 | | | | | | |
| Seasure Insurance Brokers (Pty) Ltd | D | **1** | 1 | **100** | 100 | | | | | | |
| Southern Tankers Operations (Pty) Ltd | F | | | **100** | 100 | | | | | | |
| Unicorn Shipping Holdings Limited | D | **15 020** | 1 500 | **100** | 100 | | | | | **–** | 72 |
| Unicorn Shipping Operations (Pty) Ltd | D | | | **100** | 100 | | | | | | |
| Southern Tankers (Pty) Ltd | S | **1** | 1 | **100** | 100 | | | | | | |
| Grindrod Financial Holdings Limited | B | **1 922** | – | **87** | 87 | **489 004** | 471 097 | | | | |
| Grey Haven Riches 27 Limited | B | | | **–** | 100 | | | | | | |
| Grindrod Trading Holdings (Pty) Ltd | T | | | **100** | 100 | **733 449** | 703 574 | | | | |
| Grindrod Freight Services (Pty) Ltd | F | **1** | 1 | **100** | 100 | **2 210 654** | 1 893 244 | **10 753** | 10 717 | **726 084** | 754 891 |
| Nelesco 681 (Pty) Ltd | B | | | **100** | 100 | **20 593** | 854 | | | | |
| **Incorporated in British Virgin Islands** | | | | | | | | | | | |
| Swallow Enterprises Incorporated | G | **415** | 415 | **100** | 100 | **415** | 415 | | | **4 576** | 4 803 |
| **Incorporated in Isle of Man** | | | | | | | | | | | |
| Grindrod Shipping Limited | S | | | **100** | 100 | **1 653 888** | 1 271 285 | **911** | 911 | | |
| **Interest in subsidiaries (note 6)** | | | | | | **5 532 062** | 4 693 420 | **16 949** | 16 668 | **1 956 627** | 759 787 |

* *Nature of business*

| | | | |
|---|---|---|---|
| B | *Bank* | G | *Group Services* |
| D | *Dormant* | S | *Shipping Services* |
| F | *Freight and Property Services* | T | *Trading* |

# VALUE ADDED STATEMENT

YEAR ENDED 31 DECEMBER 2012

| | Group 2012 R000 | % | 2011 R000 | % |
|---|---|---|---|---|
| Revenue | **27 262 223** | | 35 885 258 | |
| Net cost of services | **(24 439 986)** | | (33 333 424) | |
| Value added by operations | **2 822 237** | | 2 551 834 | |
| Non-trading items | **199 689** | | 60 152 | |
| **Total value added** | **3 021 926** | | 2 611 986 | |
| Applied as follows: | | | | |
| Employees' remuneration and service benefits | **1 270 638** | **42,0** | 1 230 134 | 47,1 |
| Taxation on income | **143 600** | **4,8** | 162 779 | 6,2 |
| Providers of share capital | **57 297** | **1,9** | 53 271 | 2,0 |
| Providers of loan capital | **227 398** | **7,5** | 218 647 | 8,4 |
| Reinvested in the business | | | | |
| Depreciation and amortisation | **412 430** | **13,6** | 362 979 | 13,9 |
| Retained income | **910 563** | **30,1** | 584 176 | 22,4 |
| **Total** | **3 021 926** | **100** | 2 611 986 | 100 |

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

AS AT 31 DECEMBER 2012

| Secured | Date of redemption | Current rate of interest per annum (%) | December 2012 Carrying value R000 | December 2012 Carrying value US$000 | December 2011 Carrying value R000 | December 2011 Carrying value US$000 |
|---|---|---|---|---|---|---|
| **Foreign currency funding** | | | | | | |
| *Financial liabilities measured at amortised cost* | | | | | | |
| Loans secured by mortgage bonds over ships | 6/2014 – 12/2018 | 1,31 – 3,66 | **1 668 385** | **196 744** | 1 783 842 | 219 981 |
| Loans secured by guarantee | 6/2013 – 11/2018 | 2,46 – 3,63 | **38 489** | **4 539** | 325 754 | 24 077 |
| **Local currency funding** | | | | | | |
| *Financial liabilities measured at amortised cost* | | | | | | |
| Loans secured by mortgage bond over property, terminals and locomotives | 1/2013 – 9/2021 | 6,88 – 9,50 | **298 459** | | 348 440 | |
| Capitalised finance leases secured by vehicles and equipment | 1/2013 – 10/2017 | 6,50 – 9,00 | **399 818** | | 386 164 | |
| Loans secured by property | | | **36 199** | | 36 199 | |
| **Aggregate secured long-term borrowings** | | | **2 441 350** | | 2 880 399 | |
| Other loans | 1/2019 | | | | 103 808 | 12 800 |
| Redeemable preference shares | 12/2013 | | | | 17 850 | |
| Transferred to non-current assets held for sale | | | **(4 402)** | | (248 001) | |
| Amount repayable within one year | | | **(408 556)** | | (527 481) | |
| **Net long-term borrowings** | | | **2 028 392** | | 2 226 575 | |
| **Security** | | | | | | |
| Net book values of assets encumbered to secure long-term loans are as follows: | | | **4 071 047** | | 4 191 240 | |
| Ships | | | **3 254 881** | | 3 327 853 | |
| Land and buildings | | | **249 099** | | 203 294 | |
| Equipment, plant and vehicles | | | **567 067** | | 660 093 | |

# FINANCIAL SERVICES FUNDING INSTRUMENTS

AS AT 31 DECEMBER 2012

| **Secured** | Date of redemption | Current rate of interest per annum (%) | **December 2012 Carrying value R000** | December 2011 Carrying value R000 |
|---|---|---|---|---|
| **Local funding** | | | | |
| *Financial liabilities measured at amortised cost* | | | | |
| Loans secured by guarantee | 10/2013 – 2/2015 | * | **298 542** | 130 514 |
| Listed corporate bond secured by guarantee | 10/2015 | 6,88 | **507 346** | |
| **Aggregate secured financial services funding instruments** | | | **805 888** | 130 514 |
| Redeemable preference shares | 7/2015 | 6,38 | **201 578** | |
| **Aggregate financial services funding instruments** | | | **1 007 466** | 130 514 |
| Amount repayable within one year | | | **(193 519)** | (130 514) |
| **Net financial services funding instruments** | | | **813 947** | – |

* *Rates linked to published South African market rates.*