

GRINDROD LIMITED
Annual Financial Statements

2019

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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

The preparation of the consolidated and separate Annual Financial Statements that fairly represent the results of the Group in accordance with the Companies Act, International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and the Financial Reporting Pronouncement (as issued by the Financial Reporting Standards Council) is ultimately the responsibility of the directors.

The Board also ensures an independent audit of the Annual Financial Statements by the external auditors. The Board confirms that the internal accounting control systems have adequate verification and maintenance of accountability for Grindrod's assets, and assure the integrity of the Annual Financial Statements. There was no major breakdown in controls experienced during 2019 that could undermine the reliability of the Annual Financial Statements. Based on the financial performance of the Grindrod Group, its cashflow projection to the end of March 2021, secured funding lines, and positive solvency and liquidity tests, the directors confirm their view that the Grindrod Group will remain operational for the foreseeable future. The Annual Financial Statements were consequently prepared on a going concern basis.

At the Board meeting held on 24 April 2020, the Board of directors approved the Annual Financial Statements and further authorised Mr Mike Hankinson and Mr Andrew Waller in their respective capacities as Chairman and Chief Executive Officer to sign off the Annual Financial Statements. The Annual Financial Statements which appear on pages 19 to 138, are therefore signed on its behalf by:



Mike Hankinson
Chairman



Andrew Waller
Chief Executive Officer

Durban
24 April 2020

Durban
24 April 2020

COMPLIANCE STATEMENT BY THE GROUP COMPANY SECRETARY

for the year ended 31 December 2019

The Group Company Secretary of Grindrod Limited certifies that, in terms of section 88(2) of the Companies Act No. 71 of 2008, as amended, the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2019.



Cathie Lewis
Group Company Secretary

Durban
24 April 2020

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

The consolidated and separate Annual Financial Statements, which appear on pages 19 to 138 have been prepared under the supervision of Xolani Mbambo, CA(SA) and were approved by the Board of directors on 24 April 2020.

Post balance sheet events

Grindrod has established a task team to monitor the impacts on our people and business as a result of COVID-19, and provide guidance and action. Further details on the specific action and impacts of COVID-19 are detailed in the subsequent events, note 39.



Xolani Mbambo CA (SA)
Chief Financial Officer

Durban
24 April 2020

REPORT OF THE AUDIT COMMITTEE

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

Role of the committee

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

The committee is also, subject to Board approval, authorised to investigate any activity within the scope of its Terms of Reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance. The committee has decision-making authority regarding its statutory duties and is accountable to the Board and the Company's shareholders.

Composition and committee meetings

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

The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, directors serving on the committee included Grant Gelinck (reappointed on 28 May 2019 and appointed as chairperson on 26 November 2014), Zola Malinga (reappointed on 28 May 2019, resigned on 1 January 2020) and Raymond Ndlovu (reappointed on 28 May 2019, resigned on 1 January 2020). More details of these directors are given on pages 145 to 147 of the integrated annual report.

Following the resignations of Raymond Ndlovu and Zola Malinga on 1 January 2020, Willem van Wyk and Zimkhitha Zatu were, following due assessment of their competencies, experience and skills required, and subject to their election at the forthcoming AGM, appointed to the committee on 30 January 2020.

The independence of the Audit committee and performance of its members were evaluated by the nomination committee during March 2020. Based on the recommendation of the committee, the Board proposed the election of the members to the shareholders at the forthcoming Annual General Meeting (AGM).

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

Committee members meet at scheduled meetings twice a year and at unscheduled meetings when required to address urgent matters in its scope of responsibility. No unscheduled meetings were held in 2019.

Attendance of committee members at the meetings of the committee during the year is listed on page 149 of the integrated annual report.

Fees paid to the committee members are reflected on page 183 in the remuneration report and the proposed fees for 2020 are detailed on page 230 of the integrated annual report.

Report of the Audit committee continued

The Group Company Secretary serves as secretary to the committee.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2019, the chairman of the committee had two meetings with the internal auditors and two with the external auditors without management being present. During these meetings no material issues were raised.

Key activities

In terms of its mandate, matters considered by the Audit committee based on its annual work plan for 2019 included:

- evaluation of the independence, effectiveness and performance of the internal audit function;
- reviewing and approving the internal audit charter, annual work plan and internal audit fees;
- assessing the suitability, expertise and experience of the CFO and the expertise, experience and resources of the Company's finance function;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial control and fraud risks as related to financial reporting;
- reviewing the Group IT governance report and IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the Risk committee;
- reviewing the cyber security user awareness strategy, the cyber security vulnerability and monitoring plan and the cyber security framework implementation plan;
- nominating the independent external auditor and rotation of the designated audit partner and the approval of their terms of engagement and fees for audit services, for approval by shareholders at the AGM;
- reviewing the extent of non-audit services provided by the independent external auditor and approval of the related fees;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing the internal auditors' limited assurance report;
- legislative and regulatory compliance within the scope of its mandate;
- reviewing implementation of the Company's tax policy;
- reviewing and recommending to the Board publicly disclosed financial information, including the interim results for the six months ended 30 June 2019;
- reviewing the Annual Financial Statements and results for the year ended 31 December 2019 and the 2019 integrated annual report in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the Board of directors;
- reviewing and confirming the going concern status;
- noting a report by external auditors' providing the information as per the JSE Listings Requirements, paragraph 22.15(h);
- noting a briefing document on audit matters prepared by external auditors';
- guiding and monitoring the Company's responses to the JSE's thematic review of the Grindrod's Annual Financial Statements for the year ended 31 December 2018 in relation to IFRS 7, 9 and 15 and that the comments applicable to Grindrod had been addressed in the Annual Financial Statements;
- reviewing the JSE report on the preliminary findings of the thematic review for compliance with IFRS 7, 9 and 15;
- reviewing the JSE report on pro-active monitoring of financial statements in 2018;
- evaluating the performance of the Audit committee; and
- approving its annual work plan for 2020.

The functions of the committee are also performed for the subsidiaries within each division of Grindrod Limited as re-presented in the segmental analysis on pages 25 and 26. The external auditor was nominated for each material subsidiary Company for reappointment.

External audit

Deloitte & Touche served as the Company's registered external auditors for the 2019 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor were appraised by the Audit committee, which includes an annual evaluation. The committee meets with the external auditors twice a year.

In assessing the auditor's independence, the committee considered guidance contained in King IV as well as Independent Regulatory Board for Auditors (IRBA) publications and the related commentary thereon. Deloitte & Touche have been auditors of the Grindrod Group for 16 years and have demonstrated an institutional knowledge, deep expertise and experience of the Group in all the related countries in which the Group operates. The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal independence processes that Deloitte & Touche has maintained, has not been impacted by tenure. The Deloitte & Touche internal independence processes include periodic internal quality reviews, as well as those conducted by IRBA, the rotation of the Group audit partner and key component audit partners at least every five years, independence audits on all partners, established safeguards, procedures and independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management.

The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company. External audit fees approved for the 2019 financial year to Deloitte & Touche amounted to R22.9 million (2018: R19.5 million); US\$408 530 (2018: US\$283 233); SGD18 000 (2018: SGD339 200) and P912 000 (2018: P868 140).

The total non-audit services for the 2019 financial year performed by and paid to Deloitte & Touche amounted to R4.7 million (2018: R3.0 million), of which 80.1% relates to permitted tax services.

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

Significant areas of judgement

Many areas within the financial statements require judgement, which are set out in the accounting policies of the consolidated and separate Annual Financial Statements.

Key audit matters

The following have been identified as significant audit risks and key audit matters by the group's independent external auditor:

- **Control assessment of investment entities (IFRS 10 – consolidated financial statement)**

The Bank manages two Trusts with material assets and obligations and it was determined during the current year control review that these Trusts had erroneously not been consolidated in prior years, despite indicators of control being present. These Trusts are consolidated in the current year Annual Financial Statements and prior years restated.

Report of the Audit committee continued

- **Material property-backed loans**

Included in the Group's "Loans and advances", are two material loans, secured by the borrowers' property holdings. The valuation of the properties securing the interest bearing loans and the related profit share agreements is a key audit matter due to the material amount outstanding, the significant judgements associated with determining the fair value of the security and the considerable length of time since the loans were originally granted.

- **Disclosure of non-current assets held for sale and discontinued operations (NCAHFS)**

The net losses incurred in the current year by the assets held for sale were significant; the disclosure of the assets as discontinued operations is material on the presentation of the financial statements and significant judgement is required in assessing the fair value less cost to sell in terms of IFRS 5.

- **Expected credit loss (ECL)**

Significant judgement is required by management, in assessing the impairment against advances in terms of the requirements of IFRS 9, relating to ECL. A number of significant judgements were applied to determine the impairment.

More detail on these matters are set out in the independent auditors' report available on the Company website.

Consolidated and separate Annual Financial Statements

Following the committee's review of the consolidated and separate Annual Financial Statements for the year ended 31 December 2019, the committee is of the opinion that, in all material respects, these consolidated and separate Annual Financial Statements comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and the JSE Listings Requirements and fairly present the results of operations, cash flows and the financial position of Grindrod. On this basis, the committee recommended that the Board of directors approve the consolidated and separate Annual Financial Statements of Grindrod for the year ended 31 December 2019.

On behalf of the Audit committee



Grant Gelink
Chairman

Durban
24 April 2020

DIRECTORS' REPORT

for the year ended 31 December 2019

The directors have pleasure in presenting the consolidated and separate Annual Financial Statements of Grindrod Limited for the year ended 31 December 2019.

Nature of business

Grindrod is a logistics and financial services company with significant investments in agricultural and marine fuel trading sectors. Its key operations consist of Port and Terminals which provide dry-bulk commodities handling services along key trade corridors in South Africa, Mozambique and Namibia. The Logistics segment operates a container cargo feeder services integrated with landside operations for container handling, ships agency, clearing and forwarding, and rail services. Grindrod Bank provides bespoke bank and related services to its private, corporate and institutional clients particularly in property lending, SMME banking, capital markets and retail banking.

Review of operations

The financial results for the year ended 31 December 2019 and the results of operations are covered in the consolidated and separate statements of financial position, income statements, statements of comprehensive income and segmental analysis on pages 19 to 31.

Control assessments

During the year, and following control assessment of its investments in terms of IFRS 10 Consolidated Financial Statements, Grindrod established that control of the entities outlined on the table below, passed to Grindrod during the year and as a result, is required to account for them as acquisitions in terms of IFRS 3 Business Combinations. Investments in these businesses were previously held as part of Grindrod's private equity book and accounted for at fair value. The initial accounting of these acquisitions has only been provisionally determined at the end of the reporting period.

Company acquired	Nature of business	Percentage acquired	Date acquired	Purchase consideration
Innovative Strategic Investments 1 (Pty) Limited	Corporate branding and signage	49%	01 Jul 2019	-
Loniwiz RF (Pty) Limited	Investment holding	33%	31 Dec 2019	-

Discontinued operations

As part of the business strategy review process, the directors performed a detailed assessment of Grindrod's capabilities against external drivers and customer requirements. This led to the revision of our Group strategy resulting in the continuation of Rail businesses and a decision to dispose of investments in Agricultural and Marine Fuel trading businesses. Notwithstanding offers received, opportunities for the Rail business were more commercially attractive, supporting Grindrod's revised decision to continue with the business.

Share capital

Details of the authorised and issued shares are shown in note 14 on page 71 and the share analysis on pages 140 to 142. The directors propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves be renewed at the forthcoming AGM. The directors propose that a general authority be granted to them to allot and issue ordinary shares up to 5% of the number of ordinary shares in issue and that a general authority be granted to issue shares for cash.

Directors' report continued

Ordinary and preference dividends

The directors declared a final dividend of 14.2 cents per ordinary share (2018: 14.6 cents). Ordinary dividends paid in respect of 2019 are as follows:

Date of declaration (cents)	Last day to trade cum-dividend	Trading ex-dividend commences	Date securities start trading ex-dividend	Record date	Payment date	Amount per share (cents)
Interim	23.08.2019	10.09.2019	11.09.2019	13.09.2019	16.09.2019	5.0
Final	04.03.2020	24.03.2020	25.03.2020	27.03.2020	30.03.2020	14.2

The directors declared a dividend of 445.0 (2018: 446.0) cents per preference share which was paid on 30 March 2020.

Special resolutions

Apart from special resolutions approved at the Company's AGM, no other special resolutions were approved. Special resolutions were passed by certain subsidiaries within the Group to amend their Memorandum of Incorporation and to authorise, as a general approval, the directors of these companies to provide financial assistance in terms of section 45 of the Companies Act No. 71 of 2008, as amended.

Subsidiary companies

Information on subsidiary and associated companies is contained on page 139 and in notes 5 and 6 of the consolidated annual financial statements. The business review of the main operating segments is covered on pages 2 to 4 of the provisional results for the year ended 31 December 2019 published on 3 March 2020.

Directorate

Brief curricula vitae of the current directors are disclosed on pages 145 to 149 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear in note 37 of the consolidated annual financial statements.

Raymond Ndlovu resigned as alternate non-executive director to Pieter Uys on 01 January 2020 following his new role as CEO of CIVH (Pty) Ltd, a Remgro Limited investee. Zola Malinga resigned as non-executive director on 1 January 2020 to focus solely on Grindrod Bank.

Zimkhitha Zatu and Ben Magara were appointed as independent non-executive directors on 30 January 2020. Willem van Wyk was appointed as alternate independent non-executive director to Pieter Uys on 30 January 2020 following Raymond Ndlovu's resignation.

According to the Company's Memorandum of Incorporation, at the forthcoming AGM, Mkhusele Faku and Grant Gelink retire by rotation. All are eligible and have offered themselves for re-election.

The registered office of the Company is as follows:

Business address:
Grindrod Mews,
106 Margaret Mncadi Avenue
Durban, 4001
South Africa

Postal address:
PO Box 1
Durban, 4000
South Africa

Audit committee

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

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the Company are on the share analysis from page 140 to 142.

Auditors

At the forthcoming AGM, pursuant to the requirements of section 90(1), read with section 61(8)(c) of the Companies Act of South Africa, shareholders will be requested to pass an ordinary resolution reappointing Deloitte & Touche as the Company's independent registered auditors and to confirm the appointment of Mark Holme as the designated audit partner.

Subsequent events

Grindrod has established a task team to monitor the impacts of COVID-19 on our people and business, provide guidance, and implement necessary measures. These measures are in accordance with the guidelines provided by the World Health Organisation (WHO) and the National Institute for Communicable Disease (NICD). We are also guided by the pronouncements and recommendations from the President of South Africa and the relevant government departments, particularly health, transport energy and mineral resources and we continue to monitor developments. The health and safety of our employees come first.

Whilst it is currently not possible to quantify the future impact the virus will have on the business due to the fluidity and uncertainty surrounding the situation, there are areas that will be impacted. Should the impact of the virus become material and quantifiable, Grindrod will provide the voluntary guidance to the market through SENS.

At our Port and Terminals, and Logistics businesses, we expect revenue in April to be impacted. The extent of the impact will depend on the duration of the closure of the South African non-essential businesses and Mozambique border for mineral cargoes by rail and road transport. Early indications, however, reveal that the government may allow some dispensation for the mines to continue operating under strict conditions once they have secured the necessary approvals. This may mitigate impact on our Port and Terminals businesses.

Our Container businesses are assisting with essential cargoes and are currently operating well below optimal levels. The non-essential cargoes inbound will be stored for later delivery.

Equally, our Carrier businesses will be impacted. OEMs closed their operations and whilst we continue to store the cars, we have no carriers currently running. Capital spend at the Umlaas Road Autoport project was suspended.

Although fuel is a critical commodity, we expect a decrease in demand following the restrictions placed on the movement of goods and people.

Rail locomotives leased to mines within South Africa have called Force Majeure on certain contracts citing their inability to operate during the lock down period. In Mozambique, locomotives leased to port operations have been impacted with reduced volumes expected in April.

Directors' report continued

Valuations of Grindrod's private equity and property investments are likely to be impacted. There is downward risk on the north-coast property backed lending. Currently the underlying property is already valued conservatively as a sugar farmland property despite having secured the right to rezone it for residential, commercial or mixed use. Independent valuations of the underlying properties held as security for the advances indicate a range of between R1.9 billion and R3.3 billion whereas the total exposure to the Group is under R1.5 billion. Whilst markets remain uncertain on what the total impact of COVID-19 will be on South Africa, expectations are that the property market allows for more stable investment opportunities, particularly with the decrease in interest rates.

Grindrod's investment in the UK property market is also expected to be impacted. However, the UK government's extensive support for the economy and businesses is expected to limit the impact of the virus, and market expectations are that the UK economy will contract in quarter two of 2020 but rebound by late quarter four of 2020 or early 2021. (Source: Oxford Economics)

Bank together with the banking industry are playing a critical role with relief measures in response to the expected increase in customer requests for loan restructures or temporary relief. The accounting and regulatory impacts on provisioning will be clarified in due course.

As the focus of all businesses has shifted to COVID-19 impact and responses, we expect that there may be delays in executing the disposal programme covering the remaining investments in the Marine Fuels trading and Agricultural Logistics. The extent of the delays will only become clearer after the lockdown period and the direction taken by various jurisdictions.

Liquidity is critical during this period to ensure that vital short-term commitments are met. Grindrod is working tirelessly to ensure that cash is conserved and that funds on hand and facilities available to it are deployed in a sensible manner. The balance sheet gearing as reported in December 2019 is low, and the impact of COVID-19 lockdown on debt ratios/ covenants is being assessed with the banks.

Going concern

The directors consider that the Group and Company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis of accounting in preparing the Group and Company's Annual Financial Statements. The directors have satisfied themselves that the Group and Company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements including possible prolonged periods of low revenue due to COVID-19.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Grindrod Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Grindrod Limited (the Group and company) set out on pages 19 to 139 and 143 to 145 which comprise of the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate income statements, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of changes in equity, the statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Grindrod Limited as at 31 December 2019, its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together with the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent auditors' report on the financial statements continued

Key audit matter	How the matter was addressed in the audit
Control Assessment of Investment Entities	
<p>The Group structures many of its business activities using joint ventures, associates, minority shareholdings in private companies and special purpose entities. These entities may be funded by preference shares, term loans, equity or a combination of all of these.</p> <p>IFRS 10: <i>Consolidated Financial Statements</i> (IFRS 10) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>The application IFRS 10, is highly judgemental and is based on a case-by-case analysis of the particular investment structure and how power over returns is practically being applied.</p> <p>The directors made key judgements in their assessment of power, identifying indicators that might exist and whether they cumulatively or individually amounted to power.</p> <p>As disclosed in the <i>"Judgements made by management and key sources of estimation uncertainty"</i> note 40 of the consolidated financial statements, the directors have determined that their protective rights often become substantive in nature when a borrower is in arrears, and the Group has intervened, thus triggering consolidation. This did occur during the year and the IFRS 3: <i>Business Combinations</i> note 33 discloses the effects of this being implemented in respect of two investments.</p> <p>The Bank manages two Trusts with material assets and obligations, and it was determined that control existed in the current and prior years. The Trusts were erroneously not consolidated in prior years. The effect of correcting this prior period error has been disclosed in note 2 of the financial statements.</p> <p>Our audit of the directors' control assessment process including assessing the judgements made on a case-by-case basis, re-presented an area of significant audit effort and is thus regarded as a key audit matter.</p>	<p>We reviewed and assessed the directors' prepared accounting position papers on control assessments of key investment entities throughout the Group.</p> <p>The indicators of control, which of those were relevant and present in the circumstances of each business model and the judgements applied by the directors, were carefully considered with the involvement of our internal subject matter experts, accounting technical specialists and in some cases external experts.</p> <p>Lending agreements, Trust deeds and Memoranda of Incorporation were obtained and reviewed by our internal subject matter experts to understand who legally and practically controlled the entities based on the individual facts outlined in these documents.</p> <p>The directors were interviewed to understand how, practically, default events were managed, and an assessment was made of whether directors were acting as a funder or an owner or, in certain cases, an agent or a principal.</p> <p>Disclosures were assessed against the requirements of the applicable accounting standards.</p> <p>The material restatement in relation to the consolidation of the two Trusts was assessed by inspecting underlying agreements, understanding internal business processes and cash flows and consulting with independent experts and our internal accounting specialists. The restatement disclosures were assessed against the requirements of IAS 8: <i>Accounting Policies, Change in Accounting Estimates and Errors</i>.</p> <p>We concur with the directors control assessment in terms of IFRS 10. We found the disclosure requirements required by IAS 8 were sufficient and appropriate in all material respects.</p>

Key audit matter	How the matter was addressed in the audit
Valuation of loans secured by property	
<p>Included in the Group's "Loans and advances" balance, are two material loans, secured by the borrowers' property holdings.</p> <p>The loans include profit share agreements, directly linked to profits on the disposal or development of the underlying properties and are carried in the books of the Group's consolidated financial statements at a fair value of R1.4 billion (2018: R1.2 billion).</p> <p>Fair value has been determined by the directors, in the absence of an observable market price. The valuation process is described in note 35 to the consolidated financial statements. This valuation is a level 3 type valuation in accordance with IFRS 13: <i>Fair Value Measurement</i>, where the fair value is not based on observable market data.</p> <p>In determining the range of possible values, the directors used two professional property experts to perform detailed valuations.</p> <p>The directors also considered a valuation obtained by an independent Bank who made a loan to the Group in the current year, secured by a mortgage bond over one of the properties.</p> <p>We identified the valuation of the properties securing the interest bearing loans and the related profit share agreements as a key audit matter due to the material amount outstanding, the significant judgements associated with determining the fair value of the security and the considerable length of time since the loans were originally granted.</p>	<p>In evaluating the fair value of the material property backed loans, we performed the following procedures:</p> <ul style="list-style-type: none"> inspected the original interest-bearing loan agreements and considered the terms of each loan including the related profit share agreements and the terms of the securities held by the Group; utilised internal accounting specialists and with reference to the applicable accounting standards, we evaluated the directors' conclusion that the loans, seen with the profit share agreements, are financial instruments measured at fair value as they are not subject to the repayment solely or primarily of principal and interest. We further concurred that the appropriate valuation of the loans is directly linked to the valuation of the underlying securities; agreed the key inputs, specifically the estimated selling price per square meter, used in the directors' valuation to external evidence. The directors had obtained two professional valuations of the underlying properties and our audit procedures included assessing key inputs for reasonability in relation to relevant market indicators and recent developments in the area; assessed the valuation calculations and evaluated sensitive assumptions made by the directors' experts, utilising our own internal valuation specialists; considered how directors' valuation factored in the lack of liquidity of the undeveloped coastal land and the uncertainty surrounding either the time of disposal or development. We considered that the land is currently zoned as "Agricultural" and that no development activities had yet commenced; performed sensitivity analyses on key inputs and noted that the directors' factors applied were reasonable and supportable in the current market; and assessed the classification of the loans as long-term, to be appropriate at 31 December 2019. <p>We found that the directors' calculated fair value of the underlying security was sufficient to support the Group's carrying value of the loans and the disclosures relevant to the "level 3" type valuation, to be appropriate in all material respects.</p>

Independent auditors' report on the financial statements continued

Key audit matter	How the matter was addressed in the audit
Classification and measurement of non-current assets held for sale and discontinued operations	
<p>As at 30 June 2019 the Group disclosed its entire Marine Fuel and Agricultural Logistics segment ("the segment") as non-current assets held for sale, as defined by IFRS 5: <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p> <p>The directors had to apply significant judgement in assessing whether the requirements of IFRS 5 for classifying an asset as held for sale, were met.</p> <p>The directors concluded that the requirements of IFRS 5 had been met, as the Board had formally resolved to sell the three equity accounted investments making up the segment, and are still committed to an orderly sale at a price reflective of fair value and the conclusion of a successful sales process is highly likely in the short-term.</p> <p>The Board noted the conclusion of the sale of one of the three investments, the NWK shares, prior to year-end as corroborative evidence of the relative liquidity of the assets.</p> <p>Given the significance of the net losses incurred in the current year by the assets held for sale, the classification of the assets as discontinued operations is impactful on the presentation of the financial statements. We consider that the decision to disclose these assets as held for sale and as discontinued operations, involves significant judgement and refer users to note 40 in the financial statements where further detail is provided.</p>	<p>In assessing the classification requirements in respect of the possible disposal of the remaining businesses within the Marine Fuels and Agricultural Logistics segment, we performed the following procedures:</p> <ul style="list-style-type: none"> inspected underlying correspondence to verify the accuracy of facts regarding the intent to dispose, including minutes of Board meetings to confirm that the Board had approved the intention to dispose; assessed the ability to dispose of the entities in their current conditions and confirmed that an active program to locate buyers at a price that is considered reasonable in relation to its current fair value, has commenced; considered the directors' judgement that the entire segment should be accounted for in terms of IFRS 5, taking into account the various regulatory and commercial approvals to be obtained and the uncertainty relating to the successful conclusion of transactions; evaluated the directors' assessment of fair value less costs to sell against available market data; assessed the P/ E ratio applied by the directors in the valuation for reasonableness against industry peers; consulted with our accounting specialists on the accounting treatment of the related impairments of assets held for sale in particular regarding the impact and calculation of headline earnings per share; considered the adequacy of disclosure in the consolidated financial statements including the critical judgements made; obtained representations from the directors confirming that the remaining unsold businesses were still intended to be disposed of and that they were being marketed at a reasonable price that was highly likely to result in a disposal within 12 months of classification; and considered the directors' disclosure in relation to COVID-19, as a non-adjusting subsequent event, and the possible impact on the timing and value of the disposal programme. <p>We concur with the directors' assessment that the IFRS 5 requirements have been met and that the non-current assets held for sale and discontinued operations are correctly classified. The effects of the related material impairments have been appropriately accounted for.</p>

Key audit matter	How the matter was addressed in the audit
Measurement of loans and advances in the Bank	
<p>As required by IFRS 9: <i>Financial Instruments</i> (IFRS 9), loans and advances in the Bank are either measured at amortised cost less impairments in terms of an expected credit loss (ECL) model, or at fair value through profit or loss (FVTPL).</p> <p>Significant judgement is required by the directors in assessing these impairments and fair value measurements, and includes estimating:</p> <p>Impairments:</p> <ul style="list-style-type: none"> whether there was a significant increase in credit risk since inception (SICR), which determines whether a loan or advance is classified as Stage 1, 2 or 3; the size of credit exposures (Exposure at Default (EAD)); the probability that an advance will default (PD), either over a 12 month period or the lifetime of the loan or advance, depending on staging; and the loss given default (LGD). A key input into the LGD model is the expected realisable value of the collateral securing the loan or advance. <p>Fair value:</p> <ul style="list-style-type: none"> changes in interest rates since inception (in the case of fixed rate loans and advances); changes in credit risk of the counterparty since inception, as well as changes in general market credit spread levels for a given credit rating; changes in general market liquidity spread levels since inception; and the current and projected future value of the asset being financed, in the case of loans and advances where the total payoff depends on the value of such underlying asset. <p>Impairment of advances is disclosed in note 10 and note 35, and fair value is disclosed in note 35 to the financial statements. Due to the significant judgement applied by the directors, as disclosed in "Judgements made by management and key sources of estimation uncertainty" note 40 of the consolidated financial statements, the credit impairment against advances and related expected credit loss, is considered to be a key audit matter.</p>	<p>With the assistance of auditor's and management experts, we performed the following audit procedures on the ECL model:</p> <ul style="list-style-type: none"> assessed the design and implementation of key internal controls relating to the model; assessed the appropriateness of assumptions and variables used in determining the ECL in relation to current market conditions and forward looking economic information; assessed the completeness, accuracy and validity of data inputs used during the development and application of the credit impairment model; assessed the methodologies and assumptions applied, to assess compliance with IFRS 9, including the determination of PD, SICR, EAD and LGD; assessed the appropriateness of management's stage allocation; evaluated the methodology used to incorporate forward looking information in the calculation of expected credit losses; performed substantive tests of details on a sample basis relating to the estimated net realisable value of the collateral securing loans and advances included in the ECL model; and considered and assessed the qualitative factors that influence the impairment, including the amount in arrears, period in arrears and the financial strength of the borrower.

Independent auditors' report on the financial statements continued

Key audit matter	How the matter was addressed in the audit
Measurement of loans and advances in the Bank	<p>We found that the assumptions and judgements used by the directors in determining the impairment against loans and advances in the Bank were materially appropriate in the circumstances. We found the disclosures required by IFRS 9 to be sufficient and appropriate in all material respects.</p> <p>With the assistance of auditor's and management experts, we performed the following audit procedures on the fair value models:</p> <ul style="list-style-type: none"> • assessed the valuation methodologies for compliance with IFRS 13: <i>Fair Value Measurement</i> (IFRS 13), financial instrument pricing theory and market practice; • evaluated the completeness, accuracy and validity of the contractual terms and conditions utilised as data inputs into the fair value models; and • assessed the appropriateness of assumptions and variables used in determining the market data inputs utilised in the fair value models in relation to current market conditions and forward looking economic information. <p>We assessed management's disclosures regarding the impact of COVID-19 on the ECL and fair value of the loans and advances. We found that the disclosures made are appropriate, in the context of a non-adjusting subsequent event, the impact of which cannot be quantified with any degree of reliability.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Grindrod Limited Integrated Annual Report 2019" and in the document titled "Grindrod Limited Audited Annual Financial Statements for the year ended 31 December 2019", which includes the Directors' Report, the Audit Committee's Report, the Compliance Statement by the Company Secretary as required by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

Independent auditors' report on the financial statements continued

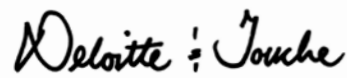
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Grindrod Limited for 16 years.



Registered Auditor
Per: MH Holme CA (SA), RA
Partner
24 April 2020

Deloitte Place, 2 Pencarrow Crescent,
Pencarrow Park, La Lucia Ridge Office Estate,
La Lucia 4051, Durban

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Notes	Consolidated		
		2019 R000	2018 R000*	2017 R000*
Assets				
Non-current assets				
Property, terminals, machinery, vehicles and equipment	3	1 858 744	1 752 225	1 478 003
Right of use assets	3	1 103 398	1 006 617	1 045 851
Goodwill and Intangible assets	4	772 861	701 975	710 909
Investments in joint ventures	5	2 348 145	2 776 105	2 347 978
Investments in associates	6	92 917	970 815	867 154
Investment property		91 617	120 113	125 649
Other investments	7	2 302 077	1 753 674	2 263 569
Preference share investments by trusts	8	644 900	100 000	194 473
Deferred taxation	9	98 910	60 945	59 313
Loans and advances	10	4 263 948	4 329 050	4 041 022
Total non-current assets		13 577 517	13 571 519	13 133 921
Current assets				
Liquid assets and short-term negotiable securities	11	2 478 941	2 825 285	1 730 384
Current portion of loans and advances	10	4 166 910	3 668 055	3 329 348
Current portion of preference share investments by trusts	8	482 544	941 000	1 141 000
Inventories		122 900	90 186	56 510
Trade and other receivables	12	1 357 057	2 025 414	2 154 342
Taxation receivable		23 764	77 619	32 592
Cash and cash equivalents		4 729 850	4 077 056	8 978 133
		13 361 966	13 704 615	17 422 309
Non-current assets classified as held for sale	13	985 892	298 349	8 445 383
Total current assets		14 347 858	14 002 964	25 867 692
Total assets		27 925 375	27 574 483	39 001 613

Statements of financial position continued

	Notes	Consolidated		
		2019 R000	2018 R000*	2017 R000*
Equity and liabilities				
Capital and reserves				
Share capital and premium	14	3 982 066	3 977 456	5 992 756
Non-distributable reserves		1 461 991	1 540 914	3 520 079
Accumulated profit		3 364 197	3 912 258	4 442 400
Equity attributable to owners of the Company		8 808 254	9 430 628	13 955 235
Non-controlling interests		(71 653)	52 280	39 094
Total equity		8 736 601	9 482 908	13 994 329
Non-current liabilities				
Long-term borrowings	15	268 230	455 223	295 429
Lease liabilities	15	924 878	862 092	828 412
Long-term bank and private equity funding	16	1 117 838	494 182	230 660
Derivative financial liabilities		23 422	7 911	18 939
Participatory contribution from Bank customers	8	77 544	60 670	1 870
Deferred taxation	9	136 296	221 415	240 869
Provision for post-retirement medical aid	17	22 724	25 510	25 403
Deposits from Bank customers	18	352 757	340 159	78 297
Provisions		10 082	29 038	21 857
Total non-current liabilities		2 933 771	2 496 200	1 741 736
Current liabilities				
Trade and other payables	19	1 513 435	1 441 513	1 264 516
Current portion of long-term borrowings	15	177 476	825 173	106 220
Current portion of lease liabilities	15	280 869	257 797	234 408
Current portion of bank and private equity funding	16	535 009	368 895	638 953
Current portion of deposits from Bank customers	18	10 827 608	10 166 245	14 562 066
Current portion of participatory contribution from Bank customers	8	1 646 732	1 653 454	1 889 589
Short-term borrowings and bank overdraft	15	1 223 973	745 936	243 661
Taxation payable		49 901	67 742	33 923
		16 255 003	15 526 755	18 973 336
Non-current liabilities associated with assets classified as held for sale	13	–	68 620	4 292 212
Total current liabilities		16 255 003	15 595 375	23 265 548
Total equity and liabilities		27 925 375	27 574 483	39 001 613

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

INCOME STATEMENT

for the year ended 31 December 2019

	Notes	Consolidated	
		2019 R000	2018 R000*
Continuing operations			
Revenue	20	3 834 459	3 466 580
Trading Profit		1 096 928	1 274 607
Depreciation and amortisation		(501 468)	(462 158)
Expected credit losses	21	(68 355)	(403 118)
Operating profit before interest and taxation	21	527 105	409 331
Non-trading items	22	(97 353)	(482 560)
Interest received	23	157 343	246 420
Interest paid	23	(299 201)	(150 596)
Profit before share of associate and joint venture companies' profit		287 894	22 595
Share of joint venture companies' profit after taxation	5	58 636	203 616
Share of associate companies' profit after taxation	6	9 714	8 005
Profit before taxation		356 244	234 216
Taxation	24	9 114	(180 410)
Profit for the year from continuing operations		365 358	53 806
Discontinued operations			
(Loss)/ profit after taxation from discontinued operations	25	(707 534)	2 893 165
(Loss)/ profit for the year		(342 176)	2 946 971
Attributable to:			
Owners of the parent/ Company		(341 615)	2 938 588
From continuing operations		365 919	45 423
From discontinued operations		(707 534)	2 893 165
Non-controlling interests		(561)	8 383
From continuing operations		(561)	8 383
From discontinued operations		–	–
		(342 176)	2 946 971
Basic earnings/ (loss) per share (cents)	26		
From continuing operations		44.1	(2.7)
From discontinued operations		(104.0)	384.8
Total		(59.9)	382.1
Diluted earnings/ (loss) per share (cents)**	26		
From continuing operations		44.0	(2.7)
From discontinued operations		(104.0)	382.2
Total		(60.0)	379.5
Dividends per share (cents)		19.2	14.6
Interim		5.0	–
Final		14.2	14.6

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2. In addition, the prior year income statement has been restated to separately disclose the expected credit loss recognised for the year that was previously included in Trading Profit.

** Diluted loss per share was calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive share schemes.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Consolidated	
	2019 R000	2018 R000*
(Loss)/ profit for the year	(342 176)	2 946 971
Other comprehensive (loss)/ income		
Items that may be reclassified subsequently to loss or profit		
Exchange differences on translating foreign operations arising during the year	(83 031)	855 396
Net movement in cash flow hedges	-	186
Items that will not be reclassified subsequently to loss or profit		
Actuarial losses	(10 327)	(17 850)
Fair value through other comprehensive income	4 773	1 755
Total comprehensive (loss)/ profit for the year	(430 761)	3 786 458
Total comprehensive (loss)/ income attributable to:		
Owners of the parent/ Company	(428 853)	3 776 105
Non-controlling interests	(1 908)	10 353
	(430 761)	3 786 458

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Notes	Consolidated	
		2019 R000	2018 R000*
Operating activities			
Cash generated from operations	31.1	1 019 162	800 444
Interest received		126 986	176 167
Interest paid		(299 201)	(219 559)
Dividends received		71 397	101 742
Dividends paid		(205 782)	(71 118)
Taxation paid	31.2	(122 862)	(204 223)
		589 700	583 453
Capital expenditure on ships	31.3	-	(242 244)
Other operating cash flows from Bank			
Net advances to customers		(946 427)	(632 491)
Net liquid assets and short-term negotiable securities		346 344	(1 094 901)
Net (purchase)/ sale of preference shares by trusts		(86 444)	294 473
Net (redemption)/ raising of participatory contributions from Bank customers		(239 848)	(177 335)
Net deposits received by/ (repaid to) customers		673 961	(4 133 959)
Net cash flows from operating activities		337 286	(5 403 004)
Investing activities			
Property, terminals, machinery, vehicles and equipment acquired	31.3	(201 280)	(348 846)
Acquisition of Bank and other investments		(86 804)	(71 890)
Disposal of Bank and other investments		45 839	472 654
Acquisition of subsidiaries, joint ventures and associates	31.4	1 999	(123 794)
Disposal of subsidiaries, joint ventures and associates	31.5	(4 776)	-
Proceeds on disposal of property, terminals, machinery, vehicles and equipment		75 697	148 318
Net cashflows on disposal of non-current assets and liabilities held-for-sale		305 331	(486 872)
Intangible assets acquired		(13 876)	(2 010)
Proceeds on disposal of intangible assets		-	353
Funds advanced to joint ventures and associate companies		(30 698)	(226 736)
Funds repaid by joint ventures and associate companies		737	443 551
Net cash flows from investing activities		92 169	(195 272)
Financing activities			
Acquisition of treasury shares		(2 737)	(57 953)
Participatory contribution from Bank customers raised		317 400	40 100
Participatory contribution from Bank customers repaid		(67 400)	(40 100)
Long-term interest-bearing debt raised		565 639	1 739 893
Long-term interest-bearing debt repaid		(1 093 787)	(2 182 075)
Short-term interest-bearing debt (repaid)/ raised		(17 913)	18 016
Net cash flows from financing activities		(298 798)	(482 119)
Net increase/ (decrease) in cash and cash equivalents		130 657	(6 080 395)
Cash and cash equivalents at beginning of the year		3 639 237	9 566 240
Difference arising on translation		(11 135)	153 392
Cash and cash equivalents at end of the year	31.6	3 758 759	3 639 237

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2. In addition, the prior year cash flow has been restated to reflect the acquisition and disposal of other investments and the advance and repayment of joint venture and associate loans which were previously reflected on a net basis.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Consolidated	
	2019 R000	2018 R000*
Ordinary and preference share capital and share premium	3 982 066	3 977 456
Balance at beginning of the year	3 977 456	5 992 756
Share options vested	7 347	20 615
Return of share capital	-	(1 584 362)
Adjustment arising on consolidation of B-BBEE structure	-	(393 600)
Treasury shares acquired	(2 737)	(57 953)
Equity compensation reserve	56 471	54 991
Balance at beginning of the year	54 991	58 364
Share-based payments	8 827	18 990
Share options vested	(7 347)	(20 615)
Balance disposed on Shipping spin-off	-	(1 748)
Foreign currency translation reserve	1 448 588	1 529 560
Balance at beginning of the year	1 529 560	3 505 281
Foreign currency translation realised	1 281	(2 830 505)
Foreign currency translation adjustments	(82 253)	854 784
Other non-distributable reserves	(43 068)	(43 637)
Balance at beginning of the year	(43 637)	(43 566)
Financial instrument hedge settlement	-	186
Foreign currency translation adjustments	569	(1 355)
Net business combination acquisition	(22 265)	-
Fair value adjustment on hedging reserve	-	14 068
Disposal	22 265	(12 970)
Movement in accumulated profit	3 364 197	3 912 258
Balance at beginning of the year	3 912 258	4 442 400
Transitional provision – implementation of IFRS 9 and 15	-	(33 217)
Adjustment arising on consolidation of B-BBEE structure	-	(696 650)
Fair value gain arising on available for sale financial instruments	4 773	1 755
Actuarial loss recognised	(10 327)	(17 850)
(Loss)/ profit for the year	(341 615)	2 938 588
Ordinary dividends paid**	(134 848)	(2 657 086)
Preference dividends paid***	(66 044)	(65 682)
Total interest of shareholders of the Company	8 808 254	9 430 628
Equity attributable to non-controlling interests of the Company	(71 653)	52 280
Balance at beginning of the year	52 280	39 094
Foreign currency translation adjustments	(1 347)	1 970
Disposal of non-controlling interest	22 265	-
Non-controlling interest acquired	(139 472)	7 505
Profit for the period	(561)	8 383
Dividends paid	(4 818)	(4 672)
Total equity attributable to all shareholders of the Company	8 736 601	9 482 908

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

** In the prior year, ordinary dividends relate to the Shipping spin-off.

*** Preference dividends paid relate to cumulative, non-redeemable, non-participating and non-convertible preference shares declared and are based on 88% of the prime interest rate.

SEGMENTAL ANALYSIS

for the year ended 31 December 2019

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

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

The Bank segment provides loan finance and retail services through Grindrod Bank.

The Group and Other segment consist of the private equity investment business and head office companies.

The Marine Fuels and Agricultural Logistics segment is primarily a supplier of marine fuels, bunkers and agricultural commodities worldwide.

Following the review of the Grindrod strategy, the Marine Fuels and Agricultural segment has been classified as discontinued operations. The Bank division reverted its focus to core banking services and hence the private equity and property investment arm is now included in Group and Other segment, and Financial Services segment renamed Bank. Comparative income statement information has been re-presented to reflect the change and to provide a meaningful comparison to the current year figures. In addition the prior year comparative figures have been restated due to the adoption of IFRS 16 Leases standard in the current year.

Segmental analysis continued

Business Segments	Port and Terminals		Logistics		Bank	
	2019	2018	2019	2018	2019	2018
	R000	Re-presented and restated R000*	R000	Re-presented and restated R000*	R000	Re-presented and restated R000*
Revenue – External	1 151 844	925 479	3 272 575	2 858 613	350 326	565 555
Revenue – Internal	3 858	2 620	93 531	21 357	–	–
Trading Profit/ (loss)	458 316	305 748	854 716	820 491	94 164	183 464
Depreciation and amortisation	(128 998)	(123 190)	(509 232)	(472 947)	(14 058)	(14 867)
Operating profit/ (loss)	329 318	182 558	345 484	347 544	80 106	168 597
Non-trading items	(133 375)	(254)	(49 217)	(558 958)	–	–
Share of associate companies' profit after taxation	71 535	62 059	(186)	1 331	–	–
Segment result excluding net interest and taxation	267 478	244 363	296 081	(210 083)	80 106	168 597
Interest received	23 257	15 028	25 596	39 872	–	–
Interest paid	(66 276)	(60 450)	(129 827)	(128 700)	18 745	(1 604)
Taxation	(42 603)	(57 321)	(66 413)	(177 855)	(374)	(29 149)
Profit/ (loss) for the year	181 856	141 620	125 437	(476 766)	98 477	137 844
Non-controlling interest	(6 621)	(2 058)	8 257	(31 405)	(2 322)	(2 151)
Profit attributable to shareholders	175 235	139 562	133 694	(508 171)	96 155	135 693
Preference dividends	–	–	–	–	(12 748)	(25 102)
Profit attributable to ordinary shareholders	175 235	139 562	133 694	(508 171)	83 407	110 591
Capital expenditure	97 508	41 561	348 408	436 127	2 042	1 726
Total segment assets	3 540 130	3 675 366	5 058 160	5 263 648	15 348 178	14 232 098
Segment assets excluding investments in associates	2 921 397	3 076 598	5 055 794	5 260 359	15 348 178	14 232 098
Investments in associates	618 733	598 768	2 366	3 289	–	–
Segment liabilities	(1 231 276)	(1 282 449)	(3 215 695)	(3 422 772)	(13 785 006)	(12 876 536)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 16 Leases.

Segmental analysis continued

Business Segments	Group and Other		Total Segment							
	2019	2018	2019			2018				
	R000	R000*	Total Continuing R000	Dis-continued Operations R000	Adjustments** R000	Total R000	Total Continuing R000*	Dis-continued Operations R000*	Adjustments** R000*	Total R000*
Revenue – External	119 077	166 435	4 893 822	8 403 622	(9 462 985)	3 834 459	4 516 082	22 490 569	(23 540 071)	3 466 580
Revenue – Internal	140 831	156 876	238 220	30 272	(268 492)	–	180 853	–	(180 853)	–
Trading (loss)/ profit	55 752	166 892	1 462 948	(452 048)	17 673	1 028 573	1 476 595	386 455	(991 562)	871 489
Depreciation and amortisation	(27 684)	(43 201)	(679 972)	(4 892)	183 396	(501 468)	(654 205)	(216 913)	408 961	(462 158)
Operating (loss)/ profit	28 068	123 691	782 976	(456 940)	201 069	527 105	822 390	169 542	(582 601)	409 331
Non-trading items	(51 902)	75 768	(234 494)	(238 000)	375 141	(97 353)	(483 444)	2 752 150	(2 751 266)	(482 560)
Share of joint venture companies' profit after taxation	–	–	–	–	58 636	58 636	–	–	203 616	203 616
Share of associate companies' profit after taxation	–	–	71 348	14 465	(76 099)	9 714	63 390	122 641	(178 026)	8 005
Segment result excluding net interest and taxation	(23 834)	199 459	619 830	(680 475)	558 747	498 102	402 336	3 044 333	(3 308 277)	138 392
Interest received	178 548	265 009	227 401	3 006	(73 064)	157 343	319 909	22 310	(95 799)	246 420
Interest paid	(217 808)	(140 096)	(395 166)	(27 759)	123 724	(299 201)	(330 850)	(144 248)	324 502	(150 596)
Taxation	14 504	(40 661)	(94 886)	(2 306)	106 306	9 114	(304 986)	(29 230)	153 806	(180 410)
(Loss)/ profit for the year	(48 590)	283 711	357 179	(707 534)	715 713	365 358	86 409	2 893 165	(2 925 768)	53 806
(Loss)/ profit after taxation from discontinued operations	–	–	–	–	(707 534)	(707 534)	–	–	2 893 165	2 893 165
Non-controlling interest shareholders	9 426	(5 372)	8 740	–	(8 179)	561	(40 986)	–	32 603	(8 383)
(Loss)/ profit attributable to shareholders	(39 164)	278 339	365 919	(707 534)	–	(341 615)	45 423	2 893 165	–	2 938 588
Preference dividends	(53 296)	(40 580)	(66 044)	–	–	(66 044)	(65 682)	–	–	(65 682)
(Loss)/ profit attributable to ordinary shareholders	(92 460)	237 759	299 875	(707 534)	–	(407 659)	(20 259)	2 893 165	–	2 872 906
Capital expenditure	7 552	4 803	455 510	–	–	455 510	484 217	272 490	(77 844)	678 863
Total segment assets	4 686 516	4 966 220	28 632 984	948 974	(1 656 583)	27 925 375	28 137 332	3 662 663	(4 225 512)	27 574 483
Segment assets excluding investments in associates	4 687 530	4 966 220	28 012 899	948 974	(1 129 415)	27 832 458	27 535 275	2 779 918	(3 711 525)	26 603 668
Investments in associates	(1 014)	–	620 085	–	(527 168)	92 917	602 057	882 745	(513 987)	970 815
Segment liabilities**	(2 598 489)	(2 456 073)	(20 830 465)	–	1 641 691	(19 188 774)	(20 037 830)	(2 250 519)	4 196 774	(18 091 575)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 16 Leases.

** Segmental adjustments exclude the discontinuing operations and relate to effects of proportionate consolidation to reconcile to IFRS presentation for continuing operations.

Refer to notes 13 and 25 for details relating to discontinued operations.

All segment revenue, expenses, assets and liabilities are all directly attributable to the segments. Internal segment revenue between Grindrod segments are at arm's length. All inter-segment transactions are eliminated on consolidation.

Segmental analysis continued

The Group's four divisions operate in seven principal geographical areas – North America/ Bermuda, South America, the Middle East, United Kingdom/ Europe/ Isle of Man, Singapore/ Asia/ Far East/ Australia, Rest of Africa and South Africa. The geographic segment includes both the continuing and discontinuing segments and have been restated for IFRS 16 Leases.

Geographic segments	North America/ Bermuda		South America		Middle East		United Kingdom/ Europe/ Isle of Man	
	2019 R000	2018 R000	2019 R000	2018 R000	2019 R000	2018 R000	2019 R000	2018 R000
Revenue – External	163 424	389 314	191 104	355 111	3 781 907	10 398 417	633 970	1 367 158
Profit/ (loss) attributable to ordinary shareholders	909	3 705	14 883	182	22 541	46 041	(97 085)	183 862
Capital expenditure	-	-	-	-	-	-	-	-
Segment assets	-	24 964	-	67 085	529 494	1 807 556	559 047	717 332

Geographic segments	Singapore/ Asia/ Far East/ Australia		Rest of Africa		South Africa	
	2019 R000	2018 R000	2019 R000	2018 R000	2019 R000	2018 R000
Revenue – External	3 677 366	9 814 076	1 762 353	1 122 459	3 087 320	3 560 117
(Loss)/ profit attributable to ordinary shareholders	(558 247)	3 200 060	507 654	(356 848)	(298 312)	(204 095)
Capital expenditure	-	34	129 873	241 336	325 637	242 847
Segment assets	180 366	864 292	6 036 028	8 623 939	22 277 023	19 694 827

Geographic segments	Total Group	
	2019 R000	2018 R000
Revenue – external	13 297 444	27 006 652
(Loss)/ profit attributable to ordinary shareholders	(407 657)	2 872 907
Capital expenditure	455 510	484 217
Segment assets	29 581 958	31 799 995

ACCOUNTING POLICIES

for the year ended 31 December 2019

Outlined below are the principal accounting policies that are applicable to the consolidated and separate Annual Financial Statements. However, policies applicable to the specific accounting items have been included in the applicable detailed notes to the Annual Financial Statements for ease of reference.

1. Basis of preparation

1.1 Accounting framework

The consolidated and separate Annual Financial Statements of Grindrod comply with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council using the historical cost basis except for certain financial instruments and investment properties that are reported at fair value. The Annual Financial Statements of Grindrod also comply with the Listing Requirements of the JSE Limited and the requirements of Companies Act No. 71 of 2008, as amended.

The preparation of consolidated and separate Annual Financial Statements in conformity with IFRS requires the Board of directors to make judgements, estimate and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the actual outcome may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting judgements are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made in the application of IFRS that have influenced the financial statements and estimates with a risk of adjustment in the next year are discussed in the "Judgements made by management and key sources of estimation uncertainty" in note 40.

Except as detailed below, the accounting policies have been applied consistently to all periods presented in these consolidated and separate Annual Financial Statements. The consolidated and separate Annual Financial Statements are presented in South African Rands, which is the Group's reporting currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

The basis of preparation, accounting policies and methods of computation are consistent with the prior year, except for new and revised IFRSs and interpretations adopted per note 1 to the Annual Financial Statements.

1.2 Underlying concepts

The consolidated and separate Annual Financial Statements are prepared on the going concern basis using accrual accounting.

Assets and liabilities, and income and expenses are not offset unless specifically permitted by IFRS. Financial assets and 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 IFRSs. If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

1.3 Foreign currencies

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

Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing 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. This excludes exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur.

The Annual Financial Statements of Grindrod's entities whose functional currencies differ to Grindrod's presentation currency, which is the South African Rand, are translated as follows:

- Assets, including goodwill, and liabilities at exchange rates prevailing on the statement of financial position date;
- Income, expense and cash flow items at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the material transactions are used; and
- Equity items at the exchange rate prevailing on the date 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 is reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

1.4 Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of Grindrod's consolidated and separate Annual Financial Statements, with the exception of joint ventures which have been calculated on a proportionate share basis using the effective shareholdings.

The principal segments of the Group have been identified on a primary basis which is representative of the internal reporting used for management purposes, including the Grindrod Chief Executive Officer, Andrew Waller, as well as the source and nature of business risks and returns.

Segment assets include all operating assets used by a segment, and consist principally of 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.

1.5 Comparative figures

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

Accounting policies continued

2. Separate Annual Financial Statements

2.1 Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures in the separate Annual Financial Statements presented by Grindrod are recognised at cost less impairments.

3. Consolidated Annual Financial Statements

3.1 Interest in subsidiaries

A subsidiary is an entity over which the parent exercises control. Subsidiaries are consolidated into Grindrod's Group results.

Grindrod reassesses whether it controls its investee entities at each reporting date or where facts and circumstances indicate that there are changes to control.

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

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

Where necessary, adjustments are made to the Annual Financial Statements of subsidiaries to bring the accounting policies used in line with those used by the Grindrod Group.

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

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

Changes in Grindrod's ownership interests in its subsidiaries that do not result in the Grindrod losing control over the subsidiaries are accounted for as equity transactions.

3.2 Business combinations

Grindrod accounts for acquisitions of businesses using the acquisition method. Under this method Grindrod measures the fair value of the tangible and intangible assets and liabilities of the acquiree, non-controlling interest in the acquiree and consideration paid at acquisition date. Where the consideration is cash, the fair value is the actual amount paid. Either goodwill or a gain on bargain purchase (or negative goodwill) will arise. Grindrod accounts for a gain on bargain purchase in the income statement on the date of acquisition. Acquisition related costs are recognised in profit and loss as incurred.

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

Grindrod accounts for a partial disposal of an investment by transferring, from reserves, the proportionate business combination reserves directly to retained income.

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

4. Statement of financial position

4.1 Inventories

Inventories which include rail spare parts and components, spare parts and consumables for equipment used at the terminals, onsite fuel, and general consumable stores are valued at the lower of cost and net realisable value. The method used to value the inventory is weighted average cost. The costs of inventories include costs incurred in bringing the inventories to their present location.

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.

4.2 Financial instruments

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

All recognised financial assets are subsequently measured at amortised cost or fair value based on Grindrod's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets that are held within a business model whose objective is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost. All other financial assets are subsequently measured at FVTPL.

If the business model under which the Group holds financial assets changes, the affected financial assets are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets.

Financial assets

Liquid assets and short-term negotiable securities

Initial measurement

Liquid assets and short-term negotiable instruments consist of statutory liquid assets required to be held by Grindrod Bank to meet liquid asset requirements in terms of the Banks Act No. 94 of 1990 and other securities such as preference shares and money market investments. These assets are recorded at the transaction price at origination which represents fair value at inception.

Subsequent measurement

The liquid assets and short-term negotiable instruments are measured at amortised cost which approximate fair value due to their high liquidity and short duration.

Loans and advances

Initial measurement

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

Accounting policies continued

4. Statement of financial position continued

4.2 Financial instruments continued

Subsequent measurement

Fixed rate loans are held at FVTPL. The Group enters into interest rate swap agreements to economically hedge these fixed rate loans. Therefore, as the Group has used these instruments as hedging tools, it has chosen to recognise fixed rate loans at their fair value. The Group does not apply hedge accounting.

Variable rate advances are held at amortised cost as the business model is to hold the assets for the collection of contractual cash flows. These advances' contractual cash flows represent SPPI.

There are certain advances that have additional revenue arrangements attached to them in terms of which the Group is entitled to a fee or dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset. Where such loans meet the SPPI test they are classified as held at amortised cost and where they fail the SPPI test they are classified as held at FVTPL.

Derecognition

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

Modification

The Group is sometimes required to modify the terms of advances provided to customers. The risk of default of such advances after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. When the modification is not substantial it does not result in derecognition of the original asset.

Trade and other receivables (including fees receivable)

Initial measurement

Trade and other receivables are recognised at transaction price as this represents the fair value. There is no significant financing component given the receivables are short-term in nature and thus the transaction price does not differ significantly from the fair value.

Fees receivable from Corporate and Investment Banking and Property Solutions (origination fees) are recognised over the life of the loan and are initially recorded at their present value and subsequently recognised as an adjustment to the effective interest rate of the loan.

Fees receivable from the other business units (Retail, Treasury, Corporate Finance and General Bank fees) are recognised at their transaction price as it represents the fair value of the fee receivable. These fees are not attached to a loan as they are for compensation for services performed. These fees are recognised as the service is performed in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers.

Subsequent measurement

Trade and other receivables are subsequently measured at amortised cost using the effective interest method.

Other investments

Financial assets measured at FVTPL

Initial measurement

Financial assets measured at FVTPL consist of listed and unlisted investments in, and loans to, the private equity investees, and the pension fund surplus. These assets are measured at fair value. The unlisted investments are made up of equity interests of less than 20% in the private equity investees, more than 20% but less than 50% in private equity investees, and loans to the private equity investees.

The fair value of unlisted investments made up of equity interest of more than 20% but less than 50% in the private equity investees is, however, measured under IAS 28 Investments in Associates and Joint Ventures except where an investment has been assessed to be controlled by Grindrod in terms of IFRS 10 Consolidated Financial Statements, these unlisted investments would be consolidated in terms of IFRS 3 Business Combinations.

Subsequent measurement

Financial assets measured at FVTPL are subsequently measured at fair value and changes to the fair value are processed to the income statement. This includes unlisted investments made up of equity interest of more than 20% but less than 50% in the private equity investees, that would normally be associates as the underlying investments are held by an investment entity as defined in IAS 28 Investments in Associates and Joint Ventures. An investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. This entity evaluates the performance of its investment on a fair value basis.

Financial assets measured at fair value through other comprehensive income (FVTOCI)

Initial measurement

This consists of unlisted investments in insurance cell captives initially measured at fair value.

Subsequent measurement

This financial asset is subsequently measured FVTOCI and changes to the fair value are recorded in other comprehensive income.

Financial assets measured at amortised cost

Initial recognition

These financial assets consist of loans to related parties which are initially recorded at fair value. The details of the loans are outlined in note 7.

Subsequent measurement

Loans to related parties are subsequently measured at amortised cost.

Cash and cash equivalents

Initial measurement

Cash and cash equivalents consist of funds held with the South African Reserve Bank (SARB) and funds held with other South African banks and financial institutions and are recognised at transaction price as this represents the fair value.

Subsequent measurement

Cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

Preference share investments by trust

Initial measurement

Preference share investments consist of investments held in various preference shares that accrue dividends in a similar way to interest. The Group holds these investments in order to collect the contractual cash flows in the form of dividends and the principal amount initially invested. These preference share investments are recognised at transaction price as this represents the fair value on the date of the investment.

Subsequent measurement

Preference share investments are held at amortised cost using the effective interest rate method as these assets are held to collect contractual cash flows in the form of dividends received and the contractual principle originally invested.

Derecognition

Preference share investments are derecognised once the investment has matured and the capital repaid.

Accounting policies continued

4. Statement of financial position continued

4.2 Financial instruments continued

Financial liabilities

Long-term liabilities

Initial measurement

Long-term liabilities are recognised at the transaction price, which is representative of the fair value of this financial liability.

Subsequent measurement

Long-term liabilities are classified and measured at amortised cost.

Bank and private equity funding

Initial measurement

Bank and private equity funding are recognised at the transaction price, which is representative of the fair value of this financial liability.

Subsequent measurement

Bank and private equity funding are classified and measured at amortised cost.

Deposits from Bank customers

Initial measurement

Deposits from Bank customers are recorded at the actual transaction date which is representative of the fair value of this financial liability.

Subsequent measurement

Deposits from Bank customers are classified and measured at amortised costs.

Trade and other payables

Initial measurement

Trade and other payables are recorded at a transaction value being fair value.

Subsequent measurement

Trade and other payables are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

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

Expected credit loss

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

If the financial asset is credit-impaired, it is then moved to Stage 3. The financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence of credit-impairment includes observable data that typically indicates one or more of the following:

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

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

Grindrod measures the credit risk of financial assets using assumptions with regards to Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) on an individual loan by loan basis or each financial asset as applicable.

5. Income Statement

5.1 Impairment of assets

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

Goodwill 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 business combination at inception of the business combination. Impairment losses recognised on goodwill are not subsequently reversed. The attributable amount of goodwill is included in the profit or loss on disposal when the related business is sold.

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

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

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

5.2 Leases

Grindrod recognises, on a discounted basis, the rights and obligations created by the commitment to lease assets on the statement of financial position, unless the term of the lease is less than 12 months or of low value, i.e. R75 000 or less, in which Grindrod will recognise a lease expense on a straight-line basis as permitted by IFRS 16 Leases.

In terms of this policy, Grindrod recognises right of use assets and corresponding liabilities on the basis of the discounted remaining future minimum lease payments relating to existing and new time chartered-in vessel commitments; rental agreements relating to office, depot and warehouse properties that were previously accounted for and reported as operating leases, and long-term port and terminal concessions, mainly in Mozambique, adjusted for prepayments and accrued lease payments.

Grindrod adopted this policy in response to the implementation of IFRS 16 Leases which became effective on 1 January 2019. Grindrod opted for a full retrospective approach on 01 January 2018 resulting in the restatement of its 2018 comparatives. Under this policy, lease expenses are no longer recorded in operating profits but have been replaced by depreciation and interest expenses.

Accounting policies continued

5. Income Statement continued

5.2 Leases continued

Grindrod has applied the practical expedient available on transition to IFRS 16 Leases to not reassess whether a contract is or contains a lease. The definition of a lease in accordance with IFRIC 4 and IAS 17 Leases (the previous guidance on leases) will continue to be applied to leases entered or modified before 1 January 2018.

The weighted average incremental borrowing rates applied are based on the US Dollar London Inter-bank Offered Rate (LIBOR), for the ship charters and leases in the foreign operations, or prime rates of interest, for South African businesses, adjusted for risk factors. The right of use assets are then depreciated on a straight-line basis over the term of each lease or concession.

Variable lease payments that do not depend on an index or rate are not included in the measurements of the lease liability and right of use assets. The related payments are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that Grindrod recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. Grindrod does not have any residual value guarantees and therefore this did not have material effect on Grindrod's consolidated financial statements.

Grindrod remeasures a lease liability when a lease contract is modified. The lease modification is not accounted for as a separate lease but rather the existing lease liability is remeasured by discounting the revised lease payments using the revised discount rate. Accordingly, a corresponding adjustment is made to the related right of use asset.

Impact on lessor accounting

IFRS 16 Leases has not changed substantially how a lessor accounts for leases, however, it has changed and expanded the disclosure requirements which Grindrod has applied accordingly. As Grindrod's role is mainly a lessee, these changes did not have a material effect on Grindrod's consolidated financial statements.

5.3 Non-current Assets Held for Sale and Discontinued Operations (NCAHFS)

Grindrod presents, separately, the results of NCAHFS in the income statement. The assets and liabilities associated with these operations are classified and reported in NCAHFS in the statement of financial position.

The carrying value of NCAHFS is measured at fair value less cost to sell at each reporting period. Any resulting adjustment to the carrying value is recognised in the income statement of the discontinued operations. Grindrod only classifies assets as NCAHFS when the certainty of disposal is highly probable, a decision to dispose of the asset has been made and there is a disposal programme in place.

5.4 Treasury shares

Treasury shares are equity instruments of the Company, held by other companies in the Grindrod 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. New standards and interpretations

1.1 New and revised IFRSs applied with no material effect on the consolidated and separate Annual Financial Statements

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

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

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

IFRS 16 Leases amended the existing accounting standards to require lessees to recognise, on a discounted basis, the rights and obligations created by the commitment to lease assets on the statement of financial position, unless the term of the lease is less than 12 months or of low value. Accordingly, the standard resulted in the recognition of right of use assets and corresponding liabilities on the basis of the discounted remaining future minimum lease payments relating to existing and new time chartered-in vessel commitments; rental agreements relating to office and residential properties that were previously reported as operating leases and long-term port and terminal concession, mainly in Mozambique, adjusted for prepayments and accrued lease payments.

The Group transitioned to IFRS 16 Leases in accordance with the full retrospective approach on 1 January 2018 as detailed below. Comparatives for the 2018 financial year have been restated. Lease expenses will no longer be recorded in operating profits but have been replaced by depreciation and interest expenses.

The weighted average incremental borrowing rates applied were based on the US Dollar London Inter-bank Offered Rate (LIBOR) or prime rates of interest adjusted for risk factors. All right of use assets will be depreciated on a straight-line basis over the term of each lease.

The impact of adopting IFRS 16 Leases on the Group's Annual Financial Statements is detailed in the restatement note 2.

Notes to the financial statements continued

1. New standards and interpretations continued

1.3 New and revised IFRSs in issue but not yet effective

IFRS 17 Insurance Contracts	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.</p> <p>The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.</p>
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.</p> <p>The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.</p>
Amendments to IFRS 3 Definition of a business	<p>The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.</p> <p>The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.</p>
Amendments to IAS 1 and IAS 8 Definition of material	<p>The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.</p> <p>The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.</p>
Amendments to References to the Conceptual Framework in IFRS Standards	<p>Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards.</p> <p>The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.</p>

2. Restatement and re-presentation of the financial results for the year ended 31 December 2019

Financial results for 2018 and its comparatives have been re-presented and restated for the following:

2.1 Adoption of IFRS 16 Leases – change in accounting policy

The Group adopted IFRS 16 Leases in the current year using a retrospective approach. The restatement resulted in the recognition of right of use assets and corresponding lease liabilities for all open leases in 2018 and 2019 which are longer than a year and greater than R75 000. The right of use assets for Grindrod arise mainly from long-term port and terminal concessions, vessel charters and leased facilities. This change in accounting policy is detailed in the new standard note and the impact on the 2018 opening and closing balances, 2018 income statement and statement of cashflows is shown in the table below.

2.2 Prior period errors

2.2.1 IFRS 10 Consolidation

Two trusts, Grindrod Investment Trust (GIT) and Grindrod Preference Share Investment Trust (GPSIT), were assessed as controlled by Grindrod Bank Limited in terms of IFRS 10 Consolidated Financial Statements due to Grindrod Bank's ability to appoint trustees, share in the residual value of the trusts and the fact that the trusts own the preference shares. The investors in the trusts carry the credit risk of the preference shares and do not have the ability to appoint or remove the asset manager. This is a prior period error which has been rectified and the impact on such rectification on the 2018 opening and closing balances, income statement and statement of cashflows is outlined in the table below.

2.2.2 Non-current and current split of Loans and advances, and deposits from Bank customers

The loans and advances and deposits to Bank customers were split between current and non-current in the 2018 statement of financial position and the improved classification is shown in the table below.

2.2.3 Reclassification of Bank fee receivable

Grindrod Bank accounts for certain fee income over the life of the financial instrument in accordance with IFRS 9 Financial Instruments. This fee receivable was erroneously disclosed separately in other assets instead of being capitalised to the financial instrument and disclosed under loans and advances.

2.2.4 Reclassification of bank balance

Grindrod's United Kingdom property portfolio incorrectly included a bank and cash balance in 2018. The reclassification impacted the 2018 consolidated statement of financial position by GBP13 million (R253 million) between other investments and bank and cash.

2.2.5 Expected Credit Loss (ECL) disclosure on income statement

The income statement has been restated to separately disclose the ECL recognised for the year that was previously included in trading profit. This is a reclassification from the trading profit.

2.3 Re-presentation

Grindrod classified the Marine Fuel and Agricultural Logistics into non-current assets held for sale and discontinued operations, and reclassified the Rail leasing business into continuing operations, in accordance with the provisions of the IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The classification of Marine Fuel and Agricultural Logistics is reflected in the 2019 statement of financial position and has no restatement effect whilst the impact on the 2018 income statement is outlined in the table below. The impact of the reclassification of Rail leasing business into continuing operations on 2018 opening and closing balances and 2018 income statement is outlined in the tables overleaf.

2.4 Prior period error – valuation of loans and advances

The Bank did not comply with IFRS 13 Fair Value Measurements when measuring its portfolio of loans classified at fair value. This resulted in the Bank erroneously recognising and disclosing ECL on fair value loans in the statement of financial position. The correction did not have any impact on the income statement and statement of financial position as the fair value adjustment presented when applying ECL principles (as a proxy) was not materially different from the IFRS 13 fair value adjustment.

Notes to the financial statements continued

2. Restatement and re-presentation of the financial results for the year ended 31 December 2019 continued

2.4 Prior period error – valuation of loans and advances continued

In addition, certain disclosure relating to the ECL provisioning analysis has been updated as detailed below and allocated to the carrying values of financial assets at fair value.

	As previously reported R000	Increase/ (decrease) R000	Restated 31 December 2018 R000
ECL provision	53 990	(8 810)	45 180

**Statement of financial position
as at 31 December 2017**

	Consolidated					Restated 31 December 2017 R000
	Previously reported as at 31 December 2017 R000	Change in accounting policy 2.1	Prior period error		Bank fee receivable R000	
			2.2.1	2.2.2		
Assets						
Non-current assets						
Property, terminals, machinery, vehicles and equipment	1 478 003	-	-	-	-	1 478 003
Right of use assets	-	1 045 851	-	-	-	1 045 851
Goodwill and intangible assets	710 909	-	-	-	-	710 909
Investments in joint ventures	2 453 230	(105 252)	-	-	-	2 347 978
Investments in associates	867 220	(66)	-	-	-	867 154
Investment property	125 649	-	-	-	-	125 649
Other investments	2 263 569	-	-	-	-	2 263 569
Preference shares investments by trusts	-	-	194 473	-	-	194 473
Loans and advances	-	-	-	4 041 022	-	4 041 022
Deferred taxation	59 313	-	-	-	-	59 313
Total non-current assets	7 957 893	940 533	194 473	4 041 022	-	13 133 921
Loans and advances to Bank customers	7 149 198	-	-	(7 149 198)	-	-
Current assets						
Current portion of loans and advances	-	-	-	3 108 176	221 172	3 329 348
Liquid assets and short-term negotiable securities	1 763 875	-	(33 491)	-	-	1 730 384
Current portion of preference share investments by trusts	-	-	1 141 000	-	-	1 141 000
Inventories	56 510	-	-	-	-	56 510
Trade and other receivables	2 377 229	-	(1 715)	-	(221 172)	2 154 342
Taxation receivable	32 592	-	-	-	-	32 592
Cash and cash equivalents	8 970 274	-	7 859	-	-	8 978 133
	13 200 480	-	1 113 653	3 108 176	-	17 422 309
Non-current assets classified as held for sale	6 641 399	1 803 984	-	-	-	8 445 383
Total current assets	19 841 879	1 803 984	1 113 653	3 108 176	-	25 867 692
Total assets	34 948 970	2 744 517	1 308 126	-	-	39 001 613

	Consolidated					Restated 31 December 2017 R000
	Previously reported as at 31 December 2017 R000	Change in accounting policy 2.1	Prior period error		Bank fee receivable R000	
			2.2.1	2.2.2		
Equity and liabilities						
Capital and reserves						
Share capital and premium	5 992 756	-	-	-	-	5 992 756
Non-distributable reserves	3 520 079	-	-	-	-	3 520 079
Accumulated profit	4 639 988	(197 588)	-	-	-	4 442 400
Equity attributable to owners of the Company	14 152 823	(197 588)	-	-	-	13 955 235
Non-controlling interests	44 659	(5 565)	-	-	-	39 094
Total equity	14 197 482	(203 153)	-	-	-	13 994 329
Non-current liabilities						
Long-term borrowings	295 429	-	-	-	-	295 429
Lease liabilities	-	828 412	-	-	-	828 412
Long-term bank and private equity funding	720 137	-	(489 477)	-	-	230 660
Derivative financial liabilities	18 939	-	-	-	-	18 939
Deferred taxation	244 655	(3 786)	-	-	-	240 869
Deposits from Bank customers	-	-	-	78 297	-	78 297
Participatory contribution from Bank customers	-	-	1 870	-	-	1 870
Provision for post-retirement medical aid	25 403	-	-	-	-	25 403
Provisions	21 857	-	-	-	-	21 857
Total non-current liabilities	1 326 420	824 626	(487 607)	78 297	-	1 741 736
Deposits from Bank customers	14 640 363	-	-	(14 640 363)	-	-
Current liabilities						
Trade and other payables	1 266 437	(8 065)	6 144	-	-	1 264 516
Current portion of long-term borrowings	106 220	-	-	-	-	106 220
Current portion of lease liabilities	-	234 408	-	-	-	234 408
Current portion bank and private equity funding	738 953	-	(100 000)	-	-	638 953
Current portion of deposits from Bank customers	-	-	-	14 562 066	-	14 562 066
Current portion of participatory contribution from Bank customers	-	-	1 889 589	-	-	1 889 589
Short-term borrowings and bank overdraft	243 661	-	-	-	-	243 661
Taxation payable	33 923	-	-	-	-	33 923
	2 389 194	226 343	1 795 733	14 562 066	-	18 973 336
Non-current liabilities associated with assets classified as held for sale	2 395 511	1 896 701	-	-	-	4 292 212
Total current liabilities	4 784 705	2 123 044	1 795 733	14 562 066	-	23 265 548
Total equity and liabilities	34 948 970	2 744 517	1 308 126	-	-	39 001 613

Notes to the financial statements continued

2. Restatement and re-presentation of the financial results for the year ended 31 December 2019 continued

2.4 Prior period error – valuation of loans and advances continued

Statement of financial position

As at 31 December 2018

	Consolidated						
	Previously reported as at 31 December 2018 R000	Change in accounting policy		Prior period error			Restated 31 December 2018 R000
		2.1	2.2.1	2.2.2	2.2.3	2.2.4	
	Adoption of IFRS 16 R000	Consolidation R000	Classification R000	Bank fee receivable R000	Bank and cash reclassification R000		
Assets							
Non-current assets							
Property, terminals, machinery, vehicles and equipment	1 752 225	-	-	-	-	-	1 752 225
Right of use assets	-	1 006 617	-	-	-	-	1 006 617
Goodwill and Intangible assets	701 975	-	-	-	-	-	701 975
Investments in subsidiaries	-	-	-	-	-	-	-
Investments in joint ventures	2 900 070	(123 965)	-	-	-	-	2 776 105
Investments in associates	970 919	(104)	-	-	-	-	970 815
Investment property	120 113	-	-	-	-	-	120 113
Other investments	2 006 966	-	-	-	(253 292)	-	1 753 674
Preference shares investments by trusts	-	-	100 000	-	-	-	100 000
Loans and advances	-	-	-	4 329 050	-	-	4 329 050
Deferred taxation	60 945	-	-	-	-	-	60 945
Total non-current assets	8 513 213	882 548	100 000	4 329 050	-	(253 292)	13 571 519
Loans and advances to Bank customers	7 755 744	-	-	(7 755 744)	-	-	-
Current assets							
Current portion of loans and advances	-	-	-	3 426 694	241 361	-	3 668 055
Liquid assets and short-term negotiable securities	2 843 541	-	(18 256)	-	-	-	2 825 285
Current portion of preference share investments by trusts	-	-	941 000	-	-	-	941 000
Inventories	90 186	-	-	-	-	-	90 186
Trade and other receivables	2 255 743	-	11 032	-	(241 361)	-	2 025 414
Taxation receivable	77 619	-	-	-	-	-	77 619
Cash and cash equivalents	3 817 069	-	6 695	-	-	253 292	4 077 056
	9 084 158	-	940 471	3 426 694	-	253 292	13 704 615
Non-current assets classified as held for sale	298 349	-	-	-	-	-	298 349
Total current assets	9 382 507	-	940 471	3 426 694	-	253 292	14 002 964
Total assets	25 651 464	882 548	1 040 471	-	-	-	27 574 483

	Consolidated						Restated 31 December 2018 R000
	Previously reported as at 31 December 2018 R000	Change in accounting policy 2.1 Adoption of IFRS 16 R000	2.2.1 Consolidation R000	Prior period error		Bank and cash reclassification R000	
				2.2.2 Classification R000	2.2.3 Bank fee receivable R000		
Equity and liabilities							
Capital and reserves							
Share capital and premium	3 977 456	-	-	-	-	-	3 977 456
Non-distributable reserves	1 558 852	(17 938)	-	-	-	-	1 540 914
Accumulated profit	4 082 221	(169 963)	-	-	-	-	3 912 258
Equity attributable to owners of the Company	9 618 529	(187 901)	-	-	-	-	9 430 628
Non-controlling interests	59 133	(6 853)	-	-	-	-	52 280
Total equity	9 677 662	(194 754)	-	-	-	-	9 482 908
Non-current liabilities							
Long-term borrowings	455 223	-	-	-	-	-	455 223
Lease liabilities	-	862 092	-	-	-	-	862 092
Long-term bank and private equity funding	1 191 874	-	(697 692)	-	-	-	494 182
Derivative financial liabilities	7 911	-	-	-	-	-	7 911
Deferred taxation	248 732	(27 317)	-	-	-	-	221 415
Deposits from Bank customers	-	-	-	340 159	-	-	340 159
Participatory contribution from Bank customers	-	-	60 670	-	-	-	60 670
Provision for post-retirement medical aid	25 510	-	-	-	-	-	25 510
Provisions	29 038	-	-	-	-	-	29 038
Total non-current liabilities	1 958 288	834 775	(637 022)	340 159	-	-	2 496 200
Deposits from Bank customers	10 506 404	-	-	(10 506 404)	-	-	-
Current liabilities							
Trade and other payables	1 432 744	(15 270)	24 039	-	-	-	1 441 513
Current portion of long-term borrowings	825 173	-	-	-	-	-	825 173
Current portion of lease liabilities	-	257 797	-	-	-	-	257 797
Current portion of bank and private equity funding	368 895	-	-	-	-	-	368 895
Current portion of deposits from Bank customers	-	-	-	10 166 245	-	-	10 166 245
Current portion of participatory contribution from Bank customers	-	-	1 653 454	-	-	-	1 653 454
Short-term borrowings and bank overdraft	745 936	-	-	-	-	-	745 936
Taxation payable	67 742	-	-	-	-	-	67 742
	3 440 490	242 527	1 677 493	10 166 245	-	-	15 526 755
Non-current liabilities associated with assets classified as held for sale	68 620	-	-	-	-	-	68 620
Total current liabilities	3 509 110	242 527	1 677 493	10 166 245	-	-	15 595 375
Total equity and liabilities	25 651 464	882 548	1 040 471	-	-	-	27 574 483

Notes to the financial statements continued

2. Restatement and re-presentation of the financial results for the year ended 31 December 2019 continued

2.4 Prior period error – valuation of loans and advances continued
Restatement impact on the 2018 Income Statement
Income statement
For the year ended 31 December 2018

	Consolidated					
	2018		2018		2018	
	Change in accounting policy 2.1	Prior period error 2.2.1	Re-presentation 2.2.5	Re-presentation 2.3	Restated 31 December 2018 R000	Restated 31 December 2018 R000
	Previously reported as at 31 December 2018 R000	Adoption of IFRS 16 R000	Consolidation R000	ECL disclosure R000	Re-presentation of discontinued operations R000	Restated 31 December 2018 R000
Revenue	3 423 534	-	(25 921)	-	68 967	3 466 580
Trading Profit	645 394	252 110	(25 921)	102 982	300 042	1 274 607
Depreciation and amortisation	(193 277)	(268 881)	-	-	-	(462 158)
Expected credit losses	-	-	-	(102 982)	(300 136)	(403 118)
Operating profit before interest and taxation	452 117	(16 771)	(25 921)	-	(94)	409 331
Non-trading items	81 726	-	-	-	(564 286)	(482 560)
Interest received	245 454	-	-	-	966	246 420
Interest paid	(85 451)	(67 897)	25 921	-	(23 169)	(150 596)
Profit before share of associate and joint venture companies' profit	693 846	(84 668)	-	-	(586 583)	22 595
Share of joint venture companies' profit after taxation	204 405	(2 750)	-	-	1 961	203 616
Share of associate companies' profit after taxation	130 948	(302)	-	-	(122 641)	8 005
Profit before taxation	1 029 199	(87 720)	-	-	(707 263)	234 216
Taxation	(153 951)	21 994	-	-	(48 453)	(180 410)
Profit for the year before non-controlling interest	875 248	(65 726)	-	-	(755 716)	53 806
Non-controlling interests	(6 155)	738	-	-	(2 965)	(8 383)
Profit for the year from continuing operations	869 093	(64 988)	-	-	(758 681)	45 423
Profit from discontinued operations	2 041 870	92 614	-	-	758 681	2 893 165
Profit for the year	2 910 963	27 626	-	-	-	2 938 588
Basic earnings/ (loss) per share (cents)						
From continuing operations	106.9	(8.6)	-	-	(100.9)	(2.7)
From discontinued operations	271.6	12.3	-	-	100.9	384.8
Total	378.5	3.7	-	-	-	382.1
Diluted earnings/ (loss) per share (cents)						
From continuing operations	106.1	(8.6)	-	-	(100.2)	(2.7)
From discontinued operations	269.8	12.2	-	-	100.2	382.2
Total	375.9	3.6	-	-	-	379.5
Headline earnings/ (loss) per share (cents)						
From continuing operations	95.3	(8.6)	-	-	(22.8)	63.9
From discontinued operations	(33.3)	51.8	-	-	22.8	41.3
Total	62.0	43.2	-	-	-	105.2

Statements of cash flows

For the year ended 31 December 2018

	Consolidated			
	Previously reported for the year ended 31 December 2018 R000	Change in accounting policy 2.1	Prior period error 2.2.1	Restated 31 December 2018 R000
	Adoption of IFRS 16 R000	Consolidation R000	Restated 31 December 2018 R000	Restated 31 December 2018 R000
Net cash utilised in operating activities	(6 081 518)	573 592	104 922	(5 403 004)
Net cash generated from investing activities	(448 564)	-	253 292	(195 272)
Net cash utilised in financing activities	197 558	(573 592)	(106 085)	(482 119)
Net movement in cash	(6 332 524)	-	252 129	(6 080 395)

3. Property, terminals, machinery, vehicles and equipment

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

Terminals and machinery	5 – 20 years
Information technology equipment	3 – 5 years
Locomotives	12 – 22 years
Vehicles	5 – 10 years
Freehold and leasehold properties	25 – 50 years

Depreciation commences when the assets are available and 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.

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

Assets that are held for rental are initially classified as property, terminals, 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 currently estimated between 25 to 50 years are reflected at cost and depreciated to estimated residual value over their useful life to Grindrod, currently estimated at 50 years from the date of acquisition. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Grindrod's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available and ready for their intended use.

Notes to the financial statements continued

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

Expenditure relating to leasehold properties is capitalised and depreciated over the period of the lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Where the estimated residual value of asset classified as property, terminals, machinery, vehicles and equipment exceeds the cost, depreciation is not provided.

An item of property, terminals, machinery, vehicles and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, terminals, machinery, vehicles and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

	Cost/ valuation 2019 R000	Accumulated depreciation, amortisation and impairment 2019 R000	Carrying value 2019 R000	Carrying value 2018 R000*
Freehold and leasehold properties				
Opening balance	1 405 320	(301 147)	1 104 173	845 568
Translation (loss)/ gain	(10 423)	2 001	(8 422)	38 772
Reclassification	-	-	-	74 667
Additions and improvements	86 534	-	86 534	127 281
Acquisition of businesses	465	-	465	104 315
Disposals	(26 428)	26 293	(135)	(44 397)
Depreciation and amortisation	-	(40 623)	(40 623)	(42 033)
Transferred from non-current assets classified as held-for-sale (note 13)	87	-	87	-
Closing balance	1 455 555	(313 476)	1 142 079	1 104 173
Property under construction				
Opening balance	5 605	-	5 605	60 097
Translation (loss)/ gain	(1 160)	-	(1 160)	3 991
Additions	46 715	-	46 715	9 010
Disposals	(3 569)	-	(3 569)	(501)
Reclassification	-	-	-	(66 992)
Closing balance	47 591	-	47 591	5 605

Consolidated

	Cost/ valuation 2019 R000	Accumulated depreciation, amortisation and impairment 2019 R000	Carrying value 2019 R000	Carrying value 2018 R000*
Terminals, machinery, vehicles and equipment				
Opening balance	1 328 343	(722 160)	606 183	552 695
Translation (loss)/ gain	(28 037)	22 813	(5 224)	16 377
Reclassification	38 512	(19 595)	18 917	(8 111)
Additions	248 501	-	248 501	194 779
Acquisition of businesses	13 731	-	13 731	8 652
Impairment	-	(37 606)	(37 606)	(2 682)
Disposals	(176 365)	136 560	(39 805)	(30 313)
Depreciation	-	(141 592)	(141 592)	(125 214)
Transferred from non-current assets classified as held for sale (note 13)	657 914	(651 945)	5 969	-
Closing balance	2 082 599	(1 413 525)	669 074	606 183
Leased terminals, vehicles and equipment				
Opening balance	58 408	(22 144)	36 264	19 643
Translation loss	-	-	-	(108)
Reclassification	(58 408)	22 144	(36 264)	(391)
Additions	-	-	-	3 661
Acquisition of businesses	-	-	-	14 976
Depreciation	-	-	-	(1 517)
Closing balance	-	-	-	36 264
Right of use assets				
Opening balance	1 622 180	(615 563)	1 006 617	1 045 851
Translation (loss)/ gain	(9 620)	9 200	(420)	17 583
Reclassification	19 896	(2 549)	17 347	-
Additions	329 125	-	329 125	291 559
Acquisition of businesses	45 270	-	45 270	-
Disposals	(46 247)	46 247	-	(79 494)
Depreciation	-	(294 541)	(294 541)	(268 882)
Closing balance	1 960 604	(857 206)	1 103 398	1 006 617
Total	5 546 349	(2 584 207)	2 962 142	2 758 842
Property, terminals, machinery, vehicles and equipment	3 585 745	(1 727 001)	1 858 744	1 752 225
Right of use assets	1 960 604	(857 206)	1 103 398	1 006 617

Notes to the financial statements continued

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

	Consolidated 2018		Carrying value R000
	Cost/ valuation R000	Accumulated depreciation, amortisation and impairment R000	
Freehold and leasehold properties	1 405 320	(301 147)	1 104 173
Property under construction	5 605	-	5 605
Terminals, machinery, vehicles and equipment	1 328 343	(722 160)	606 183
Leased terminals, machinery, vehicles and equipment	58 408	(22 144)	36 264
Right of use assets	1 622 180	(615 563)	1 006 617
	4 419 856	(1 661 014)	2 758 842

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

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 144.

Impairment

In the current year, trucks of R37.6 million were impaired based on market value, asset age and utilisation. Market value was determined with reference to the current selling price less cost to sell of trucks of similar location, age and condition and is classified as Level 2.

Further details relating to the right of use asset are shown in note 36.

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, machinery, vehicles and equipment at replacement value, however in certain circumstances asset cover is limited to market value. The sum insured is R10 303.9 million (2018: R8 497.9 million).

4. Goodwill and intangible assets

4.1 Accounting policy

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

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

Other intangible assets

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

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

4.2 Goodwill

	Cost/ valuation 2019 R000	Accumulated impairment losses 2019 R000	Carrying value 2019 R000	Carrying value 2018 R000
Opening balance	1 225 266	(652 429)	572 837	571 281
Translation (loss)/ gain	(435)	-	(435)	1 556
Acquisition of businesses	82 012	-	82 012	-
Closing balance	1 306 843	(652 429)	654 414	572 837

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:

	2019 R000	2018 R000
Terminals	12 290	12 290
Grindrod Integrated Logistics	170 152	170 357
Seafreight	108 502	108 502
Ships Agencies and Clearing and Forwarding	281 458	281 688
Group	82 012	-
	654 414	572 837

Goodwill of R82.0 million (2018: Rnil) arose from the consolidation of Innovative Strategic Investments 1 (Pty) Ltd following the control review in terms of IFRS 10 Consolidated Financial Statements. The triggered consolidation was accounted for in terms of IFRS 3 Business Combinations and Grindrod's accounting policy. This initial accounting of acquisition has only been provisionally determined at the end of the reporting period. Refer to note 33.

Notes to the financial statements continued

4. Goodwill and intangible assets continued

4.2 Goodwill continued

Impairment testing of goodwill

The recoverable amounts of the cash-generating units was determined using discounted cash flow (DCF) valuation model. The DCF calculation uses cash flow projections based on financial budgets approved by the directors covering a three year period with an additional two years included based on the expected margins and growth rates of between 3.0% – 5.0%. A discount rate of between 12.0% – 13.0% per annum applied as follows:

- 12.1% – Terminals
- 13.0% – Ships Agencies and Clearing and Forwarding
- 12.3% – Grindrod Integrated Logistics
- 12.0% – Seafreight

The discount rates were based on current market assessment of the optimal capital structure, cost of equity and cost of debt. The directors believe that any reasonable change in the key assumptions, on which the recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Sensitivities on goodwill valuation

The impact on the net surplus on the discounted cash flow calculations of the material goodwill balances will be impacted as follows:

	2019 Headroom R000	Impact on headroom if	
		1% increase in WACC and 1% decrease in Growth rate R000	1% decrease in WACC and 1% increase in Growth rate R000
Ships Agencies and Clearing and Forwarding	341 681	(131 986)	211 458
Grindrod Integrated Logistics	743 470	(310 570)	511 063
Seafreight	424 625	(142 415)	239 673

The above movements do not result in any potential impairments

	Cost/ valuation 2019 R000	Accumulated amortisation and impairment losses 2019 R000	Carrying value 2019 R000	Carrying value 2018 R000
4.3 Other Intangible Assets				
Opening balance	455 239	(326 101)	129 138	139 628
Translation gain/ (loss)	(352)	326	(26)	(1 423)
Reclassification	-	-	-	826
Additions	13 876	-	13 876	2 006
Acquisition of businesses	-	-	-	28 890
Disposals	(42 329)	42 329	-	-
Impairment	-	-	-	(16 276)
Amortisation	-	(24 712)	(24 712)	(24 513)
Transferred from non-current assets classified as held for sale (note 13)	1 187	(1 016)	171	-
Closing balance	427 621	(309 174)	118 447	129 138
Goodwill and Intangible assets total	1 734 464	(961 603)	772 861	701 975

Write-off periods of other intangible assets

Intangible assets consist mainly of leases, software, licences and customer contracts and are written off over periods ranging from 3 (2018: 3) to 30 (2018: 30) years.

5. Investments in joint ventures

Interests in joint ventures

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

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

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

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

Name of joint venture	Principal Activity	Place of incorporation	Segment	Proportion of ownership 2019	Proportion of ownership 2018
Röhlig-Grindrod (Pty) Ltd	Clearing and forwarding	South Africa	Logistics	42.5%	42.5%
Portus Indico-Sociedade de Servicos Portuarios SA	Port operations	United Arab Emirates	Ports and Terminals	48.5%	48.5%
GPR Leasing Africa Ltd (GPR)	Rail leasing	Mauritius	Logistics	55.0%	55.0%
Maputo Intermodal Container Depot SA	Storage and logistics	Mozambique	Logistics	50.0%	50.0%
Cockett Marine Oil Pte Ltd	Marine fuel and lubricants	Singapore	Discontinued Operations	50.0%	50.0%
Cockett Marine South Africa (Pty) Ltd	Marine fuel and lubricants	South Africa	Discontinued Operations	50.0%	50.0%
CMOG Fuel DMCC	Marine fuel and lubricants	United Arab Emirates	Discontinued Operations	50.0%	50.0%
Terminal De Carvo da Matola Limitada (TCM)	Terminals	Mozambique	Ports and Terminals	65.0%	65.0%
Oiltanking Grindrod Calulo Holdings (Pty) Ltd	Liquid bulk storage and trading	South Africa	Ports and Terminals	30.5%	30.5%
RBT Grindrod Terminals (Pty) Ltd (RBTG)	Terminals	South Africa	Ports and Terminals	59.7%	59.7%
New Limpopo Bridge Projects Ltd (NLPI)	Rail logistics	Mauritius	Logistics	74.5%	74.5%

Information about the composition of the Group at the end of the reporting period has been included in the key operating segment on page 143.

Notes to the financial statements continued

5. Investments in joint ventures continued

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

	Port and Terminals		Logistics		Total Continuing Operations		Total Discontinued Operations	
	2019 R000	2018 R000*	2019 R000	2018 R000*	2019 R000	2018 R000*	2019 R000	2018 R000*
Statement of profit/ (loss)								
Revenue	600 102	466 375	527 675	397 018	1 127 777	863 393	8 433 894	20 444 416
Operating income before interest and taxation and after non-trading items and non-controlling interests	167 628	187 695	66 290	210 472	233 918	398 167	35 031	71 586
Net interest paid	(42 524)	(47 115)	(28 746)	(23 798)	(71 270)	(70 913)	(24 613)	(40 234)
Taxation	(67 038)	(29 492)	(36 974)	(94 146)	(104 012)	(123 638)	(2 300)	(5 304)
Profit for the year	58 066	111 088	570	92 528	58 636	203 616	8 118	26 048
Statement of financial position at 100%								
Non-current assets	3 081 056	3 800 410	1 510 176	963 334	4 591 232	4 763 744	245 080	349 155
Current assets	255 503	200 898	1 231 297	911 860	1 486 800	1 112 758	4 006 980	5 031 726
Cash and cash equivalents	247 303	175 727	132 774	420 742	380 077	596 469	-	-
Non-current liabilities	(744 062)	(1 460 476)	(682 316)	(444 559)	(1 426 378)	(1 905 035)	(10 817)	(52 294)
Current liabilities	(672 549)	(596 194)	(1 457 629)	(1 135 617)	(2 130 178)	(1 731 811)	(2 823 958)	(4 006 945)
Bank overdraft	-	-	(196 891)	(194 968)	(196 891)	(194 968)	(723 982)	(648 969)
Net assets	2 167 251	2 120 365	537 411	520 792	2 704 662	2 641 157	693 303	672 673
Proportion of Group's ownership in joint ventures	1 311 855	1 284 178	295 037	330 249	1 606 892	1 614 427	346 652	336 337
Goodwill	308 069	334 489	1 886	1 886	309 955	336 375	32 620	33 505
Loans	286 784	292 617	168 005	172 566	454 789	465 183	168 000	172 566
Other	10 744	11 872	(34 235)	(105 431)	(23 491)	(93 559)	(29 471)	(12 439)
Transferred to non-current assets classified as held for sale (note 13)	-	-	-	(76 290)	-	(76 290)	(517 801)	-
Group's share of net assets of joint ventures	1 917 452	1 923 156	430 693	322 980	2 348 145	2 246 136	-	529 969
Dividends received from joint ventures	21 690	52 920	22 872	11 011	44 562	63 931	-	-

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

The current year income statement and balance sheet for discontinued operations is as at the date of classification as non-current asset held for sale.

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

	Consolidated	
	2019 R000	2018 R000
Authorised and contracted for and due within one year	-	18 402
Authorised and not contracted for	-	267 962
Total	-	286 364

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

Notes to the financial statements continued

6. Investments in associates

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

Grindrod holds certain investments in associates and joint ventures, directly or indirectly, through an entity that is an investment entity as defined, and has elected to measure those investments at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. Grindrod made this election separately for each associate or joint venture, at initial recognition of the associate or joint venture (refer to note 5).

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.

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

	Port and Terminals		Logistics		Total Continuing Operations		Total Discontinued Operations	
	2019 R000	2018 R000*	2019 R000	2018 R000*	2019 R000	2018 R000*	2019 R000	2018 R000*
Statement of profit/ (loss)								
Revenue	37 485	32 143	10 513	8 188	47 998	40 331	356 924	2 718 572
Depreciation	(20 409)	(18 343)	-	-	20 409	(18 343)	(6 891)	(17 988)
Operating income before interest and taxation	31 527	27 020	706	2 048	32 233	29 068	34 330	232 476
Net interest paid	(16 908)	(17 062)	-	-	(16 908)	(17 062)	(14 832)	(69 003)
Taxation	(4 715)	(3 283)	(896)	(718)	(5 611)	(4 001)	(5 032)	(40 833)
Profit/ (loss) for the year	9 904	6 675	(190)	1 330	9 714	8 005	14 466	122 640
Statement of financial position at 100%								
Non-current assets	1 016 728	1 122 738	702	1 006	1 017 430	1 123 744	1 187 243	1 962 927
Current assets	39 115	39 177	17 624	8 544	56 739	47 721	6 141 682	7 642 530
Cash and cash equivalents	56 724	55 952	6 840	21 973	63 564	77 925	66 810	66 810
Non-current liabilities	(641 004)	(327 960)	(23)	(72)	(641 027)	(328 032)	(1 209 751)	(1 134 555)
Current liabilities	(103 730)	(560 677)	(22 499)	(28 443)	(126 229)	(589 120)	(3 351 467)	(4 686 893)
Net assets	367 833	329 230	2 644	3 008	370 477	332 238	2 834 517	3 850 819
Proportion of Group's ownership in associate	95 642	86 126	1 296	2 372	96 938	88 498	586 178	791 699
Loans	-	-	1 070	-	1 070	-	-	-
Goodwill and other	(5 091)	(1 345)	-	917	(5 091)	(428)	(97 006)	91 046
Transferred to non-current assets classified as held for sale (note 13)	-	-	-	-	-	-	(489 172)	-
Group's share of net assets of associates	90 551	84 781	2 366	3 289	92 917	88 070	-	882 745
Dividends received from associates	-	-	-	-	-	-	25 363	36 768

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

The financial year-end for Senwes Ltd is 30 April. For purposes of applying the equity method, at year-end, for associates with differing year ends, reporting is based on management's best estimates.

The market value of Senwes Ltd is available on the Company's website.

The Group has associate interests in the following companies:

Name of associate	Principal Activity	Place of incorporation	Segment	Proportion of ownership 2019	Proportion of ownership 2018
Grindrod Namibia Stevedoring (Pty) Ltd	Stevedoring	Namibia	Port and Terminals	49.0%	49.0%
Empresa De Dragagem Do Porto de Mozambique S.A.	Port dredging	Mozambique	Port and Terminals	25.5%	25.5%
Senwes Ltd	Agricultural logistics	South Africa	Discontinued Operations	20.7%	20.7%
NWK Ltd*	Agricultural logistics	South Africa	Discontinued Operations	-	20.4%
Sturrock Flex Shipping Ltd	Clearing and forwarding	Tanzania	Logistics	49.0%	49.0%

* NWK Ltd was disposed in the current year.

Information about the composition of the Group at the end of the reporting period has been included in the key operating segments on page 143.

Notes to the financial statements continued

7. Other investments

	Consolidated	
	2019 R000	2018 R000*
Financial assets measured at FVTPL		
Listed investments	178 437	138 629
Unlisted investments	1 670 237	1 168 903
Pension fund surplus recognised**	132 211	134 230
Financial assets measured at FVTOCI		
Unlisted investments in insurance cell captives	12 454	7 820
Financial assets measured at amortised cost		
Loans to related parties	308 738	304 092
	2 302 077	1 753 674

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

** Details of the pension fund are included in note 17.

Refer to note 35.1 for fair value hierarchy.

The fair value of the investments equal the carrying amount.

Loans to related parties relate mainly to the preference share investments in RBT Resources (Pty) Ltd and in RBT Grindrod Terminals (Pty) Ltd. The preference share investment in RBT Resources (Pty) Ltd is held at amortised cost. Interest is charged at prime interest rate plus 2% and is redeemable within 4-10 years. The preference share investment in RBT Grindrod Terminals (Pty) Ltd is held at amortised cost. Interest is charged at prime interest rate and is redeemable after 10 years. The fair value of the security for this preference share debt exceeds the value of the debt and there is no breach currently.

Material investments in associates held by the Private Equity business which is an "investment entity" included in the unlisted investments measured at FVTPL.

	Place of incorporation	2019 Proportion of ownership	2018 Proportion of ownership
Entity A	South Africa	49.6%	49.6%
Entity B	South Africa	26.0%	26.0%

Summarised financial information in respect of each of the Group's significant associates are set out below. The summarised financial information below represents gross amounts in Associates' financial statements:

	Entity A		Entity B	
	2019 R000	2018 R000	2019 R000	2018 R000
Statement of profit/ (loss) at 100%				
Revenue	13 159	11 202	603 289	362 207
Depreciation	(20)	(10)	-	-
Operating (loss)/ income before interest and taxation	(14 382)	(9 785)	124 940	85 196
Net interest (paid)/ received	(7 702)	(8 788)	(44 670)	(29 039)
Taxation	5 649	4 221	(22 471)	(12 642)
(Loss)/ profit for the year	(16 435)	(14 352)	57 799	43 515
Statement of financial position at 100%				
Non-current assets	584 858	677 773	476 247	407 279
Current assets	55 706	23 382	339 518	137 447
Cash and cash equivalents	108	239	2 709	19 938
Non-current liabilities	(132 551)	(175 785)	(412 272)	(258 979)
Current liabilities	(338)	(458)	(194 003)	(151 290)
Net assets	507 783	525 151	212 199	154 395

Associate entities have differing year ends. Management have used the latest unaudited available financial information.

Notes to the financial statements continued

8. Preference share investments by trusts

	Consolidated	
	2019 R000	2018 R000*
Preference share assets	1 127 444	1 041 000
Split as follows		
Non-current	644 900	100 000
Current	482 544	941 000
Participatory contributions	(1 724 276)	(1 714 124)
Split as follows		
Non-current	(77 544)	(60 670)
Current	(1 646 732)	(1 653 454)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

The Grindrod Investment Trust (GIT) and the Grindrod Preference Share Investment Trust (GPSIT) source cumulative preference shares from a limited pool of credit suitable issuers. Potential investors are approached, and the trusts enter into participation agreements with these investors in terms of which the investors make contributions to the trusts and the trusts use the contributions to subscribe for cumulative preference shares.

The investors, who become vested beneficiaries of the trusts, have an irrevocable right, title and interest in and to the cashflows arising from the underlying preference shares held by the trusts. Investors carry the credit risk of the underlying preference shares. Investors have shorter maturity dates, in general, compared to the contract duration of the preference share investment made by the trusts. The trusts manage the arising liquidity mismatch in the ordinary course of their business.

GFS Holdings (Pty) Ltd and Grindrod Property Private Equity (Pty) Ltd, wholly owned subsidiaries of Grindrod Limited, issued cumulative preference shares to GIT of R600 million in its respective statements of financial position as at 31 December 2019 (2018: R350 million). Grindrod Bank Ltd invests in the GIT on a nominal basis but had no contribution balance with the GIT as at the end of 31 December 2019 (2018: R0.3 million).

9. Deferred taxation

Deferred taxation assets and liabilities

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

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

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

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

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

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

	Consolidated	
	2019 R000	2018 R000*
Deferred taxation analysed by major category:		
Capital allowances	(62 282)	(129 823)
Other timing differences	13 782	(72 979)
Leases	8 457	27 317
Estimated taxation losses	2 657	15 015
	(37 386)	(160 470)
Reconciliation of deferred taxation:		
Opening balance	(160 470)	(181 556)
Income statement effect – continuing operations	153 297	41 410
Translation adjustment	1 020	(3 817)
Acquisition of businesses	-	(18 880)
Deferred tax on fair value gains/ losses recognised directly in equity	(671)	567
Transitional provision – implementation of IFRS 9 and 15	-	1 806
Transferred from non-current assets classified as held for sale (note 13)	(30 562)	-
Closing balance	(37 386)	(160 470)
Comprising:		
Deferred taxation assets	98 910	60 945
Deferred taxation liabilities	(136 296)	(221 415)
	(37 386)	(160 470)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

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

Notes to the financial statements continued

10. Loans and advances

	Consolidated	
	2019 R000	2018 R000*
Held at amortised cost	4 996 343	5 397 178
Held at FVTPL	2 466 627	1 803 009
Held at FVTPL using year-end market related interest rate yield curves to discount expected future cash flows	967 888	796 918
	8 430 858	7 997 105
Loans and advances – companies and close corporations	7 083 463	6 507 414
Loans and advances – unincorporated businesses	597 793	561 202
Loans and advances – individuals	72 813	79 205
Preference shares	741 998	876 537
Interest accrued	60 775	65 490
Revaluation of loans held at FVTPL	(43 879)	(47 563)
Less: impairments against advances	(82 105)	(45 180)
	8 430 858	7 997 105
Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, shares, discounted invoices, guarantees and suretyships. This book is considered to be well secured and impairments have been raised where impairment indicators exist.		
Contractual maturity analysis:		
Maturity on demand	808 906	1 134 206
Maturing within one month	706 284	287 753
Maturing after one month but within three months	169 924	1 404 699
Maturing after three months but within six months	973 868	463 577
Maturing after six months but within one year	1 507 928	377 820
Maturing after one year but within three years	1 915 441	1 685 711
Maturing after three years but within five years	913 232	1 270 703
Maturing after five years but within ten years	1 472 764	1 345 896
Maturing after ten years	27 720	83 840
Interest accrued	60 775	65 490
Revaluation of loans held at FVTPL	(43 879)	(77 410)
Less: impairments and ECL against advances	(82 105)	(45 180)
	8 430 858	7 997 105
Spilt as follows		
Non-current	4 263 948	4 329 050
Current	4 166 910	3 668 055
	8 430 858	7 997 105
Maximum exposure to credit risk before impairments	8 430 858	7 997 105
Exposures with renegotiated terms	1 389 478	-

	Consolidated	
	2019 R000	2018 R000*
The maturity analysis of advances is based on the remaining contractual periods to maturity from the reporting date and does not take repayment profiles into account.		
<i>Sectoral analysis:</i>		
Agriculture, hunting, forestry and fishing	55 850	178 367
Mining and quarrying	34 298	28 614
Manufacturing	218 390	299 513
Electricity, gas and water supply	1 640	3 803
Construction	-	39 975
Wholesale and retail trade, repair of specified items, hotels and restaurants	305 453	290 574
Transport, storage and communication	52 325	164 370
Financial intermediation and insurance	399 299	200 551
Real estate	5 375 988	3 342 580
Business services	368 381	10 695
Community, social and personal services	38 117	46 713
Private households	64 037	69 753
Other	1 539 209	3 342 211
Expected credit loss provision against advances (ECL Stage 1 & 2)	(22 129)	(20 614)
	8 430 858	7 997 105
<i>Geographical analysis:</i>		
South Africa	8 430 858	7 997 105
Included in loans and advances are fixed rate loans designated as held at FVTPL:		
Net book value of loans and advances held at FVTPL	945 759	788 540
Revaluation of loans and advances held at FVTPL	22 129	8 378
Less: impairment of loans and advances held at FVTPL	-	-
Fair value of loans and advances held at FVTPL	967 888	796 918
Analysis of impaired loans and advances:		
Loans and advances classified as special mention	811 732	240 359
Loans and advances classified as sub-standard	252 862	32 325
Loans and advances displaying significant weakness	88 470	66 935
Carrying amount of impaired loans and advances	1 153 064	339 619
	3 985 861	346 341
<i>Sectoral analysis of impaired loans and advances:</i>		
Manufacturing	7 839	32 243
Financial intermediation and insurance	19 380	9 305
Real estate	522 833	113 655
Wholesale and retail trade, repair of specified items, hotels and restaurants	60 635	17 447
Private households	848	-
Business services	210 193	-
Other	331 336	166 969
	1 153 064	339 619

Notes to the financial statements continued

10. Loans and advances continued

	Consolidated	
	2019 R000	2018 R000*
Breakdown of ECL provision included above:		
Analysis of portfolio (stages 1 and 2)		
Provision at the beginning of the year	20 614	29 629
Transitional provision – implementation of IFRS 9	–	5 755
Net increase/ (decrease) in provision	1 515	(5 960)
Correction of error	–	(8 810)
Provision at the end of the year	22 129	20 614
Analysis of impairments (stage 3)		
Impairments at the beginning of the year	24 566	3 670
Net increase in impairments	35 410	24 526
Write-off against impairments	–	(3 630)
Impairments at the end of the year	59 976	24 566
Provisioning analysis		
Portfolio provision – stage 1	15 177	14 167
Portfolio provision – stage 2	6 952	6 447
Specific impairments – stage 3	59 976	24 566
	82 105	45 180

	Consolidated	
	2019 R000	2018 R000*
Included in loans and advances are funds from related parties earning interest at market related rates:		
Directors (directly or indirectly)	3 879	4 797

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2. In addition the prior year classification between amortised cost and fair value has been restated.

11. Liquid assets and short-term negotiable securities

	Consolidated	
	2019 R000	2018 R000*
Statutory liquid assets		
Treasury bills	2 478 941	1 111 248
Measured at amortised cost		
Money market investments and debentures	–	1 714 037
	2 478 941	2 825 285

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

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

Statutory liquid assets are held to meet liquid asset requirements in terms of the Banks Act No. 94 of 1990.

12. Trade and other receivables

	Consolidated	
	2019 R000	2018 R000*
Trade debtors	1 150 743	1 314 964
Less: expected credit loss	(524 445)	(505 203)
Net trade debtors	626 298	809 761
Receivables from joint ventures	161 741	647 714
VAT receivable	89 088	76 490
Prepayments	100 748	63 308
Disbursements	130 196	49 343
Other receivables	248 986	378 798
	1 357 057	2 025 414
The carrying amount of trade and other receivables approximates fair value as these are predominantly short term and non-interest bearing.		
Reconciliation of expected credit loss allowance		
Opening balance	505 203	170 363
Increase in allowance	44 451	338 115
Allowance utilised	(25 209)	(3 275)
	524 445	505 203

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

Further details relating to expected credit loss are shown in note 35.

Notes to the financial statements continued

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

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

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

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

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

	Consolidated	
	2019 R000	2018 R000
Non-current assets classified as held for sale		
Ships, property, terminals, machinery, vehicles and equipment		
Freehold and leasehold properties	-	87
Terminals, machinery, vehicles and equipment	-	63 435
Intangible assets	-	170
Investment in joint venture and associates	985 892	153 370
Taxation receivable	-	3 026
Inventories	-	1 965
Cash and cash equivalent	-	30 438
Deferred taxation	-	1 568
Trade and other receivables	-	44 290
	985 892	298 349
Non-current liabilities associated with assets classified as held for sale		
Taxation payable	-	15 161
Deferred taxation	-	32 130
Trade and other liabilities	-	21 329
	-	68 620
	985 892	229 729

Sensitivity analysis of the marine fuel trading and agricultural logistics fair value calculation

	Consolidated	
	2019 \$'000	2018 \$'000
Marine Fuel Trading		
The Marine Fuel Trading business is carried at fair value less cost to sell in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The US Dollar fair value was determined using the sustainable earnings and a conservative price earnings multiple (P/ E) given the current market condition. The sensitivity analysis below shows the impact of individually changing the increasing or decreasing earnings and the P/ E by 10%, respectively, as well as the effects of a combined change in both the valuation inputs.		
Impact of a 10% decrease and increase in earnings on fair value less cost to sell	(3 907)	3 907
Impact of a 10% decrease and increase in P/ E on fair value less cost to sell	(3 907)	3 907
Combined impact of a decrease and increase in earnings and P/ E on fair value less cost to sell	(7 423)	8 204
Agricultural Logistics		
Investment in Senwes was marked to market using its publicly observable closing price of R11.95 per share as at 31 December 2019 as quoted on ZARX. No sensitivity was therefore necessary for this level 1 valuation.		

Business disposals

Grindrod performed a detailed assessment of its capabilities against external drivers and customer requirements, following the spin-off of the Shipping division in the prior year. This led to the revision of Group strategy resulting in the continuation of Rail businesses and the exit of the non-core Marine Fuel and Agricultural investments. Notwithstanding the offers received for the Rail businesses, opportunities for the Rail business were more commercially attractive supporting management's decision to continue with the business.

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

Notes to the financial statements continued

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

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

	Consolidated								
	Opening balance R000	Trans-lation R000	Transfer out R000	Transfer in R000	IFRS 5 Impair-ment R000	Additions R000	Other R000	Disposal R000	Closing balance R000
Ships, property, terminals, machinery, vehicles and equipment									
Freehold and leasehold properties	87	-	(87)	-	-	-	-	-	-
Terminals, machinery, vehicles and equipment	63 435	(3 964)	(5 969)	-	-	-	-	(53 502)	-
Intangible assets	170	-	(170)	-	-	-	-	-	-
Investment in joint venture and associates	153 370	(174)	(153 370)	1 452 094	(238 000)	-	(25 363)	(202 665)	985 892
Taxation	(12 135)	-	12 135	-	-	-	-	-	-
Inventories	1 965	-	(1 965)	-	-	-	-	-	-
Cash and cash equivalents	30 438	-	(30 438)	-	-	-	-	-	-
Deferred taxation	(30 562)	-	30 562	-	-	-	-	-	-
Trade and other receivables	44 290	-	(44 290)	-	-	-	-	-	-
Trade and other liabilities	(21 329)	-	21 329	-	-	-	-	-	-
	229 729	(4 138)	(172 263)	1 452 094	(238 000)	-	(25 363)	(256 167)	985 892

14. Share capital and premium

Group authorised and issued share capital are as follows:

	Consolidated	
	2019 R000	2018 R000
Authorised		
2 750 000 000 ordinary shares of 0.002 cents each	55	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each	6	6
	61	61
There has been no change in the number of shares from the prior year.		
Issued		
762 553 314 ordinary shares of 0.002 cents each	15	15
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each	2	2
	17	17

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

	Consolidated	
	2019 R000	2018 R000
Total issued share capital and premium	3 982 066	3 977 456

During the current year Grindrod purchased 460 000 (2018: 8 720 000) treasury shares.

At 31 December 2019, 82 269 444 (2018: 82 285 710) ordinary shares are held by subsidiaries of the Group.

Of these shares 4 223 100 (2018: 5 025 216) have been allocated to the Group's forfeitable share plan. Refer to notes 32 and 37 for details of the forfeitable share plan.

64 000 000 ordinary shares are held by Newshelf 1279 (Pty) Ltd and are treated as treasury shares due to the consolidation of this entity.

Notes to the financial statements continued

15. Long-term borrowings

	Consolidated	
	2019 R000	2018 R000*
Unsecured		
Long-term lease liabilities	1 205 746	1 119 889
Secured		
Long and medium-term financing	445 707	1 280 396
	1 651 453	2 400 285
Total amounts repayable within one year	(458 345)	(1 451 865)
Long-term borrowings	1 193 108	948 420
Interest-bearing borrowings are disclosed on consolidated statement of financial position as follows:	1 651 453	2 400 285
Long-term borrowings	268 230	455 223
Lease liabilities	924 878	862 092
Current portion of lease liabilities	280 869	257 797
Current portion of long-term borrowings	177 476	825 173
Short-term borrowings and bank overdraft	1 223 973	745 936
Short-term borrowings	252 882	277 678
Bank overdraft	971 091	468 258
Total interest-bearing debt (excluding Bank and Private Equity funding)	2 875 426	3 146 221

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

Group assets of R464.6 million (2018: R491.4 million), inclusive of non-current assets held for sale, are pledged as security for loans of R517.3 million (2018: R1 280.4 million).

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

At the end of the current year the Logistics Botswana operation, breached its debt covenants which resulted in the long-term borrowing being classified as current. This covenant breach was waived subsequent to year-end following fulfilment of agreed conditions.

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 144.

Available facilities

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

The Group has undrawn committed facilities as at 31 December 2019, as follows:

	Expiry category	Currency	2019 R000	2018 R000
Short-term borrowing facilities	0 – 3 months	USD	1 400	–
	0 – 3 months	ZAR	28 341	–
	3 – 6 months	ZAR	458 920	350 934
	6 – 9 months	USD	–	–
	9 – 12 months	USD	–	57 120
	9 – 12 months	ZAR	24 487	387 607
			513 148	795 661

16. Bank and private equity funding

	Consolidated	
	2019 R000	2018 R000*
Unsecured		
Long and medium-term financing	1 084 009	781 847
Secured		
Long and medium-term financing	568 838	81 230
	1 652 847	863 077
Total amounts repayable within one year	(535 009)	(368 895)
Long-term borrowings	1 117 838	494 182
	1 117 838	494 182

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

The North Coast property is pledged as security for the medium-term loan of R493 million.

Full details of the long and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of Bank and Private Equity funding instruments on page 145.

Notes to the financial statements continued

17. Retirement benefit plans

Post-employment benefit obligations

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

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

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

Grindrod 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 Pension Funds Act No. 24 of 1956.

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

- longevity risk;
- investment risk;
- market risk;
- liquidity risk;
- salary risk; and
- foreign exchange rate risk

Longevity risk

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

Investment risk

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

Market risk

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

Liquidity risk

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

Salary risk

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

Foreign exchange risk

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

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

	Consolidated	
	2019 R000	2018 R000
The funded status of the pension fund is as follows:		
Actuarial value of assets	177 269	176 042
Present value of liabilities	(45 058)	(41 812)
Actuarial surplus (note 7)	132 211	134 230
The amounts recognised in the annual financial statements in this respect are as follows:		
Recognised asset at beginning of the year	134 230	142 388
Recognised in the income statement in the current year	11 627	9 755
Interest on obligation	(4 148)	(3 813)
Current service cost	(1 830)	(1 178)
Past service cost	-	(3 807)
Settlement cost	-	-
Expected return on plan assets	17 605	18 553
Recognised in other comprehensive income in the current year	(13 646)	(17 913)
Actuarial gain arising from changes in financial assumptions	(12 910)	(16 666)
Actuarial loss arising from changes in experience assumptions	(736)	(1 247)
	132 211	134 230

Notes to the financial statements continued

17. Retirement benefit plans continued

	Consolidated	
	2019	2018
The assets of the fund were invested as follows:		
Cash and cash equivalents	4.3%	1.9%
Equity instruments	38.0%	48.9%
Debt instruments	14.8%	10.1%
Real estate	17.8%	18.4%
International instruments	25.0%	20.7%
Other	0.1%	0.1%

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

An actuarial valuation was performed on 31 December 2019. 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:

	Consolidated	
	2019	2018
Discount rate	10.1%	10.1%
Salary increase	6.5%	7.2%
Pension increase	5.5%	6.2%
Inflation increase	5.5%	6.2%

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

	2019		2018	
	Effect of a 1%		Effect of a 1%	
	Increase	(Decrease)	Increase	(Decrease)
	(1.7%)	2.1%	(1.7%)	2.1%

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

	2019		2018	
	Effect of a 1%		Effect of a 1%	
	Increase	(Decrease)	Increase	(Decrease)
	2.0%	(1.7%)	2.0%	(1.6%)

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

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

Grindrod and its employees expect to make a contribution of R33 000 (2018: R26 000) to the retirement benefit plan during the next financial year.

Description of Risk Management

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

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

18. Deposits from Bank customers

	Consolidated	
	2019 R000	2018 R000
Measured at amortised cost		
Call deposits	6 380 209	5 719 612
Notice and fixed deposits	4 676 784	4 786 792
Interest accrued	123 372	-
	11 180 365	10 506 404
Amounts owed to corporate banking depositors	9 328 309	8 745 738
Amounts owed to retail banking depositors	1 814 546	1 618 956
Amounts owed to banks	37 510	141 710
	11 180 365	10 506 404
Contractual maturity analysis		
Withdrawable on demand	6 411 918	5 719 612
Maturing within one month	1 424 453	1 398 650
Maturing after one month but within six months	2 691 870	2 519 100
Maturing after six months	652 124	869 042
	11 180 365	10 506 404
Spilt as follows		
Non-current	352 757	340 159
Current	10 827 608	10 166 245
	11 180 365	10 506 404
The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
<i>Sectoral analysis:</i>		
Banks	37 510	130 347
Government and public sector	809 755	49 825
Individuals	803 836	2 305 854
Business sector	9 529 264	8 020 378
	11 180 365	10 506 404
<i>Geographical analysis:</i>		
South Africa	11 180 365	10 506 404
Included in deposits are funds from related parties earning interest at market related rates:		
Directors (directly or indirectly)	350	5 987

Notes to the financial statements continued

19. Trade and other payables

	Consolidated	
	2019 R000	2018 R000*
Trade creditors	650 440	579 933
Accrued expenses	637 818	548 046
Other payables**	225 177	313 534
	1 513 435	1 441 513

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

** Other payables consist mainly of VAT, deposits and dividends payable.

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

20. Revenue

20.1 Accounting policy

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

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

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

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

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

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

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

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

The transaction price is allocated to each performance obligation in a contract on a relative stand-alone selling price basis where contracts have more than one performance obligation. Where discounts are issued on contracts that consist of more than one performance obligation, Grindrod allocates the discount to each performance obligation separately. In some instances, Grindrod provides multiple services to customers in a single contract. Where it is the intention of Grindrod to provide an end to end solution, these are considered as an integrated set of activities and treated as a single performance obligation.

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

20.2 Revenue description

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

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

Bulk Terminals

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

Container handling

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

Logistics

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

Ships Agency income

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

Notes to the financial statements continued

20. Revenue continued

20.2 Revenue description continued

Other services

Other services includes revenue earned from various ancillary services including training, bay stevedoring, clearing and forwarding etc. The performance obligation is the provision of the relevant service and is satisfied over time.

Fee, Dividend and Interest income (By Bank)

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.

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.

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

	Consolidated	
	2019 R000	2018 R000*
Revenue from each category is disaggregated in the following table:		
Bulk Terminals	500 357	400 528
Container handling	1 376 078	1 195 215
Logistics	972 365	850 070
Net interest income at Bank	121 730	270 011
Non-interest income at Bank	228 596	188 835
Ships agency income	381 973	301 901
Other services	253 360	260 020
	3 834 459	3 466 580
Analysis of Bank's net interest income included above:		
Interest income	988 950	1 125 556
Advances	575 042	729 339
Balances at banks and short-term funds	258 842	240 805
Preference share dividends, negotiable securities portfolio	1 458	3 261
Other short-term securities	87 162	71 790
Participatory contribution income	66 446	80 361
Interest expense	(867 220)	(855 545)
Call deposits	(303 758)	(290 434)
Notice and fixed deposits	(211 366)	(178 814)
Other interest expense	(81 838)	(162 185)
Prime linked notice deposits	(183 854)	(126 869)
Participatory contribution expense	(86 404)	(97 243)
Net interest income	121 730	270 011
Interest income calculated using the EIR method	121 730	270 011

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

21. Operating profit from continuing operations before interest and taxation

21.1 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.

Defined benefit costs

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

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

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

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

	Consolidated	
	2019 R000	2018 R000*
Net gain on financial instruments	253 093	184 953
Voyage expenses	135 266	117 785
Cost of sales	1 130 692	853 499
Bunker fuels	113 742	93 673
Container handling and logistics	823 448	663 991
Other commodities	193 502	95 835
Staff costs	1 232 842	1 134 035
Depreciation	476 756	437 560
Amortisation	24 712	24 598
Expected credit loss – Bank	23 904	65 003
Increase in trade receivables expected credit loss allowance	44 451	338 115
Auditors' remuneration		
Audit fees – current year provision	23 322	23 212
Prior year underprovision	2 299	276
Other	8 826	5 251
Professional fees		
Administrative and managerial	18 892	10 666
Technical/ projects	24 796	17 097
Sundry income**	86 259	164 229

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

** Sundry income includes insurance proceeds received, release of sundry creditors, scrap revenue, and spare part revenue.

Notes to the financial statements continued

22. Non-trading items from continuing operations

Non-trading items cover those amounts that are not considered to be of an operating/ trading nature, and generally include remeasurements 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, machinery, 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.

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

Non-trading items, is a non-IFRS measure and consist of items that are usually capital in nature or not of an operational nature. In most cases non-trading items are those items excluded in accordance with the South African Institute of Chartered Accountants (SAICA) Circular 1/ 2019.

	Consolidated	
	2019 R000	2018 R000*
Impairment of property, terminals, machinery, vehicles and equipment (note 3)	(37 606)	(567 564)
Impairment of intangible assets (note 4)	-	(16 276)
Net (loss)/ profit on disposal of investments	(39 759)	7 900
Impairment of investments	(23 544)	-
Net profit on disposal of property, terminals, machinery, vehicles and equipment	2 276	75 850
Foreign currency translation reserve release	1 280	173
Gain on bargain purchase	-	17 357
	(97 353)	(482 560)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

23. Net finance costs

	Consolidated	
	2019 R000	2018 R000*
Interest received on loans and receivables at amortised cost	157 343	246 420
Interest paid on financial liabilities held at amortised cost	(230 149)	(82 699)
Interest paid on lease liabilities	(69 052)	(67 897)
Total interest paid	(299 201)	(150 596)

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

Net finance costs excludes interest from the Bank which is shown as revenue in note 20.

24. Taxation

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

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

	Consolidated	
	2019 R000	2018 R000*
South African normal taxation		
Current		
On income for the year	79 218	81 417
Capital gains taxation (CGT)	227	20 479
Prior year	31 343	9 225
Withholding taxes	2 314	2 227
Deferred		
On income for the year	(20 797)	(14 663)
Prior year	(84 338)	(4 082)
Foreign		
Current		
On income for the year	63 931	63 621
Prior year	(30 855)	17 753
Withholding taxes	2 252	905
Deferred		
On loss for the year	(3 280)	(12 516)
Prior year	(49 129)	16 044
	(9 114)	180 410

Notes to the financial statements continued

24. Taxation continued

2019	South Africa %	Mozambique %	Mauritius and Other %	Group %
Rate of Tax	28.0	32.0	(20.4)	33.7
Normal taxation				
Adjusted for:				
Current year tax losses not utilised	1.4	(10.6)	20.5	(2.1)
Exempt income ¹	(53.5)	-	(23.4)	(31.6)
Non-taxable foreign items/ Income taxed at source	0.1	0.2	-	0.2
Withholding tax	1.8	-	14.0	5.1
Non-allowable items ²	74.4	0.7	31.9	44.3
Investment tax credits	-	(5.7)	(0.6)	(5.1)
CGT ³	(4.3)	-	-	(2.0)
Exchange rate impact	-	(0.6)	-	(0.5)
Tax dispensation	-	(25.0)	-	(21.2)
Prior year	(39.9)	-	(18.9)	(24.1)
Effective rate of taxation	8.0	(9.0)	3.1	(3.3)
Effective rate of taxation on profit including joint ventures and associates				25%
2018*				
Rate of Tax	28.0	32.0	(31.0)	(53.4)
Normal taxation				
Adjusted for:				
Current year tax losses not utilised	(0.9)	0.7	37.6	1 128.0
Exempt income ¹	(29.1)	(0.1)	(0.1)	(847.0)
Non-taxable foreign items/ Income taxed at source	1.1	-	-	32.0
Withholding tax	0.3	-	0.1	13.9
Non-allowable items ²	4.7	(0.5)	(0.3)	124.3
Investment tax credits	-	6.7	(0.7)	(4.6)
CGT ³	11.8	-	-	342.7
Exchange rate impact	-	(5.7)	(0.4)	(27.8)
Prior year	0.8	0.5	2.2	90.5
Effective rate of taxation	16.7	33.6	7.4	798.6
Effective rate of taxation on profit including joint ventures and associates				93.0%

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

¹ Exempt income relate mainly to dividends received and capital profit on sale.

² Non-allowable items mainly relate to non-deductible expenses and impairments.

³ Capital gains tax includes taxation on fair value of investments in the Bank and Private Equity divisions.

Subsidiary companies have estimated taxation losses of R994.4 million (2018: R1 548.4 million) including discontinuing operations of which R28.2 million (2018: R 54.4 million) has been utilised in the calculation of deferred taxation.

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

25. Discontinued operations

In 2017 the Board approved the strategy to unlock shareholder value which identified the spin-off of the Shipping division as a separate listed entity. The Shipping segment was classified as held for sale in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and was disposed in 2018.

During the current year, due to the revision of the Group strategy, the Group identified the Marine Fuel and Agricultural segment as non-core to the Group and therefore this has been classified as held for sale. Refer to note 13.

	Consolidated	
	2019 R000	2018 R000*
Income statement – discontinued operations for the year ended 31 December 2019		
Revenue	-	1 881 548
Profit before interest, taxation, depreciation and amortisation	-	225 975
Depreciation and amortisation	-	-
Operating profit before interest and taxation	-	225 975
Non-trading items	(492 131)	3 005 952
Loss on remeasurement to fair value less costs to sell	(238 000)	(431 032)
Interest received	-	24 841
Interest paid	-	(68 965)
(Loss)/ profit before share of joint venture and associate companies' profit/ (loss)	(730 131)	2 756 771
Share of joint venture companies' profit after taxation	8 132	37 657
Share of associate companies' profit after taxation	14 465	122 641
(Loss)/ profit before taxation	(707 534)	2 917 069
Taxation	-	(23 904)
(Loss)/ profit for the year from discontinued operations	(707 534)	2 893 165
Attributable to:		
Owners of the parent	(707 534)	2 893 165
Non-controlling interests	-	-
	(707 534)	2 893 165
The total comprehensive income attributable to the shareholders of the Company from discontinued operations	(20 569)	(241 931)
Cash flows from discontinued operations		
Net cash inflows from operating activities	-	94 920
Net cash inflows from investing activities	-	167 054
Net cash outflows from financing activities	-	(166 662)
Difference arising on translation	-	61 237
Net cash inflows	-	156 549

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

Notes to the financial statements continued

26. Earnings per share

	Consolidated	
	2019 R000	2018 R000*
26.1 Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit attributable to shareholders of the Company from continuing operations	365 919	45 423
Less: preference dividends	(66 044)	(65 682)
Profit used in the calculation of basic earnings per share from continuing operations	299 875	(20 259)
(Loss)/ profit for the year from discontinued operations	(707 534)	2 893 165
Earnings used in the calculation of basic earnings per share from total operations	(407 659)	2 872 906
Weighted average number of shares in issue for the year (000s)	680 442	751 877
Basic earnings/ (loss) per share (cents)		
From continuing operations	44.1	(2.7)
From discontinued operations	(104.0)	384.8
Total	(59.9)	382.1
26.2 Diluted earnings per share		
Diluted weighted average number of shares in issue for the year (000s)	681 304	756 902
Reconciliation of weighted average number of shares (000s)		
Basic average number of shares in issue	680 442	751 877
Shares that will be issued for no value in terms of share option scheme	862	5 025
Diluted average number of shares in issue	681 304	756 902
Diluted earnings/ (loss) per share (cents)**		
From continuing operations	44.0	(2.7)
From discontinued operations	(104.0)	382.2
Total	(60.0)	379.5
26.3 Headline and diluted headline earnings per share		
Headline earnings per share is based on headline earnings of	55 293	790 691
From continuing operations	525 154	480 239
From discontinued operations	(469 861)	310 452
Weighted average number of shares in issue for the year (000s)	680 442	751 877
Diluted headline earnings per share is based on the weighted average number of shares in issue for the year (000s)	681 304	756 902
Headline earnings per share from continuing operations (cents)		
Basic	77.2	63.9
Diluted	77.1	63.5
Headline earnings per share from discontinued operations (cents)		
Basic	(69.1)	41.3
Diluted	(69.0)	41.0

	Consolidated	
	2019 R000	2018 R000*
Headline earnings reconciliation		
(Loss)/ profit attributable to ordinary shareholders	(407 659)	2 872 906
Adjusted for:		
Impairment of property, terminals, machinery, vehicles and equipment	28 445	585 813
Impairment of property, terminals, machinery, vehicles and equipment (gross)	37 606	585 813
Tax effect	(9 161)	-
Gain on bargain purchase	-	(17 357)
Net profit on disposal of investments	39 759	(7 900)
Net profit on disposal of property, terminals, machinery, vehicles and equipment	(2 329)	(57 127)
Net profit on disposal of property, terminals, machinery, vehicles and equipment (gross)	(2 276)	(75 849)
Tax effect	(53)	18 722
Impairment of investments	23 544	-
Foreign currency translation reserve released	(1 281)	(173)
Joint Ventures:		
Net gain on disposal of investment property, intangibles, ships, property, terminals, machinery, vehicles and equipment	(2 964)	(2 758)
Impairment of intangibles, ships, property, terminals, machinery, vehicles and equipment	140 105	-
Discontinued Operations		
Net profit on disposal of investments	(453)	(188 593)
Impairment of ships, intangibles, vehicles and equipment	30	28 486
Loss on remeasurement to fair value less costs to sell	238 000	411 488
FCTR release	455	(2 830 332)
Impairment of goodwill	-	832
Reversal of impairment of investment	-	(2 675)
Net loss on disposal of plant and equipment	(359)	(1 919)
Headline earnings	55 293	790 691
Headline earnings	55 293	790 691
Continuing operations	525 154	480 239
Discontinued operations	(469 861)	310 452

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

** Diluted loss per share was calculated on weighted average number of shares due to the anti-dilutive effect of the long-term incentive share schemes.

Notes to the financial statements continued

27. Capital commitments

	Consolidated	
	2019 R000	2018 R000
Authorised and contracted for		
Due within one year	156 194	800
Authorised and not contracted for	206 210	160 100
Total	362 404	160 900
Financing guarantees	538 223	99 282
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 Bank customers	204 553	182 750

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

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

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

28. Contingent assets/ liabilities

The Company guaranteed loans and facilities of subsidiaries and joint ventures amounting to R3 192.1 million (2018: R 3 920.9 million) of which R2 180.4 million (2018: R1 223.4 million) had been utilised at the end of the year.

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

29. Foreign currency denominated items

	Consolidated			
	2019		2018	
	Year-end rates	Average rates	Year-end rates	Average rates
All foreign currency denominated items are translated in terms of the Group's policies.				
At 31 December exchange rates used on conversion were considered material:				
United States Dollar (USD)	14.00	14.46	14.38	13.23
Pound Sterling (GBP)	18.59	18.47	18.33	17.62
Metical (MZN)	0.23	0.23	0.24	0.22
In addition, due to the Group's significant operations in Mozambique, the USD/ MZN rate is considered material.	61.41	62.50	61.21	60.01

30. Operating leases receipts

The minimum future lease receivable under non-cancellable operating leases agreements in continuing operations are as follows:

	Consolidated			Total R000
	1 year R000	2 – 5 years R000	>5 years R000	
2019				
Properties and other	10 279	17 737	–	28 016
2018				
Properties and other	50 427	26 998	–	77 425

31. Cash flow

	Consolidated	
	2019 R000	2018 R000
31.1 Reconciliation of operating profit/ (loss) before interest and taxation to cash generated from operations		
Operating profit before interest and taxation	527 105	635 306
Adjustments for:		
Depreciation	476 756	437 647
Share option expense	8 827	18 990
Amortisation of intangible assets	24 712	24 512
Non-cash financial instruments and foreign exchange losses/ (gains)	3 287	(14 600)
Fair value adjustment on Bank and Private Equity instruments	(121 884)	(199 737)
Cash generated from operations before working capital changes	918 803	902 118
Working capital changes		
Decrease/ (increase) in inventories	24 611	(43 745)
Decrease in trade and other receivables	191 396	296 858
Decrease in trade and other payables	(115 648)	(354 787)
Cash generated from operations	1 019 162	800 444
31.2 Taxation paid		
Balance at the beginning of the year	9 877	(1 331)
Current year – continuing operations	(146 588)	(173 366)
Current year – discontinued operations	–	–
Foreign exchange translation	(289)	(254)
Businesses disposed	137	738
Transferred to non-current assets classified as held for sale (note 13)	(12 135)	–
Balance at the end of the year	26 136	(9 877)
Taxation paid from continuing operations	(122 862)	(184 090)
Taxation paid from discontinued operations	–	(20 133)
	(122 862)	(204 223)

Notes to the financial statements continued

31. Cash flow continued

	Consolidated	
	2019 R000	2018 R000
31.3 Ships, property, terminals, machinery, vehicles, and equipment acquired		
Additions – ships	–	(242 244)
Additions – property, terminals, machinery, vehicles and equipment	(201 280)	(348 846)
Cash flow on acquisition of property, terminals, machinery, vehicles and equipment	(201 280)	(591 090)
31.4 Acquisition of subsidiaries, joint ventures and associates		
Property, terminals, machinery, vehicles and equipment	(59 466)	(127 942)
Intangible assets	–	(28 890)
Other investments	(60 281)	489 607
Loans and advances	60 247	–
Working capital	35 979	(18 905)
Goodwill	(82 012)	–
Taxation	–	(738)
Long-term borrowings	244 598	609 582
Deferred taxation	2 409	18 880
Non-controlling interests	(139 475)	7 505
Cash and bank	(1 999)	(38)
Bank overdraft	–	37 832
Total	–	986 893
Treasury shares acquired on consolidation of B-BBEE structure	–	(393 600)
Adjustments on consolidation of B-BBEE structure	–	(696 650)
Less: gain on bargain purchase	–	17 357
Total purchase consideration	–	(86 000)
Less: cash and cash equivalents	1 999	(37 794)
Cash disposed	1 999	(123 794)
31.5 Disposal of subsidiaries, joint ventures and associates		
Working capital	4 275	
Taxation	(136)	
Cash and bank overdraft	(6 331)	
Business Combination	22 265	
Total	20 073	
Loss on disposal of investments	(31 180)	
	(11 107)	
Less: cash and cash equivalents	6 331	
Cash flow, net of cash acquisition	(4 776)	

	Consolidated	
	2019 R000	2018 R000
31.6 Cash and cash equivalents		
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:		
	4 729 850	4 077 056
Deposits with the SA Reserve Bank (SARB)	208 798	264 360
Interbank call deposits	2 216 948	1 961 814
Bank balances and cash	2 304 104	1 850 882
Bank and cash balances included in non-current assets held for sale (note 13)	–	30 438
Bank overdrafts (note 15)	(971 091)	(468 258)
	3 758 759	3 639 236
Amounts included in cash and cash equivalents relating to Bank subsidiaries where the balances form part of the reserving requirements as required by the Banks Act. Reserving requirements do not include all liquidity with SARB.	2 425 746	2 226 174

32. Share-based payments

Equity-settled share options

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

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

Cash-settled share based payments

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

Equity-settled forfeitable share plan

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

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

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

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

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

Notes to the financial statements continued

32. Share-based payments continued

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

There were no issues in both the current and prior year.

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 R10.1 million (2018: R29.0 million).

The Group recorded total current year income/ expense (including discontinued operations) of R1.7 million (2018: R8.9 million).

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

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

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

	Consolidated	
	2019 R000	2018 R000
Share price (cents)	503	615
Expected rolling volatility		
Three year expected option lifetime	46.7%	39.6%
Four year expected option lifetime	42.7%	39.0%
Five year expected option lifetime	42.2%	39.4%
Expected option lifetime		
Vesting periods three	3 years	3 years
Vesting periods four	4 years	4 years
Vesting periods five	5 years	5 years
Risk-free rate based on zero-coupon government bond yield		
Three year expected option lifetime	6.6%	7.2%
Four year expected option lifetime	6.6%	7.3%
Five year expected option lifetime	6.6%	7.3%
Expected dividend yield	3.9%	1.9%

The reconciliations of the FSPs and SARs issued are included in the director emoluments in note 37.

33. Business combinations

Acquisition of subsidiaries

During the year, and following IFRS 10 control assessment of its investments, the Group controls the following entities and as a result is required to account for them as acquisition in terms of IFRS 3 Business Combinations. Investment in these businesses were previously held as part of the Group's private equity book and accounted for at fair value. The initial accounting of these acquisitions has only been provisionally determined at the end of the reporting period as the intangible asset is still being determined.

Company acquired	Nature of business	Percentage acquired	Date acquired	Purchase consideration R000
Innovative Strategic Investments 1 (Pty) Ltd	Corporate branding and signage	49%	01 July 2019	-
Loniwiz RF (Pty) Ltd	Investment holding	33%	31 December 2019	-
Total purchase consideration				-

Reasons for acquisitions

During the current year, the Group supported private equity investments with financial assistance, debt restructuring, appointment of key personnel and other activities. The level of involvement by Grindrod necessitated an assessment of control over relevant activities of the investee in terms of IFRS 10 Consolidated Financial Statements. IFRS 10 Consolidated Financial Statements requires an entity to determine if an investor has control over the relevant activities of the investee based on various factors and not only the equity ownership. The level of influence created by Grindrod due to financial and operational assistance resulted in control over the entities.

Impact of the acquisition on the results of the Group

From the dates of their acquisition, the acquired businesses contributed losses of R5.0 million and revenue of R68.2 million at Grindrod's effective share.

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

Net assets acquired	Acquirees' carrying amount before combination at fair value R000
Plant, property, terminals, machinery, vehicles and equipment	59 466
Inventory	23 796
Trade and other receivables	20 897
Non-controlling interests	139 475
Cash and bank	1 999
Other investments	60 281
Loans and advances	(60 247)
Long-term debt	(244 598)
Current liabilities	(80 672)
Other liabilities	(2 409)
Fair value of assets and liabilities	(82 012)
Goodwill	82 012
Net assets acquired	-

Notes to the financial statements continued

34. Related party transactions

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

	Consolidated			Amounts due by/ (to) related party R000
	Other related parties R000	Associates R000	Joint ventures R000	
2019				
Goods and services sold to:				
Beitbridge Bulawayo Railway BEI001	-	-	-	10 112
Cockett Marine Oil Pte Ltd	-	-	5 469	1 823
Directors (directly or indirectly)	381	-	-	4 229
Guarantee fee income earned from associates	-	18 580	-	-
GPR Leasing Africa (Pty) Ltd	-	-	7 080	145 581
GPR Leasing SA (Pty) Ltd	-	-	413	131
Grindrod Namibia Stevedoring (Pty) Ltd	-	1 470	-	-
Interest earned on loans to associates	-	207 868	-	-
Loans to associates	-	-	-	1 994 864
Property owning entities	-	-	-	526 139
Investment entities	-	-	-	517 272
Private equity portfolio	-	-	-	951 453
Maputo Intermodal Container Depot, S.A	-	-	25	169 766
Maputo Port Development Company	-	257	-	248
NLPI Ltd	-	-	21 584	42 835
OTGC Holdings (Pty) Ltd	-	-	10 345	93
Portis Indico	-	-	21 690	-
RBT Grindrod Terminals (Pty) Ltd	-	-	13 335	159 994
RBT Resources (Pty) Ltd	-	-	16 901	176 036
Röhlig-Grindrod (Pty) Ltd	-	-	55 888	2 115
Senwes Ltd	-	25 763	-	70
Shakespeare Masiza	-	-	2 877	11 251
Terminal De Carvo da Matola Ltda	-	-	19 941	926
	381	253 938	175 548	2 720 074
Goods and services purchased from:				
Beitbridge Bulawayo Railway BEI001	-	-	-	(3 918)
Cockett Marine Oil Pte Ltd	-	-	(123 216)	(19 115)
Grindrod Namibia Stevedoring (Pty) Ltd	-	(501)	-	(1 181)
GPR Leasing Africa (Pty) Ltd	-	-	-	(16 489)
GPR Leasing SA (Pty) Ltd	-	-	-	(452)
Maputo Port Development Company	-	(96 448)	-	(5 093)
RBT Grindrod Terminals (Pty) Ltd	-	-	(5 387)	(322)
RBT Resources (Pty) Ltd	-	-	(2 289)	(6 777)
Röhlig-Grindrod (Pty) Ltd	-	-	(3 170)	(345)
	-	(96 949)	(134 062)	(53 692)

	Consolidated			Amounts due by/ (to) related party R000
	Other related parties R000	Associates R000	Joint ventures R000	
2018				
Goods and services sold to:				
Beitbridge Bulawayo Railway BEI001	-	-	-	13 672
Cockett Marine Oil Pte Ltd	-	-	26 984	512 888
Directors (directly and indirectly)	523	-	-	4 797
Guarantee fee income earned from associates	-	18 104	-	-
GPR Leasing Africa (Pty) Ltd	-	-	6 496	153 517
GPR Leasing SA (Pty) Ltd	-	-	-	1 366
Interest earned on loans to associates	-	162 641	-	-
Loans to associates	-	-	-	2 245 360
Property owning entities	-	-	-	651 378
Investment entities	-	-	-	635 674
Private equity portfolio	-	-	-	958 308
Maputo Intermodal Container Depot, S.A	-	-	213	16 426
Moneyline 992 (Pty) Ltd	-	1 043	-	-
NLPI Ltd	-	-	-	2 714
NWK Ltd	-	15 453	-	-
OTGC Holdings (Pty) Ltd	-	-	229	-
Portis Indico	-	-	57 520	-
RBT Grindrod Terminals (Pty) Ltd	-	-	37 843	206 936
RBT Resources (Pty) Ltd	-	-	15 207	143 927
Röhlig-Grindrod (Pty) Ltd	-	-	56 184	677
Senwes Ltd	-	21 315	-	-
Shakespeare Masiza	-	-	1 500	12 904
Terminal De Carvo da Matola Ltda	-	-	52 980	2 632
Vitol Shipping Singapore Pte Ltd	-	-	58 282	6 661
	523	218 556	313 438	3 324 477
Goods and services purchased from:				
Beitbridge Bulawayo Railway BEI001	-	-	-	(836)
Cockett Marine Oil Pte Ltd	-	-	(318 368)	(11 398)
GPR Leasing Africa (Pty) Ltd	-	-	-	(8)
GPR Leasing SA (Pty) Ltd	-	-	-	(5)
Maputo Port Development Company	-	-	-	(58)
Maputo Intermodal Container Depot, S.A	-	-	-	(3 394)
Terminal De Carvo da Matola Ltda	-	-	-	(131)
RBT Grindrod Terminals (Pty) Ltd	-	-	(4 367)	(28 925)
Röhlig-Grindrod (Pty) Ltd	-	-	(958)	-
	-	-	(323 693)	(44 755)

Notes to the financial statements continued

34. Related party transactions continued

Joint ventures

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

Associates

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

Directors

Details of directors' interests in the Company and directors' emoluments are set out in note 37.

Details on balances due by/ (to) directors are disclosed in note 10 & 18.

Shareholders

The principal shareholders of the Company are detailed in the share analysis from page 140 to 142.

35. Financial instruments risk management objectives and policies

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

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

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

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

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

Treasury function

The treasury function incorporates the following main sections:

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

35. Financial instruments risk management objectives and policies continued

Treasury risk management

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

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

CFO

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

Executive committee

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

Board of Directors

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

35.1 Financial instruments by category and fair value hierarchy

The Group's financial instruments consist mainly of cash deposits with banks, investments, trade and other receivables and payables, bank borrowings and loans to and from subsidiaries.

Derivative instruments are used by the Group for hedging purposes. Such instruments include interest rate swap agreements.

The following table 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 or based on observable inputs:

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

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

- Projected unit method; and/ or
- Market value; and/ or
- The net asset value of the underlying investments; and/ or
- A price earnings multiple or a discounted projected income/ present value approach; and/ or
- Market-related interest rate yield curves to discount expected future cash flows; and/ or
- Any additional revenue arrangements valued per the specified arrangement based on the specified underlying asset. The specified underlying assets include property and unlisted investments supported by management valuation.

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.1 Financial instruments by category and fair value hierarchy continued

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

	2019					
	Carrying value	Fair value			Amortised cost	Other non-financial instruments
		Level 1	Level 2	Level 3		
Financial instruments						
Cash and cash equivalents	4 729 850	-	-	-	4 729 850	-
Other investments	2 302 071	178 437	132 211	1 679 685	311 738	-
Preference shares linked to participatory contributions	1 127 444	-	-	-	1 127 444	-
Loans and advances*	8 430 859	-	967 888	2 466 627	4 996 343	-
Trade and other receivables	1 357 062	-	-	-	1 167 226	189 836
Borrowings	(4 528 278)	-	-	-	(4 528 278)	-
Derivative financial liabilities	(23 422)	-	(23 422)	-	-	-
Trade and other payables	(1 479 487)	-	-	-	(1 227 914)	(251 573)
Participatory contributions	(1 724 276)	-	-	-	(1 724 276)	-
Deposits from Bank customers	(11 180 365)	-	-	-	(11 180 365)	-
Non-Financial instruments						
Investment property	91 618	-	-	91 618	-	-
Provision for post-retirement medical aid	(22 724)	-	(22 724)	-	-	-
Provisions	(10 082)	-	(10 082)	-	-	-
Total		178 437	1 043 871	4 237 930	(6 328 232)	(61 737)

* Current year includes reallocations from amortised cost to level 3 as detailed in the level 3 reconciliation below.

	2018					
	Carrying value	Fair value			Amortised cost	Other non-financial instruments
		Level 1	Level 2	Level 3		
Financial instruments						
Cash and cash equivalents	4 077 056	-	-	-	4 077 056	-
Other investments	1 753 674	138 629	134 230	1 176 723	304 092	-
Preference shares linked to participatory contributions	1 041 000	-	-	-	1 041 000	-
Loans and advances*	7 997 105	-	796 918	1 803 009	5 397 178	-
Trade and other receivables	2 025 413	-	-	-	1 885 611	139 802
Borrowings	(4 706 990)	-	-	-	(4 706 990)	-
Derivative financial liabilities	(7 911)	-	(7 911)	-	-	-
Trade and other payables	(1 407 495)	-	-	-	(1 058 391)	(349 104)
Participatory contributions	(1 714 124)	-	-	-	(1 714 124)	-
Deposits from Bank customers	(10 506 404)	-	-	-	(10 506 404)	-
Non-Financial instruments						
Investment property	120 113	-	-	120 113	-	-
Provision for post-retirement medical aid	(25 510)	-	(25 510)	-	-	-
Provisions	(29 038)	-	(29 038)	-	-	-
Total		138 629	868 689	3 099 845	(5 280 972)	(209 302)

* The prior year classification between amortised cost and fair value has been restated.

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

	2019 Level 3	2018 Level 3*
Reconciliation of Level 3 fair value measurements of financial assets		
Opening balance	3 099 845	1 427 617
IFRS 9 Financial Instruments 1 January 2018		
- Loans and receivables designated as fair value	-	1 388 959
Transfers	417 401	5 657
Purchases	1 289 941	174 102
Settlements	(741 145)	(271 290)
IFRS 10 eliminations	(71 557)	-
Total gains recognised in:		
- Other comprehensive income	4 434	(2 734)
- Income statement	239 011	377 534
Closing balance	4 237 930	3 099 845

* Comparative figures have been restated to reflect more appropriate disclosures on the financial instruments.

Fair value gains recognised in the consolidated statement of other comprehensive income for Level 3 financial instruments were R243.4 million (2018: R374.8 million).

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.1 Financial instruments by category and fair value hierarchy continued

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for material investments:

Material investment	Fair value at 31 Dec 2019 R000	Fair value at 31 Dec 2018 R000	Valuation method	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Private equity	251 707	229 091	Net asset value	Based on net asset value	Based on net asset value	Net value asset equates to market value
Medical	225 591	217 166	Discounted cash flow	Perpetuity Growth	6.5% – 7.5%	Increase perpetuity growth to 7.5% and increased WACC to 13.6% would decrease FV to R219 374
			Discounted cash flow	Discount rate	12.6% – 13.6%	Decrease perpetuity growth to 6.5% and decreased WACC to 12.6% would increase FV to R231 835
Asset financing	175 818	95 822	Multiple approach	PE Multiple	5.3x – 7.3x	Increased PE multiple to 7.3x would increase FV to R203 800 Decreased P/ E multiple to 5.3x would decrease FV to R147 800
Asset financing	60 662	24 198	Net asset value	Based on net asset value	Based on net asset value	Based on net asset value
Loans and advances – North Coast property loans	1 420 730	1 178 101	Underlying security valuation	Based on the estimated selling price per square metre for undeveloped agricultural land	Per expert valuation	Independent valuations range between R2.4 billion and R2.8 billion for the combined properties
Loans and advances – Bank	1 151 241	1 672 857	Discounted cash flow ¹	Credit spread		Increase in of 100bps – (R14 465) Decrease in 100bps – R14 892

¹ The loans are valued by forecasting the future interest rate by forecasting the forward interest rate on the contractually referenced floating interest rate curve and adding the contractual fixed inception credit spread. This future interest rate is applied to the nominal or carrying amount of the loan. The interest and capital cash flows are discounted using the Prime or JIBAR swap yield curves back to the valuation date. An appropriate credit spread is generally added to the curve used for discounting purposes to reflect the current credit risk associated with the borrower. If the borrower of the loan has had no change in credit risk profile since inception, the inception credit spread is applied.

Valuation Process

The Group's finance and corporate finance teams perform valuations on certain assets which are required for financial reporting purposes. The valuation input, assumptions, methodology and outputs are then challenged and debated with the Group Financial Director prior to approval. Teams present their valuations to the Chief Financial Officer (CFO) who interrogates the methodology used and the assumptions applied in the valuations. Discussions of valuation processes and results are held between the CFO and the respective teams at least once every six months, in line with the Group's half-yearly reporting periods. Any resulting adjustments to the carrying value will follow the internal approval process. North Coast properties, being security on the lending, are assessed by an independent valuation professional.

The main level three inputs used by the Group in measuring the fair value of financial instruments are:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risks adjustments: these are specific to the counterparties (including assumptions about credit default rates) and are derived from the market assumptions on the operational environment and other factors affecting the investment.
- Earnings growth factor for unlisted investments: these are estimated based on market information for similar types of companies or historical growth patterns.

35.2 Foreign currency risk

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

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

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

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

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

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.2 Foreign currency risk continued

Foreign currency balances

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

	Consolidated			
	2019 US\$000	2019 R000	2018 US\$000*	2018 R000*
Loans	(3 683)	(51 556)	(24 993)	(359 399)
Trade and other receivables	28 212	394 962	28 103	404 121
Trade and other payables	(12 375)	(173 255)	(22 453)	(322 874)
Bank balances	39 473	552 626	55 205	793 848
Short term borrowings and bank overdraft	(18 093)	(253 302)	(19 099)	(274 644)
Lease liabilities	(50 126)	(701 760)	(50 259)	(722 729)
	(16 592)	(232 285)	(33 496)	(481 677)
Less: Non-current liabilities associated with assets held for sale	-	-	(1 975)	(28 401)
	(16 592)	(232 285)	(31 521)	(453 276)

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

	Consolidated			
	2019 £000	2019 R000	2018 £000*	2018 R000*
Bank balances	3 845	71 484	13 818	253 292

Sensitivity analysis

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

	Consolidated	
	2019 R000	2018 R000*
Net exposure		
+10%	15 585	5 051
-10%	(15 585)	(5 051)

* Represented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown in note 2.

35.3 Interest rate risk

35.3.1 Interest rate risk of the Group (excluding Bank)

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

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

	Consolidated	
	2019 R000	2018 R000
Loans linked to LIBOR	72 073	356 322
Loans linked to SA prime rate	651 792	917 343
Loans linked to JIBAR	492 761	-
Loans linked to Mozambique FPC	433	3 070
Short-term borrowings linked to LIBOR	252 882	274 647
Short-term borrowings linked to SA prime rate	971 091	453 475
Short-term borrowings linked to Namibian prime rate	-	17 814
Loans with a fixed interest rate	-	3 661
	2 441 032	2 026 332
Less: Non-current liabilities associated with assets held for sale (note 13)	-	-
	2 441 032	2 026 332

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 144.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2019 is as follows: local rates are between 8.0% and 10.3% (2018: 7.0% and 10.3%), foreign rates are between 7.0% and 23.3% (2018: 5.3% and 27.3%). Floating rates of interest are based on LIBOR (London inter-bank offered rate – for USD borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

Sensitivity analysis

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

	Consolidated	
	2019 R000	2018 R000
Net exposure		
+50 BPS	(2 443)	(2 257)
-50 BPS	2 443	2 257

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

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.3 Interest rate risk continued

35.3.2 Interest rate risk of the Bank

The 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 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 of the mismatch position.

Interest Rate Risk Management

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

Interest rate repricing gap	< 3 months R000	> 3 months < 6 months R000	> 6 months < 1 year R000	> 1 year < 5 years R000	> 5 years R000	Non-rate sensitive R000	Total R000
2019							
Assets	12 111 201	1 982 526	116 950	220 396	552 476	358 011	15 341 560
Equity and liabilities	(12 774 181)	(277 731)	(298 966)	(352 757)	-	(1 637 925)	(15 341 560)
Interest rate hedging activities	788 286	(52 797)	(116 950)	(220 396)	(398 143)	-	-
Repricing profile	125 306	1 651 998	(298 966)	(352 757)	154 333	(1 279 914)	-
Cumulative repricing profile	125 306	1 777 304	1 478 338	1 125 581	1 279 914	-	-
Expressed as a percentage of total assets of the Bank	0.8%	11.6%	9.6%	7.3%	8.3%		
2018							
Assets	12 539 448	551 789	3 309	406 400	378 831	402 245	14 282 022
Equity and liabilities	(11 727 281)	(243 457)	(433 644)	(338 140)	-	(1 539 500)	(14 282 022)
Interest rate hedging activities	782 681	(4 188)	-	(403 328)	(375 165)	-	-
Repricing profile	1 594 848	304 144	(430 335)	(335 068)	3 666	(1 137 255)	-
Cumulative repricing profile	1 594 848	1 898 992	1 468 657	1 133 589	1 137 255	-	-
Expressed as a percentage of total assets of the Bank	11.2%	13.3%	10.3%	7.9%	8.0%		

Interest income sensitivity	< 3 months R000	> 3 months < 6 months R000	> 6 months < 1 year R000	Cumulative impact on net interest income R000
2019				
2% interest rate increase	627	8 887	14 783	24 297
2% interest rate decrease	(627)	(8 887)	(14 783)	(24 297)
2018				
2% interest rate increase	12 270	12 125	26 640	51 035
2% interest rate decrease	(12 156)	(11 904)	(25 608)	(49 668)

Interest rate sensitivity is based on the static repricing profile of assets and liabilities at the end of the reporting period and determined by applying market-related rates of interest and a parallel interest rate shock.

Hedging

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

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

35.4 Credit risk

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

Credit risk management

Trade receivables

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

The Group considers the trade debtor in default when payment is not made when they are contractually due. Trade debtors are only written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include objective evidence that the collection of the amount is doubtful, failure of the debtor to engage in a repayment plan and a failure to make contractual payments for a period greater than 120 days past due.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected credit losses (ECL) on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at a macro (global economy) and micro (country of operation and specific industry) level and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	67%	91%	
Gross carrying amount	382 516	154 968	27 113	44 438	541 713	1 150 748
Loss allowance	503	16	1	29 629	494 296	524 445

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.4 Credit risk continued

The expected credit loss allowances for trade receivables as at 31 December reconcile as follows:

Opening loss allowance at 1 January	505 203
Increase in allowance	44 451
Allowance utilised	(25 209)
Closing loss allowance at 31 December	524 445

Receivables from joint ventures have been assessed for impairment and management has determined that we expect to recover all loans in full. Therefore no expected credit loss has been recognised with respect to receivables from joint ventures.

Granting credit

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

Credit risk management

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. The Credit Committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans. Credit risk is monitored at an individual and at an aggregated exposure level. New deal approval is subject to specified limits of authority which are aggregated at a client group level i.e. Credit (R10 million), Credit Exco (R30 million), Credit Risk Committee (R50 million) and the Board (above R50 million).

Credit risk mitigation

Bank does not have material netting arrangements and it does not currently use credit derivatives to mitigate credit risk.

Bank values property assets on a cyclical basis using a desk-top approach and physical valuations are performed where appropriate or necessary. The value of listed assets is tracked on an ongoing basis and unlisted investments and other security assets are valued periodically where significant reliance is placed on the security.

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

Exposure to credit risk

Maximum exposure to credit risk at the year-end is stated before taking into account any collateral or other credit enhancement and after taking into account impairments and netting where applicable. For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals the carrying amount as per the corresponding note. For financial commitments and guarantees, the maximum exposure to credit risk is the maximum amount the Group would have to pay to perform in terms of the commitment.

The ECL at Grindrod takes into account the property sector outlook as the majority of the loans and advances are property backed. Due to the lack of growth in South Africa, in which the majority of loans and advances are exposed, a conservative view on the growth in the property industry in assessing the ECL was taken into account.

2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount	3 415 669	427 610	1 153 064	4 996 343
Less: ECL allowance	(15 177)	(6 952)	(67 796)	(89 925)
Net carrying amount	3 400 492	420 658	1 085 268	4 906 418

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

PDs are allocated to loans according to:

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

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

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

Key drivers of the LGD are:

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

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

Significant increase in credit risk (SICR)

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

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

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.4 Credit risk continued

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

Loans and advances	Stage 1	Stage 2	Stage 3	Total
ECL allowance at 1 January 2019	14 384	6 447	24 565	45 396
Movements with profit or loss impact	-	-	-	-
Originated "new" impairments raised	18 151	102	43 230	61 483
Subsequent changes in ECL	(11 320)	(5 635)	-	(16 955)
Derecognised including write-offs	-	-	-	-
Total net profit or loss charge during the period	6 831	(5 533)	43 230	44 528
Impaired accounts written-off	-	-	-	-
Other changes	-	-	-	-
Transfer from stage 1	(12 448)	12 448	-	-
Transfer from stage 2	6 410	(6 410)	-	-
Transfer to stage 3	-	-	-	-
Loss allowance as at 31 December 2019	15 177	6 952	67 795	89 924

Analysis of credit-impaired advances

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

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.

Collateral

Bank

Loans and advances are made at market related rates of interest and are secured with various types of collateral such as cash, shares (both listed and unlisted) mortgage bonds over property, cession of leases, discounted invoices, guarantees and suretyships. Property is considered the main type of collateral held and represents the largest single concentration of risk that is mitigated by collateral. The book is considered well secured and significant haircuts are applied to the fair value of collateral in establishing the expected credit loss, where impairment indicators exist on a loan or advance. Maximum use is made of external market information in establishing the fair value of collateral.

Consolidated

	2019 R000	2018 R000
Carrying amount of trade receivables impaired during the year	19 242	334 840
Maximum credit risk exposure to the Group is:		
Other investments	2 169 866	1 619 444
Loans and advances	8 430 858	7 755 744
Trade and other receivables before allowance for doubtful debts	1 561 470	2 341 476
Liquid assets and short-term negotiable securities	2 478 941	2 843 541
Cash and cash equivalents	4 729 850	3 817 069
	19 370 985	18 377 274

35.5 Liquidity risk

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

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

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

Grindrod Board regularly reviews and monitors the liquidity position and covenants of Grindrod Group. There has been no breach of the Group covenants at year-end and at the date of approval of Annual Financial Statements.

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. Grindrod 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 Grindrod 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. Grindrod Bank intends to continue to adopt a conservative liquidity policy in the future.

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.5 Liquidity risk continued

Group liquidity analysis (excluding Bank, Private Equity and underlying Investments)

The contractual maturities of the Group's (including Bank, Private Equity and underlying Investments) financial liabilities are as follows:

	<3 months R000	>3 months < 6 months R000	>6 months <1 year R000	>1 year <5 years R000	>5 years R000	Total R000
2019						
Liabilities						
Provisions	-	-	-	6 715	-	6 715
Trade and other payables	1 196 494	-	-	-	-	1 196 494
Post-retirement medical aid	-	-	-	22 724	-	22 724
Interest borrowing debt	37 392	21 935	118 223	202 724	65 395	445 669
Lease liabilities	82 818	63 962	199 564	725 414	368 339	1 440 097
Short term borrowings and bank overdraft	64 751	-	1 159 222	-	-	1 223 973
	1 381 455	85 897	1 477 009	957 577	433 734	4 335 672
2018						
Liabilities						
Provisions	-	-	-	9 352	-	9 352
Trade and other payables	1 205 696	-	-	-	-	1 205 696
Post-retirement medical aid	-	-	-	25 510	-	25 510
Interest borrowing debt	128 912	627 006	120 142	433 169	83 889	1 393 118
Lease liabilities	91 177	90 190	173 113	837 735	202 134	1 394 349
Short term borrowings and bank overdraft	457 653	4 454	283 829	-	-	745 936
	1 883 438	721 650	577 084	1 305 766	286 023	4 773 961

Group liquidity analysis (Bank, Private Equity and underlying Investments)

	<3 months R000	>3 month < 6 months R000	>6 months <1 year R000	>1 year <5 years R000	>5 years R000	Non- contractual R000	Total R000
2019							
Liabilities							
Provisions	-	-	-	3 367	-	-	3 367
Trade and other payables	-	-	-	-	-	233 718	233 718
Interest borrowing debt	100 745	17 697	497 478	1 165 812	58 829	-	1 840 561
Financial liabilities	-	377	2 407	4 899	15 739	-	23 422
Participatory trust contributions	573 966	839 336	233 430	77 544	-	-	1 724 276
Deposits	9 753 182	605 518	526 371	382 472	-	-	11 267 543
	10 427 893	1 462 928	1 259 686	1 634 094	74 568	233 718	15 092 887
2018							
Liabilities							
Provisions	-	-	-	19 686	-	-	19 686
Trade and other payables	-	-	-	-	-	256 689	256 689
Interest borrowing debt	-	17 151	351 380	1 191 873	-	-	1 560 404
Financial liabilities	-	42	-	5 241	2 628	-	7 911
Participatory trust contributions	816 824	728 460	108 170	60 670	-	-	1 714 124
Deposits	9 055 440	511 031	599 774	266 979	73 180	-	10 506 404
	9 872 264	1 256 684	1 059 324	1 544 449	75 808	256 689	14 065 218

In the current year, the holding company has not guaranteed a facility to Bank and Private Equity as additional liquidity (2018: R115.0 million).

35.6 Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15 and 16, respectively, cash and cash equivalents and equity attributable to equity holders of Grindrod, comprising share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.

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

Notes to the financial statements continued

35. Financial instruments risk management objectives and policies continued

35.6 Capital risk management continued

Gearing ratio

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

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

	Consolidated	
	2019 R000	2018 R000
Debt	4 528 278	4 009 297
Deposits from Bank customers	11 180 365	10 506 404
Cash and cash equivalents	(4 729 850)	(4 077 056)
Loans and advances to Bank customers	(8 430 859)	(7 997 105)
Liquid assets and short-term negotiable securities	(2 478 941)	(2 825 285)
Net debt/ (cash)	68 993	(383 745)
Equity (including minority interest)	8 736 601	9 482 908
Net (cash)/ debt:equity ratio	0.8%	(4.0%)

35.7 Commodity and concentration risk

Grindrod's Port and Terminals and Logistics divisions are exposed to the risks of customer concentration and continued cyclical commodity demand and prices, which results in volatility in asset-utilisation and resultant earnings. The sustainability of the Bank can be adversely impacted by single large exposures on its deposit and lending books.

Grindrod manages the risk through well defined risk tolerance levels and diversification strategies namely customer, commodity and geographic diversification.

For the Bank, the risk management strategy is a diversified deposit book and well managed concentration exposures.

Grindrod has material exposure to property mainly as security to the lending book and through direct investments. Any variation to the valuations of the properties will have an impact on the security cover or loan to value metrics. Specifically relating to Bank, a significant portion of the loans and advances at the Bank are backed by properties as security. The valuations of these properties are largely based on rental income flows and were assessed by management to be reasonable. However, given the challenging economic conditions including the impact of COVID-19, the downside risk on property market valuations is considered high in the short to medium term. It should be noted that these property valuations are highly sensitive on the downside.

36. Leases

The Group leases various shipping vessels, long-term port concession, offices, warehouses, equipment and vehicles.

Accordingly, IFRS 16 Leases resulted in the recognition of right of use assets and corresponding liabilities on the basis of the discounted remaining future minimum lease payments relating to existing and new time chartered-in vessel commitments; rental agreements relating to office and residential properties that were previously reported as operating leases and long-term port and terminal concession, mainly in Mozambique, adjusted for prepayments and accrued lease payments.

The Group transitioned to IFRS 16 Leases in accordance with the full retrospective approach on 01 January 2018. Comparatives for the 2018 financial year have been restated. Lease expenses, except for, leases less than 12 months, will no longer be recorded in operating profits but have been replaced by depreciation and interest expenses.

The weighted average incremental borrowing rates applied are based on the US dollar London Inter-bank Offered Rate (LIBOR), for the ship charters and leases in the foreign operations, or prime rates of interest, for South African businesses, adjusted for risk factors. The right of use assets is then depreciated on a straight-line basis over the term of each lease or concession.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Grindrod recognises, on a discounted basis, the rights and obligations created by the commitment to lease assets on the statement of financial position, unless the term of the lease is less than 12 months or of low value, i.e. R75 000 or less.

Grindrod does not have any sale and leaseback transactions and any residual value guarantees.

Notes to the financial statements continued

36. Leases continued

Summary of the financial impact of initial application of IFRS 16 Leases. Refer to restatement note for the detail impact.

	Consolidated	
	2019 R000	2018 R000
Impact on continuing income statement		
Increase in Trading Profit	326 848	252 110
Increase in depreciation	(294 541)	(268 881)
Increase in finance cost	(69 052)	(67 897)
Decrease in income from associate	(25)	(302)
Decrease in income from joint venture	(1 626)	(2 750)
Decrease in deferred tax expense	18 860	21 994
Decrease in non-controlling interest	268	738
Decrease in net profit	(19 268)	(64 988)
Impact on earnings per share from continuing operations		
Basic	(2.8)	(8.6)
Diluted	(2.8)	(8.6)
Adjustments recognised in the statement of financial position		
Right of use asset	1 103 398	1 006 617
Investment in joint ventures	(125 599)	(123 965)
Investment in associates	(129)	(104)
Net impact on total assets	977 670	882 548
Lease liability	924 878	862 092
Deferred tax	(8 457)	(27 317)
Current portion of lease liability	280 869	257 797
Trade and other payables	-	(15 270)
Net impact of lease liabilities	1 197 290	1 077 302

The following amounts included in the statement of financial position relate to leases:

	Consolidated	
	2019 R000	2018 R000
Right of use asset		
Vehicles and equipment	111 784	20 483
Leasehold land and buildings	357 451	270 410
Concessions	142 461	155 920
Ships	491 702	559 804
	1 103 398	1 006 617
Lease liabilities		
Current	280 869	257 797
Non-current	924 878	862 092
	1 205 747	1 119 889

The following amounts were recognised in the income statement

	Consolidated	
	2019 R000	2018 R000
Depreciation by category		
Vehicles and equipment	30 838	23 436
Leasehold land and buildings	104 420	93 606
Concessions	11 170	10 536
Ships	148 114	141 302
	294 542	268 880
Operating lease payments relating to		
Short-term leases	17 464	8 288
Low value assets	723	264
Variable lease payments not included in the lease	33	111

The following amounts were recognised in the statement of cash flows

	Consolidated	
	2019 R000	2018 R000
Operating activities		
Interest paid on lease liabilities	(69 052)	(67 897)
Financing activities		
Principal portion of lease liabilities	(257 796)	(571 457)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The table below details the lease terms and conditions for material leases:

Lease category	Asset value	Lease term (years)	Terms of the leases	Extension option
Ship charters	491 702	4 to 8	Based on fixed ship charter rates	No
Property	132 365	7 to 10	Rental as per lease agreement with fixed escalation	No
Concessions	85 960	24	Fixed rate with increases based on US CPI. Variable payment based on volumes	No
	710 027			

Notes to the financial statements continued

37. Directors emoluments

Emoluments paid to directors and prescribed officers

The tables below provide an analysis of the emoluments, split between local and offshore remuneration package approvals, paid to executive and non-executive directors and prescribed officers of the Company in relation to the 2019 and 2018 financial years.

Current directors – local

	Directors' fees R000	Committee fees R000	Basic remuneration R000	Retirement medical and other benefits R000	Total package R000	Bonus ¹ R000	2019 Total R000	% increase from 2018 excluding bonus ⁸ %
Executive directors								
XF Mbambo	-	-	3 851	862	4 713	3 467	8 180	55.7 ⁹
DA Polkinghorne	-	-	4 458	1 127	5 585	-	5 585	6.4
AG Waller	-	-	5 913	1 057	6 970	3 782	10 752	24.2 ¹⁰
	-	-	14 222	3 046	17 268	7 249	24 517	
Non-executive directors								
MR Faku	415	-	-	-	415	-	415	
G Gelink	415	292	-	-	707	-	707	
WJ Grindrod ²	155	40	-	-	195	-	195	
MJ Hankinson	1 191	571	-	-	1 762	-	1 762	
Z Malinga ^{3,4}	659	549	-	-	1 208	-	1 208	
R Ndlovu ^{3,4,5,6}	244	834	-	-	1 078	-	1 078	
NL Sowazi	829	286	-	-	1 115	-	1 115	
PJ Uys ⁶	453	567	-	-	1 020	-	1 020	
SDM Zungu ⁷	272	-	-	-	272	-	272	
	4 633	3 139	-	-	7 772	-	7 772	
Total emoluments local	4 633	3 139	14 222	3 046	25 040	7 249	32 289	

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

² Appointed as non-executive director on 22 August 2019.

³ Resigned as independent non-executive director on 1 January 2020.

⁴ Includes fees paid by Grindrod Bank.

⁵ Alternate to PJ Uys. Fees in respect of member of Audit committee and chairman of Social and Ethics committee.

⁶ Fees ceded to Remgro.

⁷ Resigned as an independent non-executive director on 23 August 2019.

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

⁹ A 6% increase was awarded in 2019. The increase of 55.7% is not a true measure as prior year remuneration does not include package for the full year following appointment as Financial Director on 1 September 2018.

¹⁰ A 6% increase was awarded in 2019. The increase of 24.2% is not a true measure as prior year remuneration does not include package as CEO for the full year following appointment to this position on 1 September 2018.

Current directors – local

	Directors' fees R000	Committee fees R000	Basic remuneration R000	Retirement medical and other benefits R000	Total package R000	Bonus ¹ R000	2018 Total R000	% increase from 2017 excluding bonus ¹³ %
Executive directors								
MJ Hankinson ²	1 457	8	6 083	587	8 135	5 265	13 400	66.2
XF Mbambo ³	-	-	2 388	639	3 027	2 200	5 227	-
B Ntuli ⁴	-	-	4 287	1 913	6 200	2 385	8 585	38.0
DA Polkinghorne	-	-	4 210	1 040	5 250	3 392	8 642	25.7
AG Waller ⁵	-	-	4 745	866	5 611	3 400	9 011	16.9
	1 457	8	21 713	5 045	28 223	16 642	44 865	
Non-executive directors								
H Adams ⁶	334	192	-	-	526	-	526	
MR Faku	367	-	-	-	367	-	367	
WD Geach ^{6,7}	452	310	-	-	762	-	762	
G Gelink	367	275	-	-	642	-	642	
G Kotze ⁸	-	-	-	-	-	-	-	
Z Malinga	531	308	-	-	839	-	839	
R Ndlovu ⁹	185	660	-	-	845	-	845	
NL Sowazi	699	174	-	-	873	-	873	
PJ Uys ¹⁰	552	485	-	-	1 037	-	1 037	
SDM Zungu	367	-	-	-	367	-	367	
	3 854	2 404	-	-	6 258	-	6 258	
Total emoluments local	5 311	2 412	21 713	5 045	34 481	16 642	51 123	

Prescribed officer – offshore

	Currency	Directors' fees R000	Committee fees R000	Basic remuneration R000	Retirement medical and other benefits R000	2018 Total R000
MR Wade ^{11,12}	SGD	-	-	398	66	464 ¹⁴

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

² Resigned as executive Chairman effective 22 November 2018. Appointed executive Chairman for 18 months as the Group restructured and was not awarded any long-term incentives.

³ Appointed as executive Financial Director on 1 September 2018.

⁴ Resigned as executive director on 31 December 2018.

⁵ Appointed as CEO on 1 September 2018.

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

⁷ Includes fees paid by Grindrod Bank.

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

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

¹⁰ Fees ceded to Remgro.

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

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

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

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

Notes to the financial statements continued

37. Directors emoluments continued

Director's interest in the Company

At 31 December 2019, the directors held interest in the Company as follows:

	2019		2018	
	Beneficial direct	Non-beneficial indirect	Beneficial direct	Non-beneficial indirect
Ordinary				
WJ Grindrod ¹	-	21 610	-	-
MJ Hankinson	27 000	8 000	27 000	8 000
B Ntuli ²	-	-	110 000	-
DA Polkinghorne	259 644	-	162 262	-
AG Waller	725 417	-	457 858	-
SDM Zungu ³	-	-	4 228	-
	1 012 061	29 610	761 348	8 000

¹ Appointed as non-executive director on 23 August 2019.

² Resigned as executive director on 31 December 2018.

³ Resigned as independent non-executive director on 22 August 2019.

The beneficial direct shareholdings increased by 304 597 after year-end, further to vesting in terms of the forfeitable share plan.

Grindrod Limited share-price-linked option scheme

Share option gains and cash-settled share-price-linked option payments for 2019 were as follows:

Executive directors/ prescribed officers	Share-price-linked option payment	
	2019 R000	2018 R000
XF Mbambo	215 774	-
DA Polkinghorne	503 474	-
AG Waller	1 172 775	-
Total	1 892 023	-

A summary of options granted to executives and senior management, still to vest as at 31 December 2019, is as follows:

	2015	2016	2017	2017	2018	2019	Total
Price (R) ¹	10.48	5.09	7.65	6.02	7.40	8.13	
Number of options granted ²	4 988 793	9 281 852	9 881 331	1 900 984	5 197 287	6 397 000	37 647 247
Cancellations	(435 000)	(961 000)	(578 000)	-	-	-	(1 974 000)
Vesting on retirement/ transfer	(948 000)	(1 612 000)	(1 517 000)	(150 000)	-	-	(4 227 000)
Vested	(1 706 456)	(1 506 749)	-	-	-	-	(3 213 205)
Vested as a result of Shipping spin-off ³	(735 333)	(1 412 000)	(1 559 000)	(520 000)	-	-	(4 226 333)
Sub total	1 164 004	3 790 103	6 227 331	1 230 984	5 197 287	6 397 000	24 006 709
Forfeiture	(366 881)	(855 051)	(1 815 701)	(90 514)	(1 247 276)	(52 000)	(4 427 423)
Net total⁴	797 123	2 935 052	4 411 630	1 140 470	3 950 011	6 345 000	19 579 286

¹ The price reflects the market price on the dates of the awards, mathematically adjusted on the successful conclusion of the Shipping division spin-off.

² Restructured during 2018 as a result of the Shipping division spin-off.

³ Only applicable to employees in the Shipping division.

⁴ At 31 December 2019, the fair value of these options was R4.4 million.

The details of awards granted to executives as at 31 December 2019 are as follows:

Director	Options at 1 January 2019	Options granted during the year	Options vested during the year	Vesting price R	Options at 31 December 2019 ¹	Option price R	Vesting dates
XF Mbambo	34 999	-	34 999	8.40	-	14.90	February 2019
	73 618	-	73 618	8.40	-	10.48	February 2019
	73 616	-	-	-	73 616	10.48	February 2020
	65 170	-	65 170	8.40	-	5.09	February 2019
	65 170	-	-	-	65 170	5.09	February 2020
	65 170	-	-	-	65 170	5.09	February 2021
	67 583	-	-	-	67 583	7.65	March 2020
	67 583	-	-	-	67 583	7.65	March 2021
	67 585	-	-	-	67 585	7.65	March 2022
	95 944	-	-	-	95 944	7.40	February 2021
	95 944	-	-	-	95 944	7.40	February 2022
	95 944	-	-	-	95 944	7.40	February 2023
	-	331 333	-	-	331 333	8.13	March 2022
	-	331 333	-	-	331 333	8.13	March 2023
-	331 334	-	-	331 334	8.13	March 2024	
	868 326	994 000	173 787		1 688 539		
DA Polkinghorne	22 929	-	22 929	8.40	-	14.90	February 2019
	67 523	-	67 523	8.40	-	10.48	February 2019
	67 704	-	-	-	67 704	10.48	February 2020
	152 063	-	152 063	8.40	-	5.09	February 2019
	152 063	-	-	-	152 063	5.09	February 2020
	152 063	-	-	-	152 063	5.09	February 2021
	143 614	-	-	-	143 614	7.65	March 2020
	143 614	-	-	-	143 614	7.65	March 2021
	143 616	-	-	-	143 616	7.65	March 2022
	117 065	-	-	-	117 065	7.40	February 2021
	117 065	-	-	-	117 065	7.40	February 2022
	117 063	-	-	-	117 063	7.40	February 2023
	-	128 333	-	-	128 333	8.13	March 2022
	-	128 333	-	-	128 333	8.13	March 2023
-	128 334	-	-	128 334	8.13	March 2024	
	1 396 382	385 000	242 515		1 538 867		

Notes to the financial statements continued

37. Directors emoluments continued

Director	Options at 1 January 2019	Options granted during the year	Options vested during the year	Vesting price R	Options at 31 December 2019 ¹	Option price R	Vesting dates
AG Waller	143 614	–	143 614	8.40	–	14.90	February 2019
	143 614	–	–	–	143 614	10.48	February 2020
	354 210	–	354 210	8.40	–	5.09	February 2019
	354 210	–	–	–	354 210	5.09	February 2020
	354 208	–	–	–	354 208	5.09	February 2021
	334 900	–	–	–	334 900	7.65	March 2020
	334 900	–	–	–	334 900	7.65	March 2021
	334 900	–	–	–	334 900	7.65	March 2022
	223 871	–	–	–	223 871	7.40	February 2021
	223 871	–	–	–	223 871	7.40	February 2022
	223 869	–	–	–	223 869	7.40	February 2023
	–	868 333	–	–	868 333	8.13	March 2022
	–	868 333	–	–	868 333	8.13	March 2023
	–	868 334	–	–	868 334	8.13	March 2024
	3 026 167	2 605 000	497 824		5 133 343		
Total	5 290 875	3 984 000	914 126		8 360 749		

¹ At 31 December 2019, the fair value of these options was R2.0 million.

The cost of scheme settlements is hedged against 14 046 343 treasury shares (2018: 13 260 494), not allocated to the forfeitable share plan. During 2019, 460 000 shares (2018: 8 720 000 shares) were bought back at an average price of R5.95 (2018: R6.65).

Grindrod Limited forfeitable share plan

The following table summarizes the movements in the forfeitable share plan during the year.

Award date	Date option	Number of options granted	Price ^{1,2} R	Number of forfeitable shares vested	Number of forfeitable shares forfeited	Total forfeitable shares ³
24 February 2014	2014	1 149 028	27.15	(718 952)	(430 076)	–
23 February 2015	2015	866 050	17.97	(441 934)	(273 272)	150 844
22 February 2016	2016	1 499 513	9.61	(502 744)	(526 953)	469 816
28 February 2017	2017	140 514	13.87	–	(50 000)	90 514
26 June 2017	2017	4 462 282	13.87	(830 000)	(898 773)	2 733 509
01 November 2017	2017	778 418	15.48	–	–	778 418
		8 895 805		(2 493 630)	(2 179 074)	4 223 101

¹ The price reflects the market price on the dates of the awards.

² The vesting price for the 2014, 2015 and 2016 awards that vested during 2019 was R7.68, R7.68 and R8.20 respectively.

³ At 31 December 2019, the fair value of these options based on a closing share price of R5.03 was R21.2 million.

The table below shows the executive participants in the scheme. No forfeitable shares were granted to the executives during 2019.

Award date	Opening balance 1 January 2018	Number of forfeitable shares vested	Total forfeitable shares ¹
XF Mbambo	452 568	–	452 568
DA Polkinghorne	231 814	(97 382)	134 432
AG Waller	531 133	(267 559)	263 574
	1 215 515	(364 941)	850 574

¹ At 31 December 2019, the fair value of these options was R4.3 million.

Grindrod Bank share-price-linked option scheme

A summary of options granted to executives and senior management of Grindrod Bank, still to vest as at 31 December 2019, is as follows:

Date option granted	Options granted	Price ¹ R	Restructure as a result of private equity (PE) separation	Lapse	Vested/ settled	Net total
2015	1 309 000	11.04	36 366	(146 334)	(962 000)	237 032
2016	945 000	13.21	62 342	(100 000)	(501 000)	406 342
2017	1 109 000	14.33	111 997	(265 000)	(226 000)	729 997
2018	1 194 000	15.20	132 476	(248 000)	(215 000)	863 476
2019	1 641 000	16.54	200 078	(242 000)	(295 000)	1 304 078
	6 198 000		543 259	(1 001 334)	(2 199 000)	3 540 925

¹ The price and units were mathematically adjusted on the separation of Bank and Private Equity businesses.

Payments totalling R6 773 500 were made on Grindrod Bank options vesting and settled in 2019. This included payments made to D Polkinghorne of R960 080.

Notes to the financial statements continued

37. Directors emoluments continued

The details of awards granted to an executive as at 31 December 2019 are as follows:

Director	Opening balance 1 January 2019	Options granted during the year	Adjustment as a result of PE separation	Options vested during the year	Vesting price R	Opening balance 31 December 2019	Option price ¹ R	Vesting dates
DA Polkinghorne	49 000	-	-	49 000	16.93	-	9.88	February 2019
	47 000	-	-	47 000	16.93	-	7.55	February 2019
	47 000	-	8 518	-	-	55 518	7.55	February 2020
	46 000	-	-	46 000	16.93	-	13.21	February 2019
	46 000	-	8 337	-	-	54 337	13.21	February 2020
	46 000	-	8 337	-	-	54 337	13.21	February 2021
	48 333	-	8 760	-	-	57 093	14.33	February 2020
	48 333	-	8 760	-	-	57 093	14.33	February 2021
	48 334	-	8 759	-	-	57 093	14.33	February 2022
	58 667	-	10 632	-	-	69 299	15.20	February 2021
	58 667	-	10 632	-	-	69 299	15.20	February 2022
	58 666	-	10 633	-	-	69 299	15.20	February 2023
	-	61 667	11 175	-	-	72 842	16.54	February 2022
	-	61 667	11 175	-	-	72 842	16.54	February 2023
	-	61 666	11 176	-	-	72 842	16.54	February 2024
	602 000	185 000	116 894	142 000		761 894		

¹ The price and units were mathematically adjusted on the separation of Bank and Private Equity businesses.

38. Going concern

The directors consider that the Group and Company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis of accounting in preparing the Group and Company's Annual Financial Statements. The directors have satisfied themselves that the Group and Company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements including possible prolonged periods of low revenue due to COVID-19.

39. Subsequent events

Introduction

Grindrod has established a task team to monitor the impacts of COVID-19 on our people and business, provide guidance, and implement necessary measures. These measures are in accordance with the guidelines provided by the World Health Organisation (WHO) and the National Institute for Communicable Disease (NICD). We are also guided by the pronouncements and recommendations from the President of South Africa and the relevant government departments, particularly health, transport, energy and mineral resources and we continue to monitor developments. The health and safety of our employees come first.

COVID-19 Impact

Grindrod's reporting date is 31 December 2019 and the first case of a positive infection in South Africa was only confirmed in March, the event and its impact has been treated as a non-adjusting subsequent event.

Whilst it is currently not possible to quantify the future impact the virus will have on the business due to the fluidity and uncertainty surrounding the situation, there are areas that will be impacted. Should the impact of the virus become material and quantifiable, Grindrod will provide the necessary guidance to the market through SENS.

Revenue

At our Port and Terminals, and Logistics businesses, we expect revenue in April to be impacted. The extent of the impact will depend on the duration of the closure of the South African non-essential businesses and Mozambique border for mineral cargoes by rail and road transport. Early indications, however, reveal that the government may allow some dispensation for the mines to continue operating under strict conditions once they have secured the necessary approvals. This may mitigate impact on our Port and Terminals.

Our Container businesses are assisting with essential cargoes and are currently operating well below optimal levels. The non-essential cargoes inbound will be stored for later delivery.

Equally, our Carrier businesses will be impacted. OEMs closed their operations and whilst we continue to store their vehicles, we have no carriers currently running. Capital spend at the Umlaas road Autoport project was suspended.

Although fuel is a critical commodity, we expect demand to drop markedly as less driving is expected. It is likely that this operation will close temporarily during the lockdown.

Rail locomotives leased to mines within South Africa have called Force Majeure on certain contracts citing their inability to operate during the lock down period. In Mozambique, locomotives leased to port operations have been impacted with reduced volumes expected in April.

Private Equity and Property backed loans and advances

Valuations of Grindrod's private equity and property investments are likely to be impacted. There is downward risk on the North Coast property backed lending. Currently the underlying property is valued conservatively as agricultural property despite the borrower having secured the right to rezone it for residential, commercial or mixed use. Independent valuations of the underlying properties held as security for the advances, indicate a range of between R1.9 billion and R3.3 billion whereas the total exposure to the Group is under R1.5 billion. Whilst markets remain uncertain on what the total impact of COVID-19 will be on South Africa, expectations are that the property market allows for more stable investment opportunities, particularly with the decrease in interest rates.

Grindrod's investment in the UK property market is also expected to be impacted. However, the UK government's extensive support for the economy and businesses is expected to limit the impact of the virus, and market expectations are that the UK economy will contract in quarter two of 2020 but rebound by late quarter four of 2020 or early 2021. (Source: Oxford Economics)

Bank advances and lending book

Grindrod Bank, together with the broader banking industry are playing a critical role with relief measures in response to the expected increase in customer requests for loan restructures or temporary relief. The accounting and regulatory impacts on provisioning will be clarified in due course.

Disposal programme

As the focus of all businesses has shifted to their COVID-19 impact and responses, we expect that there may be delays in executing the disposal programme covering the remaining investments in the Marine Fuel and Agricultural segment. The extent of the delays will only become clearer after the lockdown period and the direction taken by various jurisdictions emerges.

Balance sheet and liquidity

Grindrod is deploying its available cash on priorities during this time. Identified non-essential cost items, and projects are being deferred. The impact of lockdown on Grindrod's liquidity outlook is assessed continuously. Offshore cash is being repatriated into South Africa and banks engaged to secure additional headroom in the event of a prolonged period of low revenue. Grindrod Bank has sufficient headroom on its liquidity cover and capital adequacy ratios, and these metrics are being monitored closely.

Notes to the financial statements continued

40. Key accounting estimates and judgements

In preparing Grindrod's Annual Financial Statements in compliance with IFRS, key sources of uncertainty and critical judgements were required in applying Grindrod's accounting policies.

Certain critical accounting policies and key sources of estimation uncertainty identified as involving particularly complex or subjective judgements or assessments in Grindrod's Annual Financial Statements are outlined below.

Property, plant and equipment

The degree of judgement and estimation is required when assessing residual values and useful lives of the property, plant and equipment. Residual values of these assets are reviewed annually after considering future market conditions, the remaining life of the asset and projected disposal values. The estimation of the useful lives is based on historic performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets. Properties accounted for as own use assets are thus held at cost less depreciation. Where market indicators reflect that these properties could realise more than their carrying values if disposed of, the depreciation is halted. Details on the property, plant and equipment is provided for in note 3.

Right of use assets and lease liability

Right of use asset and a corresponding liability arose from the adoption of IFRS 16 Leases and Grindrod selected a full retrospective approach which is a significant accounting choice that resulted in restatement of the 2019 Annual Financial Statements. Determination of the right of use assets and corresponding liability involves judgement on and estimate of key inputs being interest rates, future cashflows and duration of the lease contract.

Goodwill

Grindrod has a material goodwill carrying value in its balance sheet. The key judgement in assessing the impairment of the goodwill was forecasting the future cashflows from businesses that support the goodwill, growth rate and the appropriate discount rate. Sturrock Grindrod Maritime (SGM) makes up the highest portion of Grindrod's goodwill balance and the assessment of its future cashflows was a key judgement given its sub-optimal performance that was mainly driven by a new acquisition that did not contribute to current earnings. Management considered the forecasted future cashflows to be achievable.

The details on the inputs used in assessing the impairment are outlined in note 4.

Investment in joint ventures

Management assesses contractual agreements in determining the classification of its joint arrangements. Under contractual agreements, where neither party has the right to unilaterally control the company nor unanimous consent is required for all decisions made with regards to the relevant activities of the company, such entities are classified as joint ventures. The determination will include the voting rights and limits of authority as detailed in agreements. This has resulted in circumstances where the entities are classified as joint ventures when the ownership exceeds 50%. Significant operations where Grindrod holds a majority of the shares but the entities are jointly managed are TCM, RBT, NLPI, GPR and RBTG; these entities are equity accounted in terms of IAS 28 Investments in Associates and Joint Ventures.

Refer to notes 5 and 6 for a list of significant joint arrangements.

Other investments

Some of Grindrod's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, Grindrod uses market-observable data to the extent it is available. Where Level 1 inputs, as defined by fair value hierarchy in IFRS 13 Fair Value Measurements, are not available, Grindrod engages third party qualified valuers to perform valuations. Where there is no observable data, Level 3, management will make assumptions based on their knowledge, experience, prevailing economic variables and other factors in carrying out fair value measurements in terms of IFRS 13 Fair Value Measurements.

Individually significant carrying values that were classified as Level 3 valuations were loans and advances secured by the borrowers' North Coast properties, Blythedale and Addington, and the majority of the private equity and property investment portfolio. The assessment of the adequacy of these properties as security was performed using a rate per square metre of undeveloped farmland, although these properties were released from agricultural use, and are therefore allowed to be rezoned for residential, commercial or mixed use. These properties have been cleared of the land claim. A portion of the Blythedale property is funded externally by ABSA who has a bond over this property and who also commissioned an independent valuation as part of the funding transaction. There is also a profit share arrangement which is determined at an agreed rate of 30% of the surplus on disposal of the property. The recorded fair value falls within an acceptable range of possible values.

Additional information about the valuation and key inputs used in determining the fair value of the various assets and liabilities are disclosed in note 35.

Loans and advances, and trade and other receivables

Significant judgement is required in assessing the impairment on loans and advances in terms of the requirements of IFRS 9 Financial Instruments relating to expected credit loss (ECL). The significant judgements applied by Grindrod in determining the impairment include the expected realisable value of the collateral securing the advance, the probability that an advance will default (Probability of Default (PD)), credit risk changes (Significant Increase in Credit Risk (SICR)), the size of credit exposures (Exposure at Default (EAD)), and the expected loss on default (Loss Given Default (LGD)) using the three-stage model. For trade and other receivables, a provision matrix is used.

Refer to note 35 for more detail on ECL.

Non-current assets held for sale

Following a strategic review of its asset portfolio in May 2019, the Grindrod management took a decision, supported by its Board, to dispose of its investments in the Marine Fuels and Agricultural Logistics segment. Key judgements made related to the classification of this segment as NCAHFS in terms of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and the related assessment of fair value less cost to sell.

Management is confident that disposal of these assets is highly probable, with NWK having been disposed of in September 2019 for R202 million, which supports the judgement made to classify the segment as NCAHFS made. The valuation of the Marine Fuels trading business involved judgement to classify it as part of the disposal group and estimates involving key inputs in the valuation methodology being sustainable earnings and the price earnings ratio used. Senwes was adjusted to its share price traded on the ZAR X as at 31 December 2019, and therefore no material judgements were in the Senwes valuation.

Refer to notes 13 and 25 for details regarding non-current assets held for sale and discontinued operations respectively.

Notes to the financial statements continued

40. Key accounting estimates and judgements continued

Control assessment

Grindrod holds its investments and conducts certain of its banking investment activities using joint ventures, associates, minority shareholdings in private companies and special purpose entities. These entities may be funded by preference shares, term loans, equity or a combination of all of these. IFRS 10 Consolidated Financial Statements defines control and establishes control as a basis for consolidation. Significant judgement is made in assessing control over these entities. In assessing control, irrespective of its shareholding or Board influence, Grindrod determined whether it had exposure or rights to variable returns from its involvement with the investee, and its ability to affect those returns through its power over the investee.

Grindrod has special purpose entities that are often deemed to act “on auto pilot” when rights and obligations are pre-determined on the initial establishment of the entity. In these instances, the directors initially view these rights as protective in nature to ensure that Grindrod is able to secure its funding into those entities. Grindrod reviews these structures as circumstances change, such as payment defaults and inadequate security against the loan or funding. Where there have been material changes that resulted in a default event or Grindrod have had to provide some cure to the structure, such action would typically result in control changing as Grindrod’s protective rights become substantive in nature, and consolidation would be triggered. This did occur during the year and note 8 presents the effects of this being implemented in respect of two investments.

The Bank manages two Trusts with material assets and obligations, and it was determined during the current year control review that these Trusts had erroneously not been consolidated in prior years. The key judgement applied was that control exists because Grindrod Bank has the power to appoint the majority of the Trustees, it manages the daily operations of the Trust and owns the underlying Preference share investments. The Annual Financial Statements have been restated for the effects of correcting this error as disclosed in note 2.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 R000	2018 Restated* R000
Assets			
Non-current assets			
Investments in subsidiaries	6	8 089 196	7 778 583
Other investments	7	5 319	6 636
Deferred taxation	8	–	3 389
Total non-current assets		8 094 515	7 788 608
Current assets			
Trade and other receivables	9	20 568	20 772
Amounts due by Group companies	14	872 553	766 296
Cash and cash equivalents		6 447	4 030
Total current assets		899 568	791 098
Total assets		8 994 083	8 579 706
Equity and liabilities			
Capital and reserves			
Share capital and premium	10	4 823 012	4 823 012
Equity compensation reserve		20 681	20 471
Accumulated profit		2 736 324	3 680 118
Total equity		7 580 017	8 523 601
Current liabilities			
Trade and other payables	11	519 834	44 353
Amounts due to Group companies	14	893 090	10 021
Taxation		1 142	1 731
Total current liabilities		1 414 066	56 105
Total equity and liabilities		8 994 083	8 579 706

* Restated for reclassification of amounts due by and from Group companies. Refer to note 2.

COMPANY INCOME STATEMENT

for the year ended 31 December 2019

	Notes	2019 R000	2018 R000
Dividend revenue		343 424	295 896
Other income		6 343	-
Employment costs		(12 008)	(4 388)
Provision for impairment on inter-Company loans	3	(919 437)	-
Impairment of investments	4	(213 676)	-
Net profit on sale of investments		-	269 845
Auditors' remuneration		(3 181)	(3 000)
Professional fees		(2 294)	(3 742)
Other administrative costs		(2 130)	4 689
Operating (loss)/ profit		(802 959)	559 300
Interest received		79 883	66 970
Interest paid		(36)	-
(Loss)/ profit before taxation		(723 112)	626 270
Taxation	5	(5 281)	(2 058)
(Loss)/ profit for the year attributable to shareholders		(728 393)	624 212
Total comprehensive (loss) income for the year		(728 393)	624 212

COMPANY STATEMENT OF CASH FLOW

for the year ended 31 December 2019

	Notes	2019 R000	2018 Restated* R000
Operating activities			
Cash (utilised by)/ generated from operations	13.1	(12 137)	8 691
Interest received		-	432
Interest paid		(36)	-
Dividends received		343 424	295 896
Dividends paid		(215 401)	(65 682)
Taxation paid	13.2	(2 481)	(2 032)
Net cash inflows from operating activities		113 369	237 305
Investing activities			
Disposal of other investments		1 378	-
Acquisition of additional interest in subsidiaries		(524 288)	(616 953)
Net advances from subsidiaries		411 958	376 524
Net cash outflows from investing activities		(110 952)	(240 429)
Financing activities			
Net cash flows from financing activities		-	-
Net increase/ (decrease) in cash and cash equivalents		2 417	(3 124)
Cash and cash equivalents at beginning of the year		4 030	7 154
Cash and cash equivalents at end of the year		6 447	4 030

* The company consolidated statement of cash flows has been restated to disclose funds advanced to and from Group companies as investing activities in terms of IAS 7 Statement of Cash Flows. Refer to note 2.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	2019 R000	2018 R000
Ordinary and preference share capital and share premium	4 823 012	4 823 012
Balance at beginning of the year	4 823 012	6 407 374
Return of share capital	-	(1 584 362)
Equity compensation reserve	20 681	20 471
Balance at beginning of the year	20 471	20 133
Share-based payments	210	338
Movement in accumulated profit	2 736 324	3 680 118
Balance at beginning of the year	3 680 118	5 778 674
(Loss)/ profit for the year attributable to shareholders	(728 393)	624 212
Ordinary dividends paid*	(149 357)	(2 657 086)
Preference dividends paid**	(66 044)	(65 682)
Total interest of shareholders of the Company	7 580 017	8 523 601
Total equity attributable to all shareholders of the Company	7 580 017	8 523 601

* In the prior year ordinary dividends relate to the Shipping spin-off.

** Preference dividends paid relate to cumulative, non-redeemable, non-participating and non-convertible preference shares declared and are based on 88% of the prime interest rate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting policies

Refer to Group accounting policies

2. Restatement

Statement of cash flows

The Company receives and advances loans from and to Group companies. In the prior year, the movement in these Group loans was classified as operating cashflows in error. These movements should be classified as investing. Consequently, the prior year statement of cashflows has been restated.

The impact of the restatement is as follows:

	Previously reported 2018 R000	Adjustment 2018 R000	Restated 2018 R000
Net cash inflows from operating activities	613 829	(376 524)	237 305
Net cash flows from investing activities	(616 953)	376 524	(240 429)
Net cash flows from financing activities	-	-	-
Net decrease in cash and cash equivalents	(3 124)	-	(3 124)
Cash and cash equivalents at beginning of the year	7 154	-	7 154
Cash and cash equivalents at end of the year	4 030	-	4 030

Statement of financial position

In the prior year amounts due by Group companies was disclosed in trade and other receivables and amounts due to Group companies was disclosed in trade and other payables in error. This has been separately disclosed on the face of the balance sheet.

The impact of the restatement is as follows:

	Previously reported 2018 R000	Adjustment 2018 R000	Restated 2018 R000
Total non-current assets	7 788 608	-	7 788 608
Trade and other receivables	787 068	(766 296)	20 772
Amounts due by Group companies	-	766 296	766 296
Cash and cash equivalents	4 030	-	4 030
Total current assets	791 098	-	791 098
Total assets	8 579 706	-	8 579 706
Total equity	8 523 601	-	8 523 601
Trade and other payables	54 374	(10 021)	44 353
Amounts due to Group companies	-	10 021	10 021
Taxation payable	1 731	-	1 731
Total current liabilities	56 105	-	56 105
Total equity and liabilities	8 579 706	-	8 579 706

Notes to the financial statements continued

3. Provision for impairment on inter-Company loans and guarantees

	2019 R000	2018 R000
Provision for impairments on inter-Company loans	(919 437)	-

In the current year, recovery of funding of R443 million to the B-BBEE consortium, Newshelf 1279 (RF) (Pty) Ltd, is assessed to be doubtful and has been impaired. In addition, Grindrod provided a guarantee to Grindrod Mauritius against the loan of R476 million that Grindrod Mauritius provided to CMOG. Recovery of this loan by Grindrod Mauritius to CMOG is considered doubtful.

4. Impairment of investments

	2019 R000	2018 R000
Impairment of investments	(213 676)	-

This relates to the impairment of the investment in Grindrod Trading Holdings (Pty) Ltd to the underlying net asset value in terms of IFRS 9 Financial Instruments.

5. Taxation

	2019 R000	2018 R000
Current taxation	1 892	2 058
Deferred taxation		
On income for the year	(1)	-
Prior year	3 390	-
Total taxation per income statement	5 281	2 058

The reconciliation of the effective tax rate with the company tax rate is as follows:

	2019 %	2018 %
Rate of South African company taxation	(28.0)	28.0
Exempt dividends	(16.5)	(28.6)
Expenses not allowed ¹	44.3	1.0
Prior year	(0.5)	-
Effective rate of taxation	(0.7)	0.4

¹ Consist of impairments of investments and provision for guarantee.

6. Investments in subsidiaries

	2019 R000	2018 R000
Investments in subsidiaries	8 072 247	7 761 634
Share-based payments	16 949	16 949
	8 089 196	7 778 583

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 139.

7. Other investments

	2019 R000	2018 R000
Listed investments measured at FVTPL	274	213
Unlisted investments measured at amortised cost	5 045	6 423
	5 319	6 636

Listed investments consist of Grindrod Shipping shares marked to market with an observable listed share price on the New York stock exchange as at 31 December 2019. Unlisted investments mainly consist of insurance cell captives.

8. Deferred taxation

	2019 R000	2018 R000
Deferred taxation analysed by major category:		
Other timing differences	-	3 389
	-	3 389
Reconciliation of deferred taxation:		
Opening balance	3 389	3 389
Income statement effect	(3 389)	-
Closing balance	-	3 389
Comprising:		
Deferred taxation liabilities	-	3 389
	-	3 389

9. Trade and other receivables

	2019 R000	2018 R000
Non-interest bearing loan to Adopt-A-School	20 568	20 772
	20 568	20 772

Notes to the financial statements continued

10. Share capital and premium

	2019 R000	2018 R000
Authorised		
2 750 000 000 ordinary shares of 0.002 cents each	55	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each	6	6
	61	61
Issued		
762 553 314 ordinary shares of 0.002 cents each	15	15
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0.031 cents each	2	2
	17	17

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

	2019 R000	2018 R000
Total issued share capital and premium	4 823 012	4 823 012

11. Trade and other payables

	2019 R000	2018 R000
Accrued expenses	9 275	10 358
Preference dividends payable	33 945	33 995
Other payables	476 614	-
	519 834	44 353

Included in the other payables in 2019 is a guarantee to Grindrod Mauritius against the loan of R476 million that Grindrod Mauritius provided to CMOG. Recovery of this loan by Grindrod Mauritius from CMOG is considered doubtful.

12. Contingent liabilities

	2019 R000	2018 R000
In respect of guarantees of loans and facilities of subsidiaries and joint ventures	3 192 124	3 920 974
Of which has been utilised	2 180 413	1 223 429

13. Cash flow

	2019 R000	2018 R000
13.1 Reconciliation of operating (loss)/ profit before interest and taxation to cash generated from operations		
Operating (loss)/ profit	(802 959)	559 300
Adjustments for:		
Dividends received	(343 424)	(295 896)
Provision for impairment on inter-Company loans	919 437	-
Impairment of investments	213 676	-
Net profit on sale of investments	-	(269 312)
Operating loss before working capital changes	(13 270)	(5 908)
Working capital changes		
Decrease in trade and other payables	1 133	14 599
Cash (utilised by)/ generated from operations	(12 137)	8 691

13.2 Taxation paid

	2019 R000	2018 R000
Balance at the beginning of the year	(1 731)	(1 705)
Current year	(1 892)	(2 058)
Balance at the end of the year	1 142	1 731
Taxation paid	(2 481)	(2 032)

Notes to the financial statements continued

14. Related parties

	Interest received – subsidiary R000	Dividends received R000	Net guarantee fees received R000
2019			
Subsidiaries			
Calulo Logistics Holdings (Pty) Ltd	-	6 986	-
Grindrod Financial Services Holdings (Pty) Ltd	-	25 458	4 132
Grindrod Financial Holdings Ltd	-	41 537	728
Grindrod Freight Services (Pty) Ltd	-	112 565	-
Grindrod (South Africa) (Pty) Ltd	-	-	211
Grindrod Property Leasing (Pty) Ltd	-	-	5
Grindrod Trading Holdings (Pty) Ltd	-	156 878	-
Newshelf 1279 (RF) (Pty) Ltd	79 338	-	-
Sturrock Grindrod Maritime Holdings	-	-	936
	79 338	343 424	6 012
2018			
Subsidiaries			
Calulo Logistics Holdings (Pty) Ltd	-	-	-
Grindrod (South Africa) (Pty) Ltd	-	-	42
Grindrod Financial Holdings Ltd	-	58 568	5 034
Grindrod Freight Services (Pty) Ltd	-	228 174	-
Grindrod Property Leasing (Pty) Ltd	-	-	45
Grindrod Shipping (South Africa) (Pty) Ltd	-	-	682
Grindrod Trading Holdings (Pty) Ltd	-	9 154	-
Sturrock Grindrod Maritime Holdings Ltd	-	-	885
Unicorn Calulo Bunker Services (Pty) Ltd	-	-	117
	-	295 896	6 805

	Amounts due by Group Companies 2019 R000	Amounts due to Group Companies 2019 R000	Amounts due by Group Companies 2018 R000	Amounts due to Group Companies 2018 R000
Canosa Holdings Limited	311	-	-	(20)
Calulo Logistics Holdings (Pty) Ltd	-	-	-	(6 986)
Newshelf 1279 (RF) (Pty) Ltd	248 598	-	615 493	-
Grindrod Financial Services Holdings (Pty) Ltd	2 557	-	-	-
Grindrod Financial Holdings Ltd	-	-	-	(75)
Grindrod Freight Services (Pty) Ltd	-	-	-	-
Grindrod Holdings (South Africa) Pty Ltd	614 730	-	-	-
Grindrod (South Africa) (Pty) Ltd	793	(893 090)	150 144	(1 567)
Grindrod Property Holdings Ltd	4 821	-	-	(1 373)
Grindrod Property Leasing (Pty) Ltd	-	-	8	-
Grindrod Trading Holdings (Pty) Ltd	394	-	394	-
Sturrock Grindrod Maritime Holdings	252	-	257	-
Petrologistics	98	-	-	-
	872 554	(893 090)	766 296	(10 021)

Subsidiaries

Details of investments in subsidiaries are set out in note 6 and in the schedule of interest in subsidiaries on page 139.

Directors

Details of directors' interests in the Company and directors' emoluments are set out in note 37 of the consolidated Annual Financial Statements

Further details on balances due by/ (to) directors are disclosed in the related party note shown on pages 94 to 96 of the consolidated Annual Financial Statements.

In the current year, the gross amount owing by Newshelf 1279 (RF) (Pty) Ltd was R691.9 million (2018: R615.5 million) against which an impairment of R443.3 million (2018: nil) was recorded.

In the current and prior year, the gross amount owed by Grindrod (South Africa) (Pty) Ltd was R 52.6 million (2018: R1 095.8 million), against which an impairment of R945.7 million (2018: 945.7 million) was recorded.

Notes to the financial statements continued

15. Financial instruments

	Carrying value	Fair value			Amortised cost
		Level 1	Level 2	Level 3	
2019					
Financial instruments					
Cash and cash equivalents	6 447	-	-	-	6 447
Other investments	5 319	274	-	-	5 045
Trade and other receivables	20 568	-	-	-	20 568
Amounts due by Group companies	872 553	-	-	-	872 553
Trade and other payables	(519 834)	-	(476 614)	-	(43 220)
Amounts due to Group companies	(893 090)	-	-	-	(893 090)
Total	(508 037)	274	(476 614)	-	(31 697)
2018					
Financial instruments					
Cash and cash equivalents	4 030	-	-	-	4 030
Other investments	6 636	213	-	-	6 423
Trade and other receivables	20 772	-	-	-	20 772
Amounts due by Group companies	766 296	-	-	-	766 296
Trade and other payables	(44 353)	-	-	-	(44 353)
Amounts due to Group companies	(10 021)	-	-	-	(10 021)
Total	743 360	213	-	-	743 147

Refer to note 35.1 in the consolidated Annual Financial Statements for further detail.

INTERESTS IN SUBSIDIARIES

for the year ended 31 December 2019

At 31 December 2019, the Grindrod Limited Company had the following subsidiaries carrying on business which principally affected the profits and assets.

They have the same year-end date as the Company and have been included in the Annual Financial Statements.

		Share capital		Effective holding		Investments shares at original cost		Share-based payments to employees	
		2019 R000	2018 R000	2019 %	2018 %	2019 R000	2018 R000	2019 R000	2018 R000
Incorporated in South Africa									
Grindrod Freight Investments (Pty) Ltd	F	1 495	1 495	100	100	203 500	203 500	610	610
Grindrod Management Services (Pty) Ltd	G	-	-	-	-	-	-	5 586	5 586
Grincor Shipping Holdings Ltd	D	-	-	100	100	-	-	-	-
Unilog (Pty) Ltd	F	-	-	100	100	-	-	-	-
Unicorn Shipping Holdings Limited	D	-	15 020	100	100	-	-	-	-
Unicorn Shipping Operations (Pty) Ltd	D	-	-	100	100	-	-	-	-
Grindrod Financial Holdings Limited	B	1 923	1 923	96	96	422 900	322 900	-	-
Grindrod Financial Services Holdings (Pty) Ltd	B	-	-	99	96	1 189 152	774 864	-	-
Grindrod Trading Holdings (Pty) Ltd	T	-	-	100	100	1 194 668	1 408 343	-	-
Grindrod Freight Services (Pty) Ltd	F	1	1	100	100	5 602 372	5 602 372	10 753	10 753
AAS Logistics (Pty) Ltd	F	-	-	100	100	-	-	-	-
Calulo Logistics Holdings (Pty) Ltd	F	-	-	100	100	-	-	-	-
Whirlprops 16 (Pty) Ltd	F	-	-	100	-	10 000	-	-	-
Incorporated in British Virgin Islands									
Canosa Holdings Limited	G	-	-	100	100	23 290	23 290	-	-
Incorporated in Isle of Man									
Grindrod Property Holdings Ltd	G	-	-	100	100	34 344	34 344	-	-
Impairments		-	-			(607 979)	(607 978)	-	-
Interest in subsidiaries		3 419	18 439			8 072 247	7 761 635	16 949	16 949

Nature of Business

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

SHARE ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Shareholder spread				
1 to 5 000 shares	5 032	72.43	7 238 314	0.95
5 001 to 10 000 shares	787	11.33	5 787 805	0.76
10 001 to 50 000 shares	759	10.92	15 676 137	2.05
50 001 to 100 000 shares	117	1.68	8 513 861	1.12
100 001 shares and over	253	3.64	725 337 197	95.12
	6 948	100.00	762 553 314	100.00
Non-public shareholders				
Directors of the Company	9	0.13	269 403 983	35.34
Treasury stock	6	0.09	1 041 671	0.14
Strategic holdings	1	0.01	18 269 443	2.40
	2	0.03	250 092 869	32.80
Public shareholders	6 939	99.87	493 149 331	64.66
	6 948	100.00	762 553 314	100.00
Investor profile				
Banks and brokers	80	1.15	111 038 338	14.56
Close corporations	76	1.09	830 472	0.11
Empowerment	1	0.01	64 000 000	8.39
Endowment funds	19	0.27	999 913	0.13
Individuals	5 695	81.98	44 159 461	5.79
Insurance companies	31	0.45	14 960 348	1.96
Investment companies	1	0.01	209 926	0.03
Medical schemes	11	0.16	353 155	0.05
Mutual funds	105	1.51	131 078 579	17.20
Other corporations	31	0.45	158 624	0.02
Own holdings	1	0.01	18 269 443	2.40
Private companies	166	2.39	85 820 665	11.25
Public companies	3	0.04	100 752	0.01
Retirement funds	95	1.37	105 153 083	13.79
Strategic investor	1	0.01	173 183 235	22.71
Trusts	632	9.10	12 237 320	1.60
	6 948	100.00	762 553 314	100.00

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Geographical breakdown				
South Africa	6 737	96.97	640 380 881	83.98
United States of America and Canada	21	0.30	49 196 914	6.45
United Kingdom	44	0.63	35 740 271	4.69
Rest of Europe	27	0.39	25 485 484	3.34
Rest of the World	119	1.71	11 749 764	1.54
	6 948	100.00	762 553 314	100.00
Beneficial shareholders holding 5% or more				
Remgro			173 183 235	22.71
Grindrod Investments (Pty) Ltd (Grindrod family)			76 909 634	10.09
Government Employees Pension Fund			72 311 452	9.48
PSG Konsult			69 048 034	9.05
Newshelf 1279 (RF) (Pty) Ltd			64 000 000	8.39
			455 452 355	59.72
Top 10 Fund Managers				
PSG Asset Management			69 048 034	9.06
Public Investment Corporation			59 893 756	7.85
Marathon Asset Management			31 545 540	4.14
Sanlam Investment Management			23 460 046	3.08
Steyn Capital Management			23 361 670	3.06
Dimensional Fund Advisors			20 549 596	2.69
Investec Asset Management			17 823 397	2.34
Vanguard			15 519 665	2.04
First State Investments			9 686 487	1.27
BlackRock Investment Management			9 471 820	1.24
			280 360 011	36.77

SHARE ANALYSIS OF CUMULATIVE, NON-REDEEMABLE, NON-PARTICIPATING, NON-CONVERTIBLE PREFERENCE SHARES

	Number of shareholdings	Percentage of shareholdings	Number of shares	Percentage of shares
Shareholder spread				
1 to 5 000 shares	1 558	83.67	2 027 170	27.40
5 001 to 10 000 shares	147	7.89	1 068 119	14.43
10 001 to 50 000 shares	137	7.36	2 417 903	32.68
50 001 to 100 000 shares	13	0.70	919 374	12.42
100 001 shares and over	7	0.38	967 434	13.07
	1 862	100.00	7 400 000	100.00
Non-public shareholders	1	0.05	1 609	0.02
Public shareholders	1 861	99.95	7 398 391	99.98
	1 862	100.00	7 400 000	100.00
Investor profile				
Banks and brokers	6	0.32	36 905	0.50
Close corporations	19	1.02	158 094	2.14
Endowment funds	14	0.75	115 205	1.56
Individuals	1 399	75.14	3 765 706	50.88
Insurance companies	4	0.21	216 947	2.93
Investment company	1	0.05	1 633	0.02
Mutual funds	42	2.26	949 808	12.84
Other corporations	7	0.38	45 033	0.61
Private companies	91	4.89	700 842	9.47
Public companies	1	0.05	178 390	2.41
Retirement funds	16	0.86	186 949	2.53
Trusts	262	14.07	1 044 488	14.11
	1 862	100.00	7 400 000	100.00
Geographical breakdown				
South Africa	1 848	99.25	7 388 385	99.85
United States of America and Canada	2	0.11	1 874	0.03
United Kingdom	1	0.05	919	0.01
Rest of Europe	5	0.27	5 499	0.07
Rest of the World	6	0.32	3 323	0.04
	1 862	100.00	7 400 000	100.00

KEY OPERATING SEGMENTS

31 December 2019

	Effective holding	
	2019 %	2018 %
Port and Terminals		
Port		
Maputo Port Development Company (MPDC)	24.7	24.7
Terminals		
Dry-bulk terminals		
Terminal de Carvão da Matola (TCM)	65	65
Grindrod Mozambique Limitada (GML)	100	100
Grindrod Terminals Richards Bay	100	100
RBTG	59.7	59.7
Walvis Bay Bulk Terminal (WBBT)	75	75
Liquid-bulk terminals		
Oil Tanking Grindrod Calulo (OTGC)	30.5	30.5
Car terminal		
Grindrod Maputo Car Terminal (MCTL)	70	70
Stevedores		
Bay Stevedores, Richards Bay	100	100
Grindrod Namibia Stevedoring (Walvis Bay)	49	49
Logistics		
Seafreight logistics		
Ocean Africa Container Lines (OACL)	100	100
Intermodal		
Grindrod Intermodal	100	100
Grindrod Logistics Mozambique Limitada	100	100
Nacala Intermodal Terminal Investments	75	75
Cross border and project logistics		
Grindrod Logistics Africa	100	100
Clearing and forwarding		
Röhlig-Grindrod	42.5	42.5
Ships agency, maritime technical services and logistics		
Sturrock Grindrod Maritime (SGM)	100	100
Novagroup	100	100
Rail operations		
NLPI Group	74	74
GPR Leasing South Africa	55	55
GPR Leasing Africa	55	55
Grindrod Rail Consulting Services	100	100
Grindrod Rail Operations	100	100
RRL Grindrod Sierra Leone 1	100	100
RRL Grindrod Sierra Leone 2	100	100
Auto and fuel road transportation		
Grindrod Automotive	100	100
Grindrod Fuelogic	100	100
Petrologistics (Botswana)	100	100
Bank		
Banking services		
Grindrod Bank	97	97
Group		
Property and Private Equity		
GFS Holdings	99	99

LOAN FUNDS

at 31 December 2019

	Consolidated			
	Date of redemption	Current rate of interest per annum (%)	2 019 Carrying Value R000	2 018 Carrying Value R000
Secured				
Foreign currency funding				
<i>Financial liabilities measured at amortised cost</i>				
Loans secured by mortgage bond over property, terminals and machinery	07/ 2020 – 08/ 2026	8.0 – 10.3	52 274	359 453
Local currency funding				
<i>Financial liabilities measured at amortised cost</i>				
Loans secured by mortgage bond over property, terminals and machinery	07/ 2020 – 08/ 2026	8.0 – 10.3	388 710	920 943
Aggregate secured long-term borrowings			440 984	1 280 396
Unsecured				
Foreign currency funding				
<i>Financial liabilities measured at amortised cost</i>				
Asset finance and capitalised finance leases secured by vehicles and equipment	01/ 2020 – 01/ 2029	7.0 – 10.3	701 756	722 729
Local currency funding				
<i>Financial liabilities measured at amortised cost</i>				
Asset finance and capitalised finance leases secured by vehicles and equipment	01/ 2020 – 01/ 2029	7.0 – 10.3	503 990	397 160
Loans secured by guarantee	31/ 01/ 2020	9.8	4 722	–
Aggregate secured long-term borrowings			1 651 452	2 400 285
Included in non-current liabilities associated with assets held for sale			–	–
Amount repayable within one year			(458 345)	(1 082 970)
Net long-term borrowings			1 193 107	1 317 315
Closing ZAR/ USD exchange rate at 31 December			14.00	14.38
Security				
Net book values of assets encumbered to secure long-term loans are as follows:				
			464 576	491 404
Property			180 663	313 925
Terminals, machinery, vehicles and equipment			283 913	177 479

BANK AND PRIVATE EQUITY FUNDING INSTRUMENTS

at 31 December 2019

	Consolidated			
	Date of redemption	Current rate of interest per annum (%)	2 019 Carrying Value R000	2 018 Carrying Value R000
Secured				
Local funding				
<i>Financial liabilities measured at amortised cost</i>				
Loans secured by mortgage bond over property	05/ 2023	9.0 – 9.3	568 838	81 230
Aggregate secured Bank and Private Equity funding instruments			568 838	81 230
Loans secured by guarantee	09/ 2021	7.5 – 9.8	322 861	109 643
Listed corporate bond secured by guarantee	11/ 2020 – 06/ 2021	9.0 – 9.8	761 148	465 615
Redeemable preference shares	06/ 2020	7.5	–	206 589
Aggregate Bank and Private Equity funding instruments			1 652 847	863 077
Amount repayable within one year			(535 009)	(368 895)
Net Bank and Private Equity funding instruments			1 117 838	494 182

Rates linked to published South African market rates.

VALUE ADDED STATEMENT

year ended 31 December 2019

	Consolidated			
	2019 R000	2019 %	2018 R000*	2018 %
Continuing operations				
Revenue	3 834 459		3 466 580	
Net cost of services	(1 086 764)		(1 076 164)	
Value added by operations	2 747 695		2 390 416	
Non-trading items	(97 353)		(482 560)	
Total value added	2 650 342		1 907 856	
Applied as follows:				
Employees' remuneration and service benefits	1 232 842	46.6	1 134 035	59.5
Taxation on income	119 072	4.5	117 859	6.2
Providers of share capital	200 892	7.6	65 682	3.4
Providers of loan capital	230 149	8.7	82 699	4.3
Reinvested in the business				
Depreciation and amortisation	501 468	18.8	462 158	24.2
Retained income	365 919	13.8	45 423	2.4
Total	2 650 342	100.0	1 907 856	100.0

* Re-presented for the impact of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and restated for IFRS 10 Consolidated Financial Statements and IFRS 16 Leases. Further details relating to the restatements are shown on note 2.

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