



GRINDROD LIMITED



ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2013



an integrated business



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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2013

The preparation of annual financial statements that fairly represent the results of the group in accordance with the Companies Act and International Financial Reporting Standards is ultimately the responsibility of the board. The board also ensures an independent review of the financial statements by the external auditors. The board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for Grindrod's assets, and assure the integrity of the financial statements. No major breakdown in controls that could influence the reliability of the financial statements was experienced during 2013.

Based on the financial results of Grindrod and the cash flow forecast for the year ended 31 December 2014, and the application of solvency and liquidity tests, the board is further of the opinion that the Grindrod group has adequate resources to continue in operation for the foreseeable future. The annual financial statements were consequently prepared on a going concern basis.

Following the board meeting held on 25 February 2014 during which the board of directors approved the annual financial statements and further authorised Mr IAJ Clark and Mr AK Olivier, in their respective capacities as chairman and chief executive officer, to sign off the annual financial statements. The annual financial statements which appear on pages 4 to 89 are therefore signed on its behalf by:



IAJ Clark
Chairman

Durban
25 February 2014



AK Olivier
Chief Executive Officer

Durban
25 February 2014

COMPLIANCE STATEMENT BY THE COMPANY SECRETARY

for the year ended 31 December 2013

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 2013.



Mrs CI Lewis
Group Company Secretary

Durban
25 February 2014

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2013

The preparation of the consolidated annual financial statements for the year ended 31 December 2013, which appear on pages 4 to 89, has been supervised by the group financial director of Grindrod Limited, Mr AG Waller.



AG Waller CA(SA)
Group Financial Director

25 February 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Grindrod Limited

We have audited the consolidated and separate financial statements of Grindrod Limited set out on pages 4 to 89, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

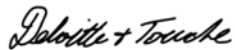
Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Grindrod Limited as at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche

Registered auditors

Per: Craig Sagar

Partner

25 February 2014

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

National Executive: LL Bam (*Chief executive*), AE Swiegers (*Chief operating officer*), GM Pinnock (*Audit*), DL Kennedy (*Risk advisory*), NB Kader (*Tax*), TP Pillay (*Consulting*), K Black (*Clients and industries*), JK Mazzocco (*Talent & transformation*), CR Beukman (*Finance*), M Jordan (*Strategy*), S Gwala (*Special projects*), TJ Brown (*Chairman of the board*), MJ Comber (*Deputy chairman of the board*)

Regional Leader: GC Brazier

A full list of partners is available on request

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

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' REPORT

for the year ended 31 December 2013

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and of the group for the year ended 31 December 2013.

Nature of business

The nature of the group's business is set out under the divisional reviews on pages 46 to 72 of the integrated annual report 2013.

Review of operations

The financial results for the year ended 31 December 2013, including the results of operations, are dealt with in the consolidated income statements, statements of comprehensive income, segmental analysis and operational review on pages 7 to 8 and 11 to 13 of these annual financial statements.

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

Acquisitions and disposals

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

- Grindrod Shipping disposed of its 50% shareholding in Unicorn-Heidmar Tankers LLC.
- Grindrod Trading disposed of 75% of its shareholding in Oreport Proprietary Limited and established a joint venture with the Sisulu Family Trust.
- Grindrod Trading acquired 20% interests in both Senwes Limited and NWK.
- Grindrod Trading acquired a 51% shareholding in United Refineries Limited which is based in Zimbabwe.
- Grindrod Trading disposed of their 50% interest in East Coast Maritime Proprietary Limited.
- Grindrod South Africa disposed of 100% of its division, Grindrod Tank Terminals, to a 38:62 joint venture with Oiltanking Grindrod Calulo Proprietary Limited.
- Grindrod Holdings South Africa Proprietary Limited acquired a majority interest (75%) in RACEC Group Limited, a company which provides track engineering, construction and maintenance services within the rail industry.
- Grindrod Mauritius disposed of its majority interest (75,5%) in Petrologistics Botswana Proprietary Limited, and acquired a majority interest (70%) in Grindrod Fuelogic Mozambique Limitada in order to rationalise operations.
- Grindrod acquired an additional 3,6% interest in New Limpopo Bridge Projects Limited to form a 50:50 joint venture with the shareholder in NLPI Limited, which owns and operates rail concessions in Africa.
- Grindrod Financial Services acquired 100% of Property Index Tracker Managers Proprietary Limited.
- The group also undertook a number of smaller acquisitions and disposals during the year. Details of all acquisition and disposal transactions are contained in note 38.1 and 38.2 to these annual financial statements.

Share capital

Details of the authorised and issued shares are shown on page 51 and the share analysis is shown on pages 134 to 135 of the integrated annual report.

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

The issued share capital increased by 1 100 000 ordinary shares as a result of the allotment and issue of new shares in terms of the Grindrod Limited share option scheme.

Dividends

The directors have declared a final dividend of 17,1 cents per ordinary share (2012: 15,4 cents). Dividends paid or payable in respect of the year were as follows:

	Date of declaration (cents)	Last day to trade cum dividend	Trading ex dividend commences	Record date	Payment date	Amount per share (cents)
Interim	19.09.2013	19.09.2013	20.09.2013	27.09.2013	30.09.2013	20,0
Final	27.02.2014	13.03.2014	14.03.2014	20.03.2014	24.03.2014	17,1

The directors have also declared a dividend of 377,0 (2012: 379,0) cents per preference share which will be paid on the same day as the final dividend to ordinary shareholders.

Special resolutions

General authority for the company to provide financial assistance for subscription of securities and to provide financial assistance to certain categories of person and a renewal of authority for the company or its subsidiaries to repurchase its own shares was obtained at the 2013 annual general meeting.

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

DIRECTORS' REPORT CONTINUED

for the year ended 31 December 2013

Subsidiary companies

Information on subsidiary and associated companies is contained in notes 5, 6 and 7 respectively on pages 37 to 39. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 46 to 72 of the integrated report.

Directorate and company secretary

Brief curricula vitae of the current directors are disclosed on pages 77 to 79 of the integrated annual report. Details of directors' remuneration and the incentive schemes appear on pages 95 to 105 of the integrated annual report.

Mr PJ Uys was appointed as alternate to Mr JJ Durand effective 30 August 2013.

Mr PJ Liddiard resigned from the board on 30 August 2013.

Mr NL Sowazi was appointed as an independent non-executive director on 25 February 2014.

The appointment of Messrs PJ Uys (alternate) and NL Sowazi will be confirmed at the annual general meeting.

According to the company's memorandum of incorporation, at the forthcoming annual general meeting, Messrs JJ Durand, MR Faku, and SDM Zungu retire by rotation. All are eligible and have offered themselves for re-election.

The registered office of the company is as follows:

Business address

Quadrant House
115 Margaret Mncadi Avenue
Durban 4001
South Africa

Postal address

PO Box 1
Durban 4000
South Africa

Employee retirement benefit plans

Details of the group's employee retirement benefit plans are separately disclosed in note 22 on pages 53 to 56.

Audit committee

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

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on pages 134 and 135 of the integrated annual report.

Auditors

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

Subsequent events

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

Going concern

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

Notes	Group			Company		
	2013 R000	2012 R000	2011 R000	2013 R000	2012 R000	2011 R000
Assets						
Non-current assets						
Ships, property, terminals, vehicles and equipment	3	6 698 871	5 443 757	5 267 565		
Intangible assets	4	559 763	679 643	547 931		
Investments in subsidiaries	5	–	–	–	8 629 595	5 549 011
Investments in joint ventures	6	3 616 166	1 829 276	878 770		4 710 088
Investments in associates	7	788 118	512 646	266 081		
Investment property	8	–	33 826	22 096		
Other investments	9	493 161	322 997	129 478		
Deferred taxation	10	99 772	107 435	89 472	1 516	918
Derivative financial assets	11	–	2 891	–		603
Recoverables on cancelled ships	12	236 440	379 050	380 566		
Total non-current assets		12 492 291	9 311 521	7 581 959	8 631 111	5 549 929
Loans and advances to bank customers	13	3 674 567	3 188 454	2 542 048		
Current assets						
Liquid assets and short-term negotiable securities	14	1 044 432	626 378	190 259		
Inventories	15	285 921	906 116	961 093		
Trade and other receivables	16	2 406 407	3 012 476	2 480 654	1 252 929	1 965 557
Taxation		25 728	9 755	15 133	12 718	189
Short-term loans	17	–	518 819	303 513		–
Cash and cash equivalents		6 076 314	4 226 367	2 979 172	2 538	1 975
		9 838 802	9 299 911	6 929 824	1 268 185	1 967 721
Non-current assets classified as held for sale	18	2 416 467	273 615	3 467 286		2 841 674
Total current assets		12 255 269	9 573 526	10 397 110	1 268 185	1 967 721
Total assets		28 422 127	22 073 501	20 521 117	9 899 296	7 517 650
Equity and liabilities						
Capital and reserves						
Share capital and premium	19	2 036 994	2 025 257	2 014 429	2 422 546	2 410 809
Equity compensation reserve		50 551	42 126	37 947	18 472	17 510
Non-distributable reserves		1 893 363	967 295	732 339		16 668
Accumulated profit		8 055 520	7 079 678	6 432 054	7 338 296	4 820 749
Equity attributable to owners of the company		12 036 428	10 114 356	9 216 769	9 779 314	7 249 068
Non-controlling interests		96 239	126 533	94 336		6 998 987
Total equity		12 132 667	10 240 889	9 311 105	9 779 314	7 249 068
Non-current liabilities						
Long-term borrowings	20	1 973 390	2 028 392	2 226 575		
Financial services funding instruments	21	1 082 986	813 947	–		
Derivative financial liabilities	11	10 199	25 949	19 188		
Deferred taxation	10	144 426	147 004	124 796		
Provision for post-retirement medical aid	22	48 175	49 426	52 336		
Provisions	23	52 436	32 662	14 481		
Total non-current liabilities		3 311 612	3 097 380	2 437 376	–	–
Deposits from bank customers	24	8 014 890	4 661 346	2 910 945		
Current liabilities						
Trade and other payables	25	1 339 637	1 653 586	1 238 377	119 982	268 582
Provisions	23	48 138	3 783	13 478		550 837
Current portion of long-term borrowings	20	697 593	408 556	396 967		
Current portion of financial services funding instruments	21	160 253	193 519	130 514		
Short-term borrowings and overdraft	20	429 481	1 578 842	1 620 223		
Taxation		72 617	84 545	45 181	–	–
		2 747 719	3 922 831	3 444 740	119 982	268 582
Non-current liabilities associated with assets classified as held for sale	18	2 215 239	151 055	2 416 951		553 378
Total current liabilities		4 962 958	4 073 886	5 861 691	119 982	268 582
Total equity and liabilities		28 422 127	22 073 501	20 521 117	9 899 296	7 517 650

INCOME STATEMENTS

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 R000	2012 R000	2013 R000	2012 R000
Revenue	26	15 662 026	27 262 223	2 966 623	524 530
Other income	27	702 092	256 618	–	322
Operating expenses	27	(15 477 428)	(26 588 937)	(45 302)	(48 785)
Earnings before interest, taxation, depreciation and amortisation		886 690	929 904	2 921 321	476 067
Depreciation and amortisation	27	(463 112)	(412 430)		
Operating profit before interest and taxation		423 578	517 474	2 921 321	476 067
Non-trading items	28	479 460	199 689	(136 969)	–
Interest received	29	129 961	206 941	292	456
Interest paid	29	(222 891)	(227 398)		
Profit before share of associate and joint venture companies' profit		810 108	696 706	2 784 644	476 523
Share of joint venture companies' profit after taxation	6	545 132	340 029		
Share of associate companies' profit after taxation	7	23 350	9 385		
Profit before taxation		1 378 590	1 046 120	2 784 644	476 523
Taxation	30	(116 540)	(140 828)	598	2 670
Profit for the year		1 262 050	905 292	2 785 242	479 193
Attributable to:					
Owners of the parent/company		1 232 526	894 042	2 785 242	479 193
Non-controlling interests		29 524	11 250		
		1 262 050	905 292	2 785 242	479 193
Earnings per share (cents)	31				
Basic		199,1	141,8		
Diluted		198,3	141,2		
Dividends per share (cents)		37,1	32,9		
Interim		20,0	17,5		
Final		17,1	15,4		
Dividend cover (times)		5,4	4,3		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Profit for the year	1 262 050	905 292	2 785 242	479 193
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	1 618 579	263 750		
Cash flow hedges	(1 038)	(7 204)		
Business combination (acquisition)/release	(9 148)	5 998		
Fair value loss arising on available-for-sale investments	(25 029)	(25 000)		
Reclassification of available-for-sale investments	50 029	–		
Items that will not be reclassified subsequently to profit and loss				
Actuarial gains	8 579	16 521		
Total comprehensive income for the year	2 904 022	1 159 357	2 785 242	479 193
Total comprehensive income attributable to:				
Owners of the parent/company	2 865 201	1 145 519	2 785 242	479 193
Non-controlling interests	38 821	13 838		
	2 904 022	1 159 357	2 785 242	479 193

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 R000	2012 R000	2013 R000	2012 R000
Operating activities					
Cash receipts from charter hire		616 573	2 406 969		
Cash receipts from freight		2 917 937	2 734 395		
Cash receipts from commodity sales		8 054 086	20 574 398		
Interest income from financial institution		392 862	298 422		
Interest expense from financial institution		(302 310)	(215 509)		
Dividend income from financial institution		47 613	22 710		
Corporate and structured finance fee income and other income		244 450	148 084		
Handling revenue		3 003 166	2 715 187		
Other revenue		174 736	102 497	48 813	34 205
Cash receipts on sale of ships		306 061	–		
Cash receipts from customers		15 455 174	28 787 153	48 813	34 205
Cash payments to suppliers and employees		(14 807 346)	(27 362 698)	(71 092)	(45 046)
Cash generated from/(absorbed by) operations	37.1	647 828	1 424 455	(22 279)	(10 841)
Interest received		129 961	206 941	292	456
Interest paid		(222 891)	(227 398)	–	–
Dividends received		85 796	22 710	2 945 041	490 325
Dividends paid	37.2	(259 666)	(238 182)	(268 032)	(232 773)
Taxation paid	37.3	(219 585)	(101 985)	(12 529)	(374)
Net proceeds on disposal of ships		161 443	1 086 541	2 642 493	246 793
Proceeds on disposal of ships		306 061	16 846		
Refund on ships under construction cancelled		197 248	–		
Capital expenditure on ships	37.4	(406 251)	(242 372)		
Cash flows from operating activities of financial institutions					
Advances to customers		(469 794)	(646 406)		
Liquid assets and short-term negotiable securities		(418 054)	(436 119)		
Deposits from customers		3 353 544	1 750 401		
Net cash flows generated from operating activities		2 724 197	1 528 891	2 642 493	246 793
Investing activities					
Property, terminals, vehicles and equipment acquired	37.4	(661 881)	(388 326)		
Replacement of property, terminals, vehicles and equipment		(60 889)	(10 566)		
Additions to property, terminals, vehicles and equipment		(600 992)	(377 760)		
Acquisition of other investments		(171 056)	(95 046)		
Acquisition of subsidiaries, joint ventures, associates	37.5	(801 751)	(560 974)	(3 080 584)	(838 643)
Acquisition of additional investments in subsidiaries, joint ventures and associates		(107 451)	–		
Proceeds on disposal of property, terminals, vehicles and equipment		51 481	33 916		
Proceeds from disposal of investments	37.6	109 408	466 020		
Intangible assets acquired		(63 162)	(17 891)		
Proceeds on disposal of intangible assets		175	–		
Loans advanced from/(to) joint ventures and associate companies		100 074	(74 986)		
Net advances from subsidiaries				426 917	585 638
Net cash flows utilised in investing activities		(1 544 163)	(637 287)	(2 653 667)	(253 005)
Financing activities					
Net proceeds from issue of ordinary share capital		11 737	7 839	11 737	7 836
Repurchase of preference share capital		–	–	–	(3 686)
Proceeds from disposal of treasury shares		–	2 989		
Long-term interest-bearing debt raised		811 560	1 432 603		
Payment of capital portion of long-term interest-bearing debt		(720 807)	(834 015)		
Short-term interest-bearing debt raised/(repaid)		571 560	(126 514)		
Net cash flows generated from financing activities		674 050	482 902	11 737	4 150
Net increase/(decrease) in cash and cash equivalents		1 854 084	1 374 506	563	(2 062)
Cash and cash equivalents at beginning of the year		4 250 250	2 901 050	1 975	4 037
Difference arising on translation		27 169	(25 306)		
Cash and cash equivalents at end of the year	37.7	6 131 503	4 250 250	2 538	1 975

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Share capital and share premium	2 036 992	2 025 255	2 422 544	2 410 807
Balance at beginning of the year	2 025 255	2 014 427	2 410 807	2 406 654
Share options exercised	11 737	7 839		
Treasury shares sold	–	2 989		
Shares issued			11 737	7 839
Shares re-purchased			–	(3 686)
Preference share capital	2	2	2	2
Balance at beginning of the year	2	2	2	2
Equity compensation reserve	50 551	42 126	18 472	17 510
Balance at beginning of the year	42 126	37 947	17 510	16 668
Share-based payments	8 425	4 179	962	842
Foreign currency translation reserve	1 916 514	1 005 260	–	–
Balance at beginning of the year	1 005 260	744 098		
Foreign currency translation realised	(698 028)	–		
Foreign currency translation adjustments	1 609 282	261 162		
Other non-distributable reserves	(23 151)	(37 965)	–	–
Balance at beginning of the year	(37 965)	(11 759)		
Fair value adjustment of available-for-sale financial instrument	(25 029)	(25 000)		
Reclassification of available-for-sale investments	50 029	–		
Business combination release	(9 148)	5 998		
Cash flow hedges	(1 038)	(7 204)		
Movement in accumulated profit	8 055 520	7 079 678	7 338 296	4 820 749
Balance at beginning of the year	7 079 678	6 432 054	4 820 749	4 575 663
Business disposal	–	(31 160)		
Actuarial gains	8 579	16 521		
Profit for the year	1 232 526	894 042	2 785 242	479 194
Ordinary dividends paid	(209 909)	(174 482)	(212 341)	(176 811)
Preference dividends paid	(55 354)	(57 297)	(55 354)	(57 297)
Total interest of shareholders of the company	12 036 428	10 114 356	9 779 314	7 249 068
Equity attributable to non-controlling interests of the company	96 239	126 533	–	–
Balance at beginning of the year	126 533	94 336		
Foreign currency translation adjustments	9 297	2 588		
Business (disposal)/acquisitions	(54 502)	23 397		
Non-controlling interests acquired	–	2 849		
Profit for the year	29 524	11 250		
Dividends paid	(14 613)	(7 887)		
Total equity attributable to all shareholders of the company	12 132 667	10 240 889	9 779 314	7 249 068

SEGMENTAL ANALYSIS

for the year ended 31 December 2013

The group has identified the following five main segments, namely Shipping, Trading, Freight Services, Financial Services and Group. These divisions are the basis on which the group reports its primary segment information. The principal services of each of these segments are described on pages 46 to 72 of the integrated annual report.

Business Segments	Freight Services		Trading		Shipping		Financial Services	
	2013 R000	2012** R000	2013 R000	2012 R000	2013 R000	2012* R000	2013 R000	2012 R000
Revenue – external	5 027 536	3 929 411	22 415 085	27 074 222	4 319 093	4 009 832	370 790	252 686
Revenue – internal	48 588	53 489	389 723	364 939	224 052	379 175	5 597	4 276
Trading profit/(loss) (excluding amortisation)	1 169 332	770 044	(93 283)	258 660	570 617	311 759	156 138	127 702
Depreciation and amortisation	(261 521)	(219 911)	(16 239)	(16 845)	(335 053)	(243 236)	(1 682)	(1 322)
Operating profit/(loss)	907 811	550 133	(109 522)	241 815	235 564	68 523	154 456	126 380
Non-trading items	77 836	419 379	(192 948)	(35 300)	600 528	(173 300)	–	–
Share of associate companies' profit after taxation	12 948	10 200	10 402	(815)	–	–	–	–
Segment result excluding net interest and taxation	998 595	979 712	(292 068)	205 700	836 092	(104 777)	154 456	126 380
Interest received	40 530	40 426	70 396	84 464	6 641	(2 388)	–	(7 490)
Interest paid	(108 358)	(100 960)	(126 222)	(119 380)	(68 263)	(53 648)	(7 636)	–
Taxation	(234 637)	(95 425)	38 869	(50 388)	(7 824)	(4 081)	(26 860)	(24 756)
Profit/(loss) for the year	696 130	823 753	(309 025)	120 396	766 646	(164 894)	119 960	94 134
Non-controlling interest shareholders	(21 506)	(7 294)	793	8 047	(5 801)	(2 390)	(9 006)	(9 632)
Profit attributable to shareholders	674 624	816 459	(308 232)	128 443	760 845	(167 284)	110 954	84 502
Preference dividends	(22 141)	(22 919)	(14 394)	(14 897)	–	–	(18 700)	(19 357)
Profit/(loss) attributable to ordinary shareholders	652 483	793 540	(322 626)	113 546	760 845	(167 284)	92 254	65 145
Capital expenditure	981 953	982 081	773 592	203 159	923 150	591 473	137 158	65 842
Total segment assets	7 598 935	6 062 673	5 667 989	4 831 048	7 877 189	6 123 214	10 377 049	6 697 341
Segment assets excluding investments in associates	6 803 272	5 385 982	4 972 696	4 801 988	7 877 189	6 123 214	10 377 049	6 697 341
Investments in associates	795 663	676 691	695 293	29 060	–	–	–	–
Segment liabilities	(3 655 569)	(2 850 960)	(4 359 059)	(3 830 575)	(3 303 564)	(2 493 860)	(9 521 994)	(5 957 652)

Business segments	Group				Total group			
	2013 R000	2012** R000	Total R000	2013 Adjust- ments** R000	Total R000	Total# R000	2012** Adjust- ments R000	Total R000
Revenue – external	2 488	911	32 134 992	(16 472 966)	15 662 026	35 267 062	(8 004 839)	27 262 223
Revenue – internal	104 215	121 358	772 175	–	772 175	923 237	–	923 237
Trading profit/(loss) (excluding amortisation)	(41 689)	(37 925)	1 761 115	(874 425)	886 690	1 430 240	(500 336)	929 904
Depreciation and amortisation	(3 829)	(3 632)	(618 324)	155 212	(463 112)	(484 946)	72 516	(412 430)
Operating profit/(loss)	(45 518)	(41 557)	1 142 791	(719 213)	423 578	945 294	(427 820)	517 474
Non-trading items	(1 501)	670	483 915	(4 455)	479 460	211 449	(11 760)	199 689
Share of associate companies' profit after taxation	–	–	23 350	545 132	568 482	9 385	340 029	349 414
Segment result excluding net interest and taxation	(47 019)	(40 887)	1 650 056	(178 536)	1 471 520	1 166 128	(99 551)	1 066 577
Interest received	43 511	102 712	161 078	(31 117)	129 961	217 724	(10 783)	206 941
Interest paid	(2 674)	(10 267)	(313 153)	90 262	(222 891)	(284 255)	56 857	(227 398)
Taxation	517	(19 636)	(229 935)	113 395	(116 540)	(194 286)	53 458	(140 828)
Profit/(loss) for the year	(5 665)	31 922	1 268 046	(5 996)	1 262 050	905 311	(19)	905 292
Non-controlling interest shareholders	–	–	(35 520)	5 996	(29 524)	(11 269)	19	(11 250)
Profit attributable to shareholders	(5 665)	31 922	1 232 526	–	1 232 526	894 042	–	894 042
Preference dividends	(119)	(124)	(55 354)	–	(55 354)	(57 297)	–	(57 297)
Profit/(loss) attributable to ordinary shareholders	(5 784)	31 798	1 177 172	–	1 177 172	836 745	–	836 745
Capital expenditure	52 628	6 509	2 868 481	(847 528)	2 020 953	1 849 064	(478 740)	1 370 324
Total segment assets	1 865 669	1 847 768	33 386 831	(4 964 704)	28 422 127	25 562 044	(3 488 543)	22 073 501
Segment assets excluding investments in associates	1 865 669	1 847 768	31 895 875	(4 261 866)	27 634 009	24 856 293	(3 295 438)	21 560 855
Investments in associates	–	–	1 490 956	(702 838)	788 118	705 751	(193 105)	512 646
Segment liabilities*	(409 857)	(200 849)	(21 250 043)	4 960 584	(16 289 459)	(15 333 896)	3 501 284	(11 832 612)

* Restated due to application of IAS 19 Employee Benefits as amended.

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

Restated due to segmental adjustments in relation to IFRS 8 Operating Segments to ensure comparability. This has no impact on profit.

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

SEGMENTAL ANALYSIS CONTINUED

for the year ended 31 December 2013

Geographic segments	USA/Bermuda		South America		Middle East		United Kingdom/ Europe/Isle of Man	
	2013 R000	2012** R000	2013 R000	2012** R000	2013 R000	2012** R000	2013 R000	2012** R000
Revenue – external	242 355	276 899	1 150 541	1 638 816	365 246	387 618	4 004 989	3 655 131
Profit/(loss) attributable to ordinary shareholders	–	1 533	(1 034)	59 074	–	5 525	8 937	(93 972)
Capital expenditure	–	–	14 501	8 731	–	–	–	3 227
Segment assets	4 286	–	222 449	369 844	531 605	172 271	1 032 597	638 157

Geographic segments	Singapore/Asia/ Far East/Australia		Rest of Africa		South Africa		Total group	
	2013 R000	2012** R000	2013 R000	2012** R000	2013 R000	2012** R000	2013 R000	2012** R000
Revenue – external	13 412 164	17 960 528	1 539 348	1 242 303	11 420 349	10 105 767	32 134 992	35 267 062
Profit attributable to ordinary shareholders	711 253	(75 660)	363 478	701 569	94 538	238 676	1 177 172	836 745
Capital expenditure	923 150	588 130	584 435	723 789	1 346 395	525 187	2 868 481	1 849 064
Segment assets	9 405 466	7 500 047	3 940 217	2 727 530	18 250 211	14 154 195	33 386 831	25 562 044

* Restated due to application of IAS 19 Employee Benefits as amended.

Restated due to segmental adjustments in relation to IFRS 8 Operating Segments to ensure comparability. This has no impact on profit.

ACCOUNTING POLICIES

for the year ended 31 December 2013

Basis of preparation

Accounting framework

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

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

Underlying concepts

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

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

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

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

Recognition of assets and liabilities

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

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

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

Derecognition of assets and liabilities

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

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

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

Foreign currencies

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

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

- assets, including goodwill, and liabilities at exchange rates ruling on the statement of financial position date;
- income items, expense items and cash flows at the average exchange rates for the period; and
- equity items at the exchange rate ruling when they arose.

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

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

Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of the group financial statements. The principal segments of the group have been identified on a primary basis by business segment which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

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

Events after the reporting period date

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

Comparative figures

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

Company financial statements

Subsidiaries, associates and joint ventures

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

Consolidated financial statements

Interests in subsidiaries

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

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

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

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

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

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately from the group equity therein. It consists of the amount of those interests at acquisition plus the non-controlling interests' subsequent share of changes in equity of the subsidiary. On acquisition, the non-controlling interests that are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests are considered to be equity participants and all transactions with non-controlling interests are recorded directly within equity.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company. Any subsequent changes to the group's ownership interests in subsidiaries are released directly to accumulated profit.

Business combinations

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

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

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

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

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

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

Upon loss of control of a subsidiary, a parent derecognises the assets and liabilities of the subsidiary in full and measures any investment retained in the former subsidiary at its fair value. A re-measurement gain or loss that forms part of the total gain or loss on the disposal of the subsidiary is recognised in profit and loss. Group policy is that recognition of the gain or loss is to the extent of the unrelated investors' interests in the associate or joint venture.

Interests in associate companies

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture or joint operation. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The consolidated financial statements incorporate the assets, liabilities, income and expenses of associates using the equity method of accounting from the acquisition date to the disposal date, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Losses of associates in excess of the group's interest are only recognised to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Interests in joint ventures

A joint arrangement is either a joint operation or a joint venture, with a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method of accounting.

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 26 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

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

Financial statement items

Statement of financial position

Ships, property, terminals, vehicles and equipment

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

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

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

Terminals, 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:

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

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

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

Freehold land is reflected at cost and not depreciated. Buildings are reflected at cost and depreciated to estimated residual value over their useful life to the group, currently estimated at 50 years from the date of acquisition. Where the estimated residual value exceeds the cost, depreciation is not provided.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Expenditure relating to leasehold properties is capitalised and depreciated over the period of the lease, or 25 years, whichever is the lesser period.

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

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

Investment properties

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

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

Intangible assets

Goodwill

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

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

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

Other intangible assets

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

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

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

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

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

Deferred taxation assets and liabilities

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

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt.

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

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

Loans and advances

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

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

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

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

Non-current assets held for sale

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

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

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

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

Inventories

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

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents are measured at fair value.

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

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

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

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

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

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

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

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

Post-employment benefit obligations

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

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

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

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

Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

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

Onerous contracts

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

Contingent liabilities acquired in a business combination

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

Equity

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

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

Income statement

Revenue

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

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

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

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

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

Cost of sales

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

Employee benefit costs

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

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

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

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

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

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

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

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

Borrowing costs

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Non-trading items

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

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- gains and losses on the disposal of property, terminals, vehicles and equipment;

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and the realisation of hedges of a net investment in a foreign operation; and
- the group's proportionate share of exceptional items (determined on the same basis) of associates and joint ventures.

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

Taxation

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

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

Transactions and events

Hedge accounting

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

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

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

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

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

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

Derivatives

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

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

Impairment of assets

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. The impairment loss is first allocated to reduce the carrying amount of

goodwill and then to the other assets of the cash-generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

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

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

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

Leasing

Classification

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

In the capacity of a lessor

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

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease.

In the capacity of a lessee

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

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

Government grants

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

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

Discontinued operations

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

Share-based payments

Equity-settled share options

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

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

Cash-settled share-based payments

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2013

Treasury shares

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

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

Financial guarantee contracts

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

Judgements made by management and key sources of estimation uncertainty

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

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

Asset lives and residual values

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

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

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

Deferred taxation assets

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

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

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

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are considered for impairment at least annually. Property, terminals, vehicles and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

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

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

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

Onerous contract provisions

Full provision is made for the present obligations of the unavoidable future costs of fulfilling the terms of onerous ship charter contracts or contracts of affreightment to which the group is committed. Note 23 provides more detail on these provisions.

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

Post-employment benefit obligations

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

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

Percentage completion of voyages

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

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

Fair value of derivative financial instruments

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

Valuations of forward freight agreements (FFAs)

The FFAs are valued by comparing the strike price of the instrument against the estimated market spot earnings for the period that the instrument has been contracted. Management makes use of projected market earnings from reliable shipping brokers in order to assess the expected profits or losses from the transaction. Note 40 provides more detail.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

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

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

1.1 New and revised IFRSs affecting presentation and disclosure only

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The group has applied the amendments to IFRS 7 for the first time in the current year. The amendments require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

As the group does not have any offsetting arrangements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 requires prospective application from 1 January 2013. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments of IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss, and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income has been allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above-mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the group has applied IAS 19 Employee Benefits and the related consequential amendments for the first time.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net interest amount under the revised standard, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, there are certain changes to presentation of the defined benefit cost including more extensive disclosures.

The amendments to IAS 19 (as revised in 2011) have been applied by the group on a retrospective basis (refer to note 2 for details).

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

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

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

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

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 16	Property, Plant and Equipment
Amendments to IAS 32	Financial Instruments: Presentation
Improvements to IFRSs issued in 2009 – 2011	

1.4 New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ¹

¹ Effective for annual periods beginning on or after 1 January 2015.

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that IFRS 9 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

2. Changes in accounting policies and disclosures

Restatement and reclassification

The financial statements have been restated due to the application of IAS 19 Employee Benefits as amended and due to compliance of the Headline Earnings Circular 2/2013 (as revised in 2013). In addition, the financial statements have been restated to disclose the reclassification of joint venture intercompany balances. Net impact of IAS 19 restatement is R16,5 million on 2012 profit for the period. Headline earnings have been restated by R97,4 million at December 2012 to include the compensation received in respect of assets impaired as a result of the sale of OACL in 2012.

Statements of financial position as at 31 December 2012	Group					
	2012			2011		
	As previously stated R000	Adjustment R000	Restated R000	As previously stated R000	Adjustment R000	Restated R000
Assets						
Non-current assets						
Ships, property, terminals, vehicles and equipment	5 443 757	–	5 443 757	5 267 565	–	5 267 565
Intangible assets	679 643	–	679 643	547 931	–	547 931
Investments in joint ventures	1 668 233	161 043	1 829 276	719 528	159 242	878 770
Investments in associates	512 646	–	512 646	266 081	–	266 081
Investment property	33 826	–	33 826	22 096	–	22 096
Other investments	322 997	–	322 997	129 478	–	129 478
Deferred taxation assets	107 435	–	107 435	89 472	–	89 472
Derivative financial assets	2 891	–	2 891	–	–	–
Recoverables on cancelled ships	379 050	–	379 050	380 566	–	380 566
Total non-current assets	9 150 478	161 043	9 311 521	7 422 717	159 242	7 581 959
Loans and advances to bank customers	3 188 454	–	3 188 454	2 542 048	–	2 542 048
Current assets						
Liquid assets and short-term negotiable securities	626 378	–	626 378	190 259	–	190 259
Inventories	906 116	–	906 116	961 093	–	961 093
Trade and other receivables	3 173 519	(161 043)	3 012 476	2 639 896	(159 242)	2 480 654
Taxation	9 755	–	9 755	15 133	–	15 133
Short-term loans	518 819	–	518 819	303 513	–	303 513
Cash and cash equivalents	4 226 367	–	4 226 367	2 979 172	–	2 979 172
	9 460 954	(161 043)	9 299 911	7 089 066	(159 242)	6 929 824
Non-current assets classified as held for sale	273 615	–	273 615	3 467 286	–	3 467 286
Total current assets	9 734 569	(161 043)	9 573 526	10 556 352	(159 242)	10 397 110
Total assets	22 073 501	–	22 073 501	20 521 117	–	20 521 117

2. Changes in accounting policies and disclosures continued

Statements of financial position as at 31 December 2012	Group					
	2012			2011		
	As previously stated R000	Adjustment R000	Restated R000	As previously stated R000	Adjustment R000	Restated R000
Equity and liabilities						
Capital and reserves						
Share capital and premium	2 025 257	–	2 025 257	2 014 429	–	2 014 429
Equity compensation reserve	42 126	–	42 126	37 947	–	37 947
Non-distributable reserves	967 295	–	967 295	732 339	–	732 339
Accumulated profit	7 079 678	–	7 079 678	6 432 054	–	6 432 054
Equity attributable to owners of the company	10 114 356	–	10 114 356	9 216 769	–	9 216 769
Non-controlling interests	126 533	–	126 533	94 336	–	94 336
Total equity	10 240 889	–	10 240 889	9 311 105	–	9 311 105
Non-current liabilities						
Long-term borrowings	2 028 392	–	2 028 392	2 226 575	–	2 226 575
Financial services funding instruments	813 947	–	813 947	–	–	–
Derivative financial liabilities	25 949	–	25 949	19 188	–	19 188
Deferred taxation	147 004	–	147 004	124 796	–	124 796
Provision for post-retirement medical aid	49 426	–	49 426	52 336	–	52 336
Provisions	32 662	–	32 662	14 481	–	14 481
Total non-current liabilities	3 097 380	–	3 097 380	2 437 376	–	2 437 376
Deposits from bank customers	4 661 346	–	4 661 346	2 910 945	–	2 910 945
Current liabilities						
Trade and other payables	1 653 586	–	1 653 586	1 238 377	–	1 238 377
Provisions	3 783	–	3 783	13 478	–	13 478
Current portion of long-term borrowings	408 556	–	408 556	396 967	–	396 967
Current portion of financial services funding instruments	193 519	–	193 519	130 514	–	130 514
Short-term borrowings and overdraft	1 578 842	–	1 578 842	1 620 223	–	1 620 223
Taxation	84 545	–	84 545	45 181	–	45 181
	3 922 831	–	3 922 831	3 444 740	–	3 444 740
Non-current liabilities associated with assets classified as held for sale	151 055	–	151 055	2 416 951	–	2 416 951
Total current liabilities	4 073 886	–	4 073 886	5 861 691	–	5 861 691
Total equity and liabilities	22 073 501	–	22 073 501	20 521 117	–	20 521 117

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

2. Changes in accounting policies and disclosures continued

	Group		
	As previously stated R000	2012 Adjustment R000	Restated R000
Income statement for the year ended 31 December 2012			
Revenue	27 262 223	–	27 262 223
Other income	287 416	(30 798)	256 618
Operating expenses	(26 595 814)	6 877	(26 588 937)
Earnings before interest, taxation, depreciation and amortisation	953 825	(23 921)	929 904
Depreciation and amortisation	(412 430)	–	(412 430)
Operating profit before interest and taxation	541 395	(23 921)	517 474
Non-trading items	199 689	–	199 689
Interest received	206 941	–	206 941
Interest paid	(227 398)	–	(227 398)
Profit before share of associate and joint venture companies' profit	720 627	(23 921)	696 706
Share of joint venture companies' profit after taxation	340 029	–	340 029
Share of associate companies' profit after taxation	9 385	–	9 385
Profit before taxation	1 070 041	(23 921)	1 046 120
Taxation	(148 228)	7 400	(140 828)
Profit for the year	921 813	(16 521)	905 292
Attributable to:			
Owners of the parent/company	910 563	(16 521)	894 042
Non-controlling interests	11 250	–	11 250
	921 813	(16 521)	905 292
Headline earnings			
Profit attributable to ordinary shareholders	719 507	(113 879)	605 628
Adjusted for:	853 266	(16 521)	836 745
	(133 759)	(97 358)	(231 117)
Impairment of goodwill	21 045	–	21 045
Impairment of other investments	11 208	–	11 208
Impairment of ships, intangibles, plant and equipment	178 648	–	178 648
Net profit on disposal of investments	(312 887)	(97 358)	(410 245)
Net loss on disposal of plant and equipment	2 023	–	2 023
Foreign currency translation reserve adjustment on disposal of investment	(33 965)	–	(33 965)
Joint ventures:			
Impairment of ships, plant and equipment	20 305	–	20 305
Total taxation effects of adjustment	(20 136)	–	(20 136)
Earnings per share (cents)			
Basic	144,6	(2,8)	141,8
Diluted	144,0	(2,8)	141,2
Headline earnings per share (cents)			
Basic	121,9	(19,3)	102,6
Diluted	121,4	(19,2)	102,2
Dividends per ordinary share declared for the financial year (cents)			
Dividends per share (cents)	32,9	–	32,9
Interim	17,5	–	17,5
Final	15,4	–	15,4
Dividend cover (times)	4,4	(0,1)	4,3

2. **Changes in accounting policies and disclosures** continued

	Group		
	As previously stated R000	2012 Adjustment R000	Restated R000
Statement of other comprehensive income for the year ended 31 December 2012			
Profit for the year	921 813	(16 521)	905 292
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	263 750	–	263 750
Cash flow hedges			
Recycled through profit and loss during the year	(6 345)	–	(6 345)
Reclassification adjustments for amounts recognised in assets	(859)	–	(859)
Business combination release	5 998	–	5 998
Fair value loss arising on available-for-sale investments	(25 000)	–	(25 000)
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains	–	16 521	16 521
Total comprehensive income for the year	1 159 357	–	1 159 357
Total comprehensive income attributable to:			
Owners of the parent/company	1 145 519	–	1 145 519
Non-controlling interests	13 838	–	13 838
	1 159 357	–	1 159 357

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

3. Ships, property, terminals, vehicles and equipment

	Cost/ valuation R000	Accumulated depreciation, amortisation and impairment R000	Group	
			2013 Carrying value R000	2012 Carrying value R000
Freehold and leasehold properties				
Opening balance	661 929	(148 993)	512 936	487 651
Translation gain	26 261	(4 134)	22 127	2 779
Reclassification	108 758	–	108 758	35 590
Additions and improvements	109 167	–	109 167	9 076
Acquisition of businesses	4 777	–	4 777	5 122
Disposals	(969)	569	(400)	(53)
Depreciation and amortisation	–	(22 258)	(22 258)	(27 223)
Transferred to non-current assets classified as held for sale	(16 585)	85	(16 500)	(6)
Closing balance	893 338	(174 731)	718 607	512 936
Ships				
Opening balance	4 364 054	(795 969)	3 568 085	3 643 662
Translation gain	1 014 504	(153 821)	860 683	152 100
Additions	179 164	–	179 164	136 376
Disposals	–	–	–	(16)
Depreciation and amortisation	–	(259 577)	(259 577)	(205 085)
Impairment	(44 866)	–	(44 866)	(153 435)
Reclassification	242 587	28 304	270 891	(5 517)
Closing balance	5 755 443	(1 181 063)	4 574 380	3 568 085
Ships under construction				
Opening balance	297 061	–	297 061	179 550
Translation gain	41 499	–	41 499	11 515
Additions	227 087	–	227 087	105 996
Reclassification	(565 647)	–	(565 647)	–
Closing balance	–	–	–	297 061
Property under construction				
Opening balance	14 134	–	14 134	42 340
Translation gain	230	–	230	516
Additions	93 234	–	93 234	19 592
Acquisition of businesses	2 604	–	2 604	–
Transferred to non-current assets classified as held for sale	(1 539)	–	(1 539)	–
Disposals	–	–	–	(653)
Reclassification	(2 292)	–	(2 292)	(47 661)
Closing balance	106 371	–	106 371	14 134

3. Ships, property, terminals, vehicles and equipment continued

	Cost/ valuation R000	Accumulated depreciation, amortisation and impairment R000	Group	
			2013 Carrying value R000	2012 Carrying value R000
Terminals, vehicles and equipment				
Opening balance	1 787 867	(847 043)	940 824	833 902
Translation gain	84 175	(20 320)	63 855	12 413
Reclassification	(2 149)	1 163	(986)	(18 588)
Additions	358 742	(324)	358 418	326 928
Acquisition of businesses	123 879	(44 682)	79 197	8 135
Impairment	–	–	–	(24 653)
Disposals	(87 484)	48 457	(39 027)	(50 861)
Depreciation	–	(155 432)	(155 432)	(135 857)
Transferred to non-current assets classified as held for sale	(105 892)	60 264	(45 628)	(10 595)
Closing balance	2 159 138	(957 917)	1 201 221	940 824
Leased terminals, vehicles and equipment				
Opening balance	189 030	(78 313)	110 717	80 460
Translation gain	7 417	(3 486)	3 931	–
Reclassification	–	–	–	(7 922)
Additions	13 242	(464)	12 778	20 831
Acquisition of businesses	–	–	–	41 450
Disposals	(25 405)	12 576	(12 829)	(2 436)
Depreciation	–	(16 305)	(16 305)	(21 666)
Closing balance	184 284	(85 992)	98 292	110 717
Aggregate	9 098 574	(2 399 703)	6 698 871	5 443 757
			Accumulated depreciation, amortisation and impairment	Carrying value
2012 Group				
Freehold and leasehold properties		661 929	(148 993)	512 936
Ships		4 364 054	(795 969)	3 568 085
Ships under construction		297 061	–	297 061
Property under construction		14 134	–	14 134
Terminals, vehicles and equipment		1 787 867	(847 043)	940 824
Leased terminals, vehicles and equipment		189 030	(78 313)	110 717
		7 314 075	(1 870 318)	5 443 757

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

3. Ships, property, terminals, vehicles and equipment continued

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 88.

Hull and machinery insurance in respect of loss or damage to owned and bareboat chartered ships is insured at replacement value and the sum insured is US\$433 440 000 (2012: US\$433 000 000).

It is the policy of Grindrod and its subsidiaries to insure their property, terminals, vehicles and equipment at replacement value; however, in certain circumstances asset cover is limited to market value. The sum insured is R8 662 000 000 (2012: R9 027 000 000).

Impairment

During the year, the Shipping segment impaired a ship by R44 866 000 to its market value. Market value is based on the estimated sale price as the intention is to recover the value through sale. In the prior year, the Shipping segment impaired their ships by R153 435 000 to their values in use due to a decline in the shipping markets. In the prior year, the Freight Services segment also impaired a conveyor belt which will no longer be used.

4. Intangible assets

	Cost/ valuation R000	Accumulated amortisation and impairment losses R000	Group	
			2013 Carrying value R000	2012 Carrying value R000
4.1 Goodwill				
Opening balance	633 931	–	633 931	495 289
Translation gain	7 850	–	7 850	9 829
Recognised on acquisition of businesses	85 545	–	85 545	167 471
Disposal of business	–	–	–	(13 388)
Impairment	–	(186 447)	(186 447)	(21 045)
Transferred to non-current assets classified as held for sale (note 18)	(59 339)	–	(59 339)	(4 225)
Closing balance	667 987	(186 447)	481 540	633 931

4. Intangible assets continued

	Cost/ valuation R000	Accumulated amortisation and impairment losses R000	Group	
			2013 Carrying value R000	2012 Carrying value R000
4.2 Other intangible assets				
Opening balance	105 604	(59 892)	45 712	52 642
Translation gain	2 607	(639)	1 968	55
Reclassification	2 133	(1 155)	978	(1 535)
Additions	63 161	–	63 161	17 891
Recognised on acquisition of businesses	16 205	–	16 205	2 809
Disposals	(1 754)	1 579	(175)	(3 587)
Impairment	–	(14 118)	(14 118)	(1 014)
Amortisation	–	(9 540)	(9 540)	(15 600)
Transferred to non-current assets classified as held for sale (note 18)	(40 884)	14 916	(25 968)	(5 949)
Closing balance	147 072	(68 849)	78 223	45 712
Total	815 059	(255 296)	559 763	679 643

Impairment testing of goodwill

An impairment of R186 447 000 was recognised in the group's agricultural commodity trading business. The impairment was as a result of part of the business being in a loss making position.

Impairment testing of intangible assets

An impairment of R14 118 000 was recognised for software as a result of re-evaluation of business requirements that resulted in a change of how the software was expected to be utilised.

Allocation of goodwill to cash-generating units

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

Shipping	30 612	24 762
Trading	81 812	270 034
Freight Services		
Grindrod Terminals	12 327	12 327
Grindrod Intermodal	25 080	25 080
Grindrod Logistics	155 401	142 809
Grindrod Rail	13 195	–
Grindrod Seafreight	108 505	108 505
Financial Services	54 608	50 414
	481 540	633 931

Significant other intangible assets

Included in other intangible assets above are:

Leases

Intangible asset raised on acquisition of businesses in respect of the inherent value attached to beneficial lease agreements.

– 5 925

SAP systems

Financial systems implemented for processing.

16 779 23 370

Software

41 752 20 079

Write-off periods of intangible assets

Intangible assets are written off over periods ranging from three (2012: three) to 25 (2012: 25) years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

5. Investments in subsidiaries

	Company	
	2013 R000	2012 R000
Investments in subsidiaries	8 612 646	5 532 062
Share-based payments	16 949	16 949
	8 629 595	5 549 011

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 86.

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

6. Investments in joint ventures

	Group		
	2013 %	2012 %	
The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated:			
Handyventure Singapore Pte Ltd	Ship-owning and operating	50,0	50,0
Petrochemical Shipping Limited	Ship-owning	50,0	50,0
Rohlig-Grindrod Proprietary Limited	Clearing and forwarding	42,5	42,5
Unicorn Calulo Shipping Services Proprietary Limited	Ship operating	50,0	50,0
Chromtech Holdings Proprietary Limited	Minerals trading	50,0	50,0
Unicorn-Heidmar Tankers Limited Liability Company	Ship operating	–	50,0
Tri-View Shipping Pte Ltd	Ship-owning and operating	51,0	51,0
Vanguard Rigging Proprietary Limited	Machine handling, rigging and transport services	50,0	50,0
IM Shipping Pte Ltd	Ship-owning and operating	51,0	51,0
Portus Indico-Sociedade de Servicos Portuarios SA	Port operations	48,5	48,5
Corr-line Steel & Roof Proprietary Limited	Minerals trading	50,1	50,1
New Limpopo Bridge Projects Limited	Rail	50,0	–
East Coast Maritime Proprietary Limited	Minerals trading	–	50,0
RRL Grindrod Proprietary Limited	Rail operations	50,0	50,0
RRL Grindrod Locomotives Proprietary Limited	Rail owning	51,0	50,5
Amanita Africa Limited	Grain trading	–	50,0
Progroup Holdings Pte Ltd	Grain trading	–	50,0
Jacobs Bulk Milling Proprietary Limited	Milling and blending of agricultural commodity	50,0	50,0
Island Bulk Carriers Pte Ltd	Ship-owning and operating	65,0	75,0
Maputo Intermodal Container Depot SA	Intermodal	50,0	50,0
Sturrock Grindrod Maritime Holdings Proprietary Limited	Ships agencies	50,0	50,0
Leopard Tankers Pte Ltd	Ship-owning and operating	50,0	50,0
Cockett Marine Oil Pte Ltd	Marine fuel and lubricants	50,0	50,0
Cockett Marine South Africa Proprietary Limited	Marine fuel and lubricants	50,0	50,0
Vitol Coal South Africa BV	Trading	35,0	35,0
Terminal De Carvo da Matola Limitada	Terminals	65,0	65,0
Oiltanking Grindrod Calulo Holdings Proprietary Limited	Liquid-bulk storage and trading	38,0	–
Oreport Proprietary Limited	Trading	25,0	–
IVS Bulk Pte Ltd	Ship-owning and operating	40,0	–

6. Investments in joint ventures continued

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

	Freight Services		Trading		Shipping		Group	
	2013 R000	2012 R000	2013 R000	2012 R000	2013 R000	2012 R000	2013 R000	2012 R000
Income statement								
Revenue	1 494 032	716 125	14 398 433	6 893 861	580 501	394 852	16 472 966	8 004 838
Operating income before interest and taxation and after non-trading items and non-controlling interest	469 486	216 498	107 553	165 025	140 633	58 452	717 672	439 975
Net interest paid	(34 939)	(34 179)	(6 696)	(5 225)	(17 510)	(7 082)	(59 145)	(46 486)
Taxation	(96 630)	(20 518)	(12 216)	(26 881)	(4 549)	(6 061)	(113 395)	(53 460)
Net income after taxation	337 917	161 801	88 641	132 919	118 574	45 309	545 132	340 029
Statement of cash flow								
Cash inflow/(outflow) from operating activities	309 595	(50 279)	(137 907)	(182 697)	128 033	50 576	299 721	(182 400)
Cash outflow from investing activities	(299 207)	(39 220)	(35 569)	(24 643)	(796 276)	(116 544)	(1 131 052)	(180 407)
Cash inflow/(outflow) in financing activities	136 139	2 723	(103 853)	223 151	739 246	58 124	771 532	283 998
Net cash (outflow)/inflow	146 527	(86 776)	(277 329)	15 811	71 003	(7 844)	(59 799)	(78 809)
Statement of financial position at 100%								
Non-current assets	3 345 918	1 716 750	436 372	407 717	3 616 629	1 893 790	7 398 919	4 018 257
Current assets	2 564 003	1 582 177	4 298 921	3 552 970	564 196	246 564	7 427 120	5 381 711
Non-current liabilities	(931 334)	(602 857)	(85 386)	(266 794)	(2 119 251)	(576 619)	(3 135 971)	(1 446 270)
Current liabilities	(2 428 285)	(1 766 292)	(3 468 652)	(2 831 084)	(549 292)	(936 931)	(6 446 229)	(5 534 307)
Net assets	2 550 302	929 778	1 181 255	862 809	1 512 282	626 804	5 243 839	2 419 391
Proportion of group's ownership in joint ventures	1 326 160	469 739	533 327	400 803	664 468	315 867	2 523 955	1 186 409
Goodwill	403 040	283 429	167 704	133 094			570 744	416 523
Loans	49 327	–	–	104 007	432 064	161 043	481 391	265 050
Translation	21 696	846					21 696	846
Other	14 523	18 747	13 345	3 452	(9 765)	(61 751)	18 103	(39 552)
Transferred to non-current assets classified as held for sale (note 18)			277	–			277	–
Group's share of net assets of joint ventures	1 814 746	772 761	714 653	641 356	1 086 767	415 159	3 616 166	1 829 276

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

	Group			
	2013 R000	2013 US\$000	2012 R000	2012 US\$000
Authorised and contracted for	700	79 320	245 247	70 697
Due within one year	700	15 043	168 325	70 697
Due between years one and two	–	55 350	76 922	–
Due between years two and three	–	8 927	–	–
Authorised and not contracted for	52	27 167	–	1 014
Total	752	106 487	245 247	71 711

Acquisition of joint ventures

Refer to note 38 for acquisitions and disposals.

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for the year ended 31 December 2013

7. Investments in associates

	Group	
	2013 %	2012 %
The group has associate interests in the following companies:		
Moneyline 992 Proprietary Limited	47,4	47,4
Erundu Stevedoring Proprietary Limited	49,0	49,0
Empresa De Dragagem Do Porto de Mozambique S.A.	25,5	25,5
Baobab Investments Limited	38,9	38,9
Oiltanking Grindrod Calulo Proprietary Limited	–	30,2
New Limpopo Bridge Projects Limited*	–	46,4
Russellstone Proteins Proprietary Limited	30,0	30,0
Senwes Limited	20,0	–
NWK Limited	20,0	–

* During the year the group acquired additional interest in New Limpopo Bridge Projects Limited resulting in this company becoming a joint venture.

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

	Freight Services		Trading		Group	
	2013 R000	2012 R000	2013 R000	2012 R000	2013 R000	2012 R000
Income statement						
Revenue	40 581	40 612	883 956	648	924 537	41 260
Depreciation	(2 020)	(2 357)	(651)	–	(2 671)	(2 357)
Operating income/(loss) before interest and taxation	16 423	19 248	(8 498)	(242)	7 925	19 006
Net interest received/(paid)	953	(4 641)	13 703	(573)	14 656	(5 214)
Taxation	(4 428)	(4 407)	5 197	–	769	(4 407)
Net income/(loss) after taxation	12 948	10 200	10 402	(815)	23 350	9 385
Statement of cash flow						
Cash inflow/(outflow) from operating activities	25 419	(2 206)	(441 629)	5 140	(416 210)	2 934
Cash outflow from investing activities	–	(5 969)	(10 715)	(33 820)	(10 715)	(39 789)
Cash (outflow)/inflow in financing activities	(1 920)	9 417	(60 087)	37 986	(62 007)	47 403
Net cash inflow/(outflow)	23 499	1 242	(512 431)	9 306	(488 932)	10 548
Statement of financial position at 100%						
Non-current assets	302 019	1 217 797	1 447 951	130 773	1 749 970	1 348 570
Current assets	79 315	1 058 389	5 643 164	–	5 722 479	1 058 389
Non-current liabilities	(169 074)	(455 151)	(1 346 966)	–	(1 516 040)	(455 151)
Current liabilities	(31 265)	(765 839)	(2 803 014)	(114 993)	(2 834 279)	(880 832)
Net assets	180 995	1 055 196	2 941 135	15 780	3 122 130	1 070 976
Proportion of group's ownership in associates	69 508	464 032	585 452	4 734	654 960	468 766
Loans	23 318	28 144	–	–	23 318	28 144
Other and goodwill	–	(8 590)	114 069	24 326	114 069	15 736
Transferred to non-current assets classified as held for sale (note 18)	–	–	(4 229)	–	(4 229)	–
Group's share of net assets of associates	92 826	483 586	695 292	29 060	788 118	512 646

Acquisition of associates

Refer to note 38 for acquisitions and disposals.

8. Investment property

	Group	
	2013 R000	2012 R000
Balance at beginning of the year	33 826	22 096
Additions	88 959	11 643
Fair value gain on revaluation	–	87
Reclassification to ships, property, terminals, vehicles and equipment	(122 785)	–
Balance at end of the year	–	33 826

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

9. Other investments

Held for trading		
Listed equities at fair value	25 532	39 458
Unlisted equities at fair value	342 501	155 376
Other financial assets		
Pension fund surplus recognised*	95 845	83 028
Financial assets at amortised cost	29 283	26 138
Available-for-sale financial assets	–	25 029
Other investments transferred to non-current assets held for sale (note 18)	–	(6 032)
	493 161	322 997
Directors' valuation	493 161	322 997

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

10. Deferred taxation

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Deferred taxation analysed by major category:				
Capital allowances	(235 345)	(152 697)		
Other timing differences	68 036	64 372	1 516	918
Estimated taxation losses	122 655	48 756		
	(44 654)	(39 569)	1 516	918
Reconciliation of deferred taxation:				
Opening balance	(39 569)	(35 324)	918	603
Income statement effect	70 140	19 254	598	315
Translation adjustment	26 011	2 983		
Disposal of businesses	(14 576)	(3 666)		
Acquisition of businesses	8 980	(5 260)		
Transferred to non-current assets classified as held for sale (note 18)	(95 640)	(17 556)		
Closing balance	(44 654)	(39 569)	1 516	918
Comprising:				
Deferred taxation assets	99 772	107 435	1 516	918
Deferred taxation liabilities	(144 426)	(147 004)		
	(44 654)	(39 569)	1 516	918

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

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11. Financial instruments

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

Financial instruments by category

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

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Financial assets				
Loans and receivables	13 627 761	11 879 046	1 255 467	1 967 532
Held for trading	296 981	332 570		
Derivative financial assets	6 579	67 639		
Derivative financial instruments designated as cash flow hedges	–	(1 823)		
Total financial assets	13 931 321	12 277 432	1 255 467	1 967 532
Total non-financial assets	14 490 806	9 796 069	8 643 829	5 550 118
Total assets	28 422 127	22 073 501	9 899 296	7 517 650
Financial liabilities				
Held at amortised cost	13 846 697	11 319 244	119 982	268 582
Derivative financial liabilities	10 481	132 832		
Derivative financial instruments designated as cash flow hedges	–	(2 068)		
Total financial liabilities	13 857 178	11 450 008	119 982	268 582
Total non-financial liabilities and equity	14 564 949	10 623 493	9 779 314	7 249 068
Total liabilities and equity	28 422 127	22 073 501	9 899 296	7 517 650

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

Derivative financial instruments**11.1 Forward exchange contracts**

The group had historically entered into the following forward exchange contracts which are accounted for as fair value hedges with gains/losses thereon taken to the income statement. The amounts represent the net rand equivalents of commitments to purchase and sell foreign currencies. The average rates shown include the cost of forward cover.

Valuation technique

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

	Group	
	2013 R000	2012 R000
Total change in fair value recognised in profit/loss	(17 368)	4 453

Details of these forward exchange contracts are as follows:

Foreign currency	Average rate	2013			Average rate	2012		
		Contract value US\$000	Contract value R000	Asset/ (liability) R000		Contract value US\$000	Contract value R000	Asset/ (liability) R000
Purchase US dollars	10,42	80 817	842 451	11 790	5,13	27 572	141 469	2 931
Purchase US dollars	–	–	–	–	8,60	68 402	588 427	(8 374)
Sell US dollars	10,61	(16 755)	(177 814)	1 351	9,02	6 527	58 859	3 431
Sell US dollars	–	(1 235)	(12 764)	(268)	–	–	–	–
		62 827	651 873	12 873		102 501	788 755	(2 012)

11. Financial instruments continued

11.2 Forward freight agreements

The group has historically entered into a number of forward freight agreements which are designated as cash flow hedges, covering the handysize ships to hedge against shipping market price risk. These are entered into in the normal course of business in order to hedge against open positions in the fleet from contracts of affreightment (these FFAs hedge sales based on volumes shipped) and exposure on earnings for the handysize ships trading in a pool on the spot market. The basis for valuation of the FFAs is set out in managements critical judgements. At 31 December 2013, there were four (2012: one) open forward freight agreements, designated as cash flow hedges, maturing as follows:

Settlement periods	Hedged item	Strike price US\$	Quantity/ duration	Nominal value US\$000	2013 Asset/ (liability) R000	2012 Asset/ (liability) R000
1 January 2014 to 31 December 2014	Handysize	11 100	120 days	1 332	1 456	–
1 January 2014 to 31 December 2014	Handysize	11 000	60 days	660	897	–
1 January 2014 to 31 December 2014	Handysize	12 325	120 days	1 479	190	–
1 January 2014 to 31 December 2014	Handysize	13 150	10 days	138	42	–
1 January 2012 to 31 December 2013	Handysize	7 875	181 days	1 425	–	1 823
				5 034	2 585	1 823
Ineffective cash flow hedge					–	–
Effective cash flow hedge					2 585	1 823

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

Settlement periods	Hedged item	Strike price US\$	Quantity/ duration	Nominal value US\$000	2013 Asset/ (liability) R000	2012 Asset/ (liability) R000
1 January 2012 to 31 December 2013	Handysize	9 750	120 days	1 170	–	(1 908)
1 January 2012 to 31 December 2013	Handysize	11 100	120 days	1 332	–	(2 540)
1 January 2012 to 31 December 2013	Handymax	9 750	120 days	1 170	–	(1 908)
1 January 2012 to 31 December 2013	Handymax	9 750	120 days	1 170	–	(1 908)
1 January 2012 to 31 December 2013	Handymax	9 500	60 days	570	–	(822)
1 January 2012 to 31 December 2013	Handymax	9 600	60 days	576	–	(872)
1 January 2012 to 31 December 2013	Handysize	11 000	60 days	660	–	(1 312)
1 January 2014 to 31 December 2014	Handysize	12 325	120 days	1 479	(285)	–
				8 127	(285)	(11 270)

At 31 December 2013, the sensitivity of the forward freight agreements to a 10% (2012: 10%) movement in the shipping market prices would have the following effect:

	Group	
	2013 R000	2012 R000
10% increase		
Increase in FFA liability	179	(4 365)
Decrease in hedging reserve deficit	–	4 365
Decrease in profit	(10 413)	–
10% decrease		
Decrease in FFA liability	(1 720)	4 365
Increase in hedging reserve deficit	–	(4 365)
Increase in profit	10 413	–
10% increase		
Decrease in FFA asset	3 566	(3 270)
Decrease in hedging reserve deficit	–	3 270
Decrease in profit	(10 413)	–
10% decrease		
Increase in FFA asset	(2 026)	3 270
Increase in hedging reserve deficit	–	(3 270)
Decrease in profit	10 413	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

11. Financial instruments continued**11.3 Futures**

The group has entered into certain futures in order to commercially hedge the price risk in respect of commodity contracts which mature between January 2014 and November 2014.

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

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

Commodity		Tonnage	Contract value R000	2013 Asset/(liability) R000	2012 Asset/(liability) R000
White maize	Sales	(6 500)	(1 170)	(370)	(3 538)
White maize	Sales	–	–	–	8 033
White maize	Purchase	–	–	–	1 923
White maize	Purchase	28 200	71 004	(5 979)	(77)
Yellow maize	Sales	(7 400)	(1 765)	(733)	(28)
Yellow maize	Sales	–	–	–	1 582
Yellow maize	Purchase	4 400	11 377	(591)	(955)
Yellow maize	Purchase	–	–	–	10 476
Corn	Sales	–	–	–	(178)
Corn	Sales	(3 683)	(6 731)	285	5 188
Corn	Purchase	–	–	–	(1 509)
Soya bean meal	Sales	(1 356)	(998)	(734)	(2 781)
Soya bean meal	Sales	(34 165)	(62 967)	8 328	1 052
Soya bean meal	Purchase	38 353	172 019	8 843	2 128
Soya bean meal	Purchase	1 800	8 494	(183)	(7 318)
Soya bean	Sales	(29 050)	(159 751)	1 196	–
Soya bean	Purchase	–	–	–	633
Soya bean	Purchase	–	–	–	(53)
Wheat	Sales	–	–	–	(1 187)
Wheat	Sales	(5 017)	311	1 686	648
Wheat	Purchase	–	–	–	2 540
Wheat	Purchase	6 260	18 684	(127)	(390)
Other	Sales	(12 300)	(53 045)	1 631	–
Other	Purchase	300	363	342	766
Other	Purchase	250	1 173	(54)	–
				13 540	16 955
Mark to market settled through margin account – asset				–	(34 092)
Mark to market settled through margin account – asset				5 906	7 387
Futures held on behalf of customers – liability				–	(4 825)
Futures held on behalf of customers – asset				–	4 825
				19 446	(9 750)

11. Financial instruments continued

11.4 Forward contracts

The group has entered into the following purchase and sale forward contracts with respect to commodities such as wheat, soya bean meal, corn, white and yellow maize and sunflower. These contracts have maturity dates between January 2014 and February 2015.

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

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

Commodity		Tonnage	Contract value R000	2013 Asset/(liability) R000	2012 Asset/(liability) R000
Wheat	Sales	(22 815)	(82 137)	18	3 536
Wheat	Sales	(16 117)	(190 368)	(4 477)	(536)
Wheat	Purchase	9 517	28 909	870	1 549
Wheat	Purchase	587	5 838	(360)	–
Soya bean meal	Sales	(5 054)	(59 298)	4 861	18 281
Soya bean meal	Sales	(152 587)	(37 515)	(11 978)	(22 926)
Soya bean meal	Purchase	45 425	10 267	930	1 674
Soya bean meal	Purchase	123 269	217 737	(14 927)	(10 007)
Soya bean	Sales	(284)	(1 111)	2	1 330
Soya bean	Sales	(284)	(1 111)	(202)	–
Soya bean	Purchase	400	2 422	21	–
Soya bean	Purchase	–	–	–	(990)
Corn	Sales	–	–	–	(2 425)
Corn	Purchase	72 000	10 530	10 001	17
White Maize	Sales	(68 765)	(43 970)	(3 231)	–
White Maize	Sales	–	–	–	2 029
White Maize	Purchase	38 303	53 494	4 189	5 191
White Maize	Purchase	–	–	–	(10 451)
Yellow Maize	Sales	–	–	–	644
Yellow Maize	Sales	(12 423)	(22 898)	(1 867)	–
Yellow Maize	Purchase	–	–	–	(12 617)
Yellow Maize	Purchase	15 600	1 974	451	5 772
Sunflower	Sales	(9 436)	(3 329)	968	1 501
Sunflower	Sales	–	–	–	(5 407)
Sunflower	Purchase	–	–	–	738
Sunflower	Purchase	11 382	20 650	(1 166)	(3 596)
Other	Sales	(9 144)	(39 911)	(2 122)	(3 668)
Other	Sales	(16 507)	(59 028)	1 437	1 945
Other	Purchases	6 475	66 794	(4 864)	(949)
Other	Purchases	200	402	21	1 250
				(21 425)	(28 115)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

11. Financial instruments continued

11.5 Hedging details

	Group	
	2013 R000	2012 R000
The above mentioned derivative's hedging details are as follows:		
Ineffectiveness recognised in profit and loss:		
– Cash flow hedge	–	–

Details of cash flow hedges:	2013				2012			
	< 3 months	3 – 6 months	6 – 12 months	> 12 months	< 3 months	3 – 6 months	6 – 12 months	> 12 months
Financial asset	2 722	2 701	1 161	–	670	365	789	–
Financial liability	(127)	–	(158)	–	(2 586)	(1 272)	(3 562)	(3 850)

Reconciliation of cash flow hedge accumulated in equity	2013			2012		
	Amount accumulated in equity	Amount recycled from equity into		Amount accumulated in equity	Amount recycled from equity into	
	Hedging reserve R000	Income statement R000	Asset/(liability) R000	Hedging reserve R000	Income statement R000	Asset/(liability) R000
Opening balance	(245)	–	–	(6 959)	–	–
Amount recognised through other comprehensive income in the current year	–	–	–	1 727	–	1 727
Amount removed from equity to income statement	(445)	445	–	4 190	(4 190)	–
Deferred tax	–	–	–	859	–	(859)
Translation adjustments	690	–	–	(62)	–	(62)
Closing balance	–	445	–	(245)	(4 190)	806
Comprised of:						
Financial Instruments	–	–	–	(320)	–	–
Deferred tax	–	–	–	75	–	–
	–	–	–	(245)	–	–

11.6 Interest rate swaps

The group has entered into the following interest rate swaps on rand-denominated loans, whereby variable interest rates have been fixed as indicated below. The group's subsidiary, Grindrod Bank Limited, enters into various interest rate swaps in the normal course of business. Grindrod Bank's interest rate swaps fix interest rates which are linked to JIBAR to rates between 6,52% per annum (2012: 6,65% per annum) and 11,71% per annum (2012: 11,71% per annum) and mature over the periods as indicated below:

	Interest rate	Nominal value R000	2013 Asset/ (liability) R000	2012 Asset/ (liability) R000
Maturity date				
Between April 2014 and December 2020	Various	187 074	–	(22 097)
Between August 2015 and February 2023	Various	164 177	(10 199)	–
			(10 199)	(22 097)

11. Financial instruments continued

11.7 Bunker swaps

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

Settlement period	Quantity mt	Strike Price R000	2013		2012	
			Asset/ (liability) R000	Income statement R000	Asset/ (liability) R000	Income statement R000
January 2012	400	5,08	–	–	–	85
February 2012	400	5,08	–	–	–	42
March 2012	400	5,08	–	–	–	6
January 2012	500	5,15	–	–	–	85
February 2012	500	5,09	–	–	–	42
January 2012	1 000	5,24	–	–	–	58
February 2012	1 000	5,24	–	–	–	(83)
March 2012	1 000	5,24	–	–	–	(172)
April 2012	1 000	5,24	–	–	–	(233)
May 2012	1 000	5,24	–	–	–	(282)
June 2012	1 000	5,24	–	–	–	(316)
July 2012	1 000	5,24	–	–	–	(355)
January 2013 – July 2014	9 500	4,84	–	–	2 955	–
January 2013 – July 2014	9 500	4,93	–	–	3 002	–
January 2013 – July 2014	9 500	4,62	–	–	2 998	–
January 2013 – July 2014	3 500	6,02	1 318	(757)	–	–
January 2013 – July 2014	3 500	6,13	1 210	(435)	–	–
January 2013 – July 2014	3 500	5,75	1 470	(1 152)	–	–
			3 998	(2 344)	8 955	(1 123)

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

	2013			2012		
	Hedging reserve R000	Financial assets R000	Financial liabilities R000	Hedging reserve R000	Financial assets R000	Financial liabilities R000
Forward currency exchange contracts on ships and other trading commitments	–	13 141	(268)	–	6 362	(8 374)
Forward freight agreements	–	2 585	(285)	(1 823)	1 823	(11 270)
Futures	–	28 217	(8 771)	–	5 700	(15 452)
Forward contracts	–	23 770	(45 195)	–	45 457	(73 572)
Interest rate swaps	–	–	(10 199)	2 068	–	(22 097)
Bunker swaps	–	3 998	–	–	8 955	–
	–	71 711	(64 718)	245	68 297	(130 765)
Less portion due within one year included in trade and other payables (refer to note 16 and 25)	–	(6 579)	283	–	(62 925)	104 816
Transfer to non-current (asset)/ liabilities held for sale (refer to note 18)	–	(65 132)	54 236	–	(2 481)	–
Long-term portion	–	–	(10 199)	245	2 891	(25 949)

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12. Recoverables on cancelled ships

	Group	
	2013 R000	2012 R000
Opening balance	379 050	380 566
Cash receipt	(197 248)	(16 846)
Translation gain	54 638	16 783
Release to income statement	–	(1 453)
	236 440	379 050

In 2011, the group cancelled two ships due to non-performance of certain contracted conditions by the ship yard. One matter was settled in the current year and the other matter is currently in the arbitration process.

13. Loans and advances to bank customers

Loans and receivables	3 498 963	2 978 370
Held at fair value through profit or loss using year-end market-related interest rate yield curves to discount expected future cash flows	175 604	210 084
	3 674 567	3 188 454
Loans and advances – companies and close corporations	2 906 204	2 583 358
Loans and advances – unincorporated businesses	314 634	283 182
Loans and advances – individuals	132 537	81 481
Preference shares	305 786	207 872
Interest accrued	25 732	21 293
Revaluation of loans held at fair value through profit or loss	9 880	21 221
Less: impairments against advances	(20 206)	(9 953)
	3 674 567	3 188 454

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	535 083	834 339
Maturing within one month	343 161	279 973
Maturing after one month but within three months	619 412	468 442
Maturing after three months but within six months	174 647	86 665
Maturing after six months but within one year	337 254	210 040
Maturing after one year but within three years	766 682	555 673
Maturing after three years but within five years	436 986	318 523
Maturing after five years but within ten years	373 149	356 923
Maturing after ten years	72 787	45 315
Interest accrued	25 732	21 293
Revaluation of loans held at fair value through profit or loss	9 880	21 221
Less: impairments against advances	(20 206)	(9 953)
	3 674 567	3 188 454
Maximum exposure to credit risk before impairments	3 694 773	3 198 407
Exposures with renegotiated terms	–	–

The maturity analysis of advances is based on the remaining contractual periods to maturity from the reporting date and does not take repayment profiles into account.

13. Loans and advances to bank customers continued

	Group	
	2013 R000	2012 R000
Sectoral analysis		
Agriculture, hunting, forestry and fishing	35 074	46 958
Mining and quarrying	29 105	49 823
Manufacturing	192 300	216 286
Construction	–	17 152
Wholesale and retail trade, repair of specified items, hotels and restaurants	157 970	184 189
Transport, storage and communication	190 925	144 783
Financial intermediation and insurance	264 961	228 999
Real estate	1 698 983	1 211 715
Business services	130 669	113 809
Community, social and personal services	18 937	16 641
Private households	80 156	41 617
Other	875 487	916 482
	3 674 567	3 188 454
Geographical analysis		
South Africa	3 674 567	3 188 454
Included in loans and advances are fixed rate loans designated as held at fair value through profit or loss:		
Net book value of loans and advances held at fair value through profit or loss	165 725	63 200
Revaluation of loans and advances held at fair value through profit or loss	9 880	21 221
Fair value of loans and advances held at fair value through profit or loss	175 605	84 421
Analysis of impairments:		
Impairments at beginning of the year	(9 953)	(7 988)
Net increase in impairments	(10 253)	(1 965)
Impairments at end of the year	(20 206)	(9 953)
Analysis of impaired loans and advances:		
Loans and advances classified as special mention	65 886	60 774
Loans and advances displaying significant weakness	16 109	4 156
Carrying amount of impaired loans and advances	81 995	64 930
Collateral held against impaired loans and advances	80 183	64 930
Sectoral analysis of impaired loans and advances		
Agriculture, hunting, forestry and fishing	488	–
Mining and quarrying	10 355	–
Community, social and personal services	4 602	4 179
Real estate	60 354	47 447
Wholesale and retail trade, repair of specified items, hotels and restaurants	2 716	–
Other	3 480	13 304
	81 995	64 930
14. Liquid assets and short-term negotiable securities		
Measured at amortised cost		
Preference shares	247 796	109 374
Statutory liquid assets		
Negotiable certificates of deposit	281 189	200 962
Money market investments	515 447	316 042
	1 044 432	626 378

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

15. Inventories

	Group	
	2013 R000	2012 R000
Bunkers and other consumables	107 568	102 144
Commodities		
Agricultural	772 063	774 214
Metal and mineral	–	1 901
Merchandise and containers	104 505	49 397
Held for sale assets	73 848	–
Transferred to non-current assets classified as held for sale (note 18)	(772 063)	(21 540)
	285 921	906 116

The fair value less costs to sell of the commodities inventory amounts to R772 063 000 (2012: R825 710 000).

Agricultural and other commodities amounting to R450 969 000 (2012: R689 754 430) have been ceded to financial institutions in order to secure available borrowing facilities of R1 549 372 000 (2012: R1 187 000 000).

16. Trade and other receivables

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Trade debtors	1 479 636	1 272 784	–	8
Less: allowances for doubtful debts	(125 179)	(69 148)		
Net trade debtors	1 354 457	1 203 636	–	8
Prepayments	117 714	129 692		
Amounts due from group subsidiaries			1 252 929	1 965 549
Related party loans	–	26 150		
Current portion of derivative financial assets (note 11.8)	6 579	62 925		
Other receivables	1 857 233	1 768 620		
Transferred to non-current assets classified as held for sale (note 18)	(929 576)	(178 547)		
	2 406 407	3 012 476	1 252 929	1 965 557
Trade and other receivables, other than the current portion of financial assets, are classified as loans and receivables at amortised cost and their carrying amount approximates fair value. Trade and other receivables are predominantly non-interest-bearing. For long outstanding debtors, interest is charged at a fixed rate.				
Included in the current portion of financial assets are the following:				
Forward exchange contracts on ships and other trading commitments	–	3 881		
Futures and options	–	5 700		
Forward contracts	–	45 457		
Forward freight agreements	2 585	1 823		
Other	3 994	6 064		
	6 579	62 925		
Reconciliation of allowances for doubtful debts				
Opening balance	69 148	35 025		
Increase in allowance	88 589	49 577		
Allowance utilised	(32 558)	(15 454)		
	125 179	69 148		
Transferred to non-current assets classified as held for sale	(95 029)	–		
	30 150	69 148		
Concentrations of credit risk are limited due to the group's customer base being large and unrelated. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful debts.				
Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows:				
	1 098 421	639 917		
Trading	1 098 412	637 922		
Shipping	9	1 995		

17. Short-term loans

	Group	
	2013 R000	2012 R000
Loan to Fincrop Risk Management Proprietary Limited	218 643	518 819
Transferred to non-current assets classified as held for sale (note 18)	(218 643)	–
	–	518 819

During the year, the group decided to dispose of Atlas, which included their local agricultural commodity origination project loan with Fincrop Risk Management Proprietary Limited, which bears interest at a rate of prime plus 1% per annum.

18. Non-current assets classified as held for sale

Ships, property, terminals, vehicles and equipment		
Freehold and leasehold properties	16 500	6
Property under construction	1 539	–
Terminals, vehicles and equipment	45 628	10 595
Goodwill	59 339	4 225
Intangible assets	25 968	5 949
Investment in joint venture and associate	3 952	–
Other investments	–	6 032
Financial assets	65 132	2 481
Taxation	7 316	–
Inventory	772 063	21 540
Bank and cash	174 710	26 684
Deferred taxation	96 101	17 556
Trade and other receivables	929 576	178 547
Short-term loans	218 643	–
	2 416 467	273 615
Non-current liabilities associated with assets classified as held for sale		
Financial liabilities	54 236	–
Short-term borrowings and bank overdraft	1 588 848	53 377
Taxation	6 842	(934)
Post-retirement medical aid	–	12 773
Interest-bearing debt	69 219	4 402
Deferred taxation	461	–
Trade and other liabilities	495 633	81 437
	2 215 239	151 055

Depreciation for the current year relating to ships, property, terminals, vehicles and equipment and amortisation on intangible assets amounted to R912 571.

Business disposals

In the current year the group decided to dispose of Atlas, Progroup and Amanita which are portions of the Trading division. In the prior year the group decided to dispose of 100% of Tank Terminals and 75% of Oreport, a portion of the Freight Services and Trading divisions, respectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

19. Share capital and premium

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Authorised				
2 750 000 000 ordinary shares of 0,002 cents each (2012: 2 750 000 000 ordinary shares of 0,002 cents each)	55	55	55	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cents each (2012: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cents each)	6	6	6	6
	61	61	61	61
Issued				
600 765 314 ordinary shares of 0,002 cents each (2012: 599 665 314 shares of 0,002 cents each)	12	12	12	12
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cents each (2012: 7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cents each)	2	2	2	2
Share premium	2 036 980	2 025 243	2 422 532	2 410 795
Balance at beginning of the year	2 025 243	2 014 415	2 410 795	2 406 642
Premium on shares issued	11 737	10 828	11 737	7 839
Shares repurchased	-	-	-	(3 686)
Total issued share capital and premium	2 036 994	2 025 257	2 422 546	2 410 809

During the year 1 100 000 ordinary shares (2012: 950 000 ordinary shares) with a nominal value of R22,00 per share (2012: R19,00) were issued for R11 736 978 (2012: R7 836 481).

At 31 December 2013, 18 547 (2012: 18 547) cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R91,55 (2012: R91,55) are held by a subsidiary of the group.

At 31 December 2013, 9 179 348 (2012: 9 179 348) ordinary shares are held by subsidiaries of the group. Of these shares 2 410 272 (2012: 2 302 884) have been allocated to the group forfeitable share plan.

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

In the prior year, 29 578 treasury cumulative, non-redeemable, non-participating and non-convertible preference shares were sold for R2 989 000.

20. Interest-bearing borrowings

	Group	
	2013 R000	2012 R000
Unsecured		
Long and medium-term financing	293 531	201 578
Secured		
Long and medium-term financing	3 689 910	3 247 238
Transferred to non-current assets held for sale (note 18)	(69 219)	(4 402)
Total amounts repayable within one year	(697 593)	(408 556)
Financial services funding instruments (note 21)	(1 243 239)	(1 007 466)
	1 973 390	2 028 392
Long-term loans	697 593	408 556
Current portion of long-term loans	429 481	1 578 842
Short-term borrowings and overdraft	2 018 329	1 632 219
Transferred to non-current assets held for sale (note 18)	(1 588 848)	(53 377)
	3 100 464	4 015 790
Interest-bearing borrowings are classified as financial liabilities measured at amortised cost and their carrying value approximates fair values.	3 100 464	4 015 790

Group assets of R6 738 180 000 (2012: R5 454 234 000) are pledged as security for loans of R5 239 282 000 (2012: R4 823 281 000).

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

Full details of the long and medium-term financing, their fair values and interest rate profiles are detailed on the schedule of loan funds on page 88.

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 2013, as follows:

	Expiry date	Currency	Interest rate	2013 R000	2012 R000
Long-term debt facilities	12/2016	USD	1,54	19 729	2 728
	07/2018	USD	2,49	527 500	257 368
	09/2018	USD	2,49	105 500	82 426
Short-term borrowing facilities	03/2014	ZAR	–	100 000	–
	06/2014	ZAR	–	75 000	75 000
	06/2014	ZAR	–	255 000	105 000
	12/2014	ZAR	–	56 800	100 000
				1 139 529	622 522

The maturity profile of the group's borrowings is as follows:	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
2013				
Interest-bearing debt repayable as follows:	2 901 382	2 460 360	640 030	6 001 772
2012				
Interest-bearing debt repayable as follows:	2 045 176	2 440 338	402 002	4 887 516

Security

Agricultural and other commodities, amounting to R450 969 000 (2012: R689 754 430) have been ceded to financial institutions in order to secure available borrowing facilities of R1 549 372 000 (2012: R1 187 000 000).

Trading trade debtors of R1 098 421 000 (2012: R637 922 000) have been ceded to financial institutions in order to secure overdraft facilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

21. Financial services funding instruments

	Group	
	2013 R000	2012 R000
Loans secured by guarantee	340 291	298 543
Listed corporate bond secured by guarantee	507 417	507 345
Loans secured by property	102 000	–
Total secured funding	949 708	805 888
Redeemable preference shares	293 531	201 578
Aggregate funding	1 243 239	1 007 466
Amount repayable within one year	(160 253)	(193 519)
	1 082 986	813 947

22. Employee benefit obligations

22.1 Provision for post-retirement medical aid

The group subsidises the medical aid contributions of certain retired employees and has an obligation to subsidise contributions of certain current employees when they reach retirement. In the prior financial year, the group undertook to offer pensioners a voluntary benefit in lieu of their current medical subsidy in order to close out the liability on the statement of financial position. The proposed offer had three options, namely an annuity offer, a cash offer or to remain in the scheme. A number of employees chose the annuity and cash offer. The provision has been calculated on the remaining individuals in the scheme.

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

During November 2013 a valuation was performed by Alexander Forbes. Apart from paying costs of entitlement, the group is not liable to pay additional contributions in the case the fund does not hold sufficient assets. In that case, the fund would take other measures to restore solvency.

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

Recognised liability at beginning of the year	49 426	53 649
Recognised in comprehensive income in the current year	(133)	12 327
Interest on obligation	4 093	3 428
Current service cost	129	205
Actuarial loss arising from changes in demographic assumptions	–	933
Actuarial loss arising from changes in experience assumptions	(1 032)	6 357
Other	(3 323)	1 404
Contributions paid	(303)	(3 777)
Disposal	(815)	–
Present value of unfunded obligations recognised as a liability at end of the year	48 175	62 199
Transferred to non-current liabilities associated with assets held for sale (note 18)	–	(12 773)
Long-term portion of provision for post-retirement medical aid	48 175	49 426
There are no unrecognised actuarial gains or losses.		
The principal actuarial assumptions applied in the determination of fair values include:		
Health care cost inflation	(%) 8,6	8,5
Discount rate	(%) 9,2	8,8
Continuation at retirement	(%) 84,0	83,0

An actuarial valuation was undertaken during 2013.

22. Employee benefit obligations continued

22.1 Provision for post-retirement medical aid continued

	2013		2012		
	Effect of a 1% Increase %	(Decrease) %	Effect of a 1% Increase %	(Decrease) %	
The effect of an increase or decrease of 1% in the assumed medical cost trend rates is as follows:					
Aggregate of the current service cost and interest cost	13,6	(11,3)	14,8	(12,1)	
Accrued liability at year-end	12,6	(10,5)	14,0	(11,5)	
The effect of an increase or decrease of 1% in the assumed discount rates is as follows:					
Accrued liability at year-end	(10,7)	13,1	(11,7)	14,5	
The effect of an increase or decrease of 1% in the assumed expected retirement age is as follows:					
Accrued liability at year-end	0,8	(0,7)	(0,8)	0,8	
The history of experience adjustments is as follows:					
	2013	2012	2011	2010	2009
Present value of obligations	60 230	51 405	53 649	49 628	77 034
Fair value of plan assets	–	–	–	–	–
Present value of obligations in excess of plan assets	60 230	51 405	53 649	49 628	77 034
Experience adjustments on obligations	(13 707)	(933)	–	–	–

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

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

The average duration of the benefit obligation as at 31 December 2013 is 14 years.

The group expects to make a contribution of R3 044 000 to the post-retirement medical aid fund during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

22. Employee benefit obligations continued

22.2 Retirement benefit plans

The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pension Funds Act, No. 24 of 1956.

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

- longevity risk;
- investment risk;
- market risk;
- liquidity risk;
- salary risk; 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 members' retirement fund liabilities are denominated in rands. 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 be higher than in most developed countries, it is expected that the rand would weaken against the major investment currencies in the long term.

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

22. Employee benefit obligations continued

22.2 Retirement benefit plans continued

		2013 R000	2012 R000
The funded status of the pension fund is as follows:			
Actuarial value of assets		157 712	143 779
Present value of liabilities		(61 867)	(60 751)
Actuarial surplus (note 9)		95 845	83 028
The amounts recognised in the financial statements in this respect are as follows:			
Recognised asset at beginning of the year		83 028	46 801
Recognised in comprehensive income in the current year		12 817	36 227
Interest on obligation		(3 748)	(875)
Current service cost		(1 956)	(5 317)
Expected return on plan assets		8 842	25 788
Actuarial gain arising from changes in demographic assumptions		515	(426)
Actuarial loss arising from changes in financial assumptions		(516)	(2 257)
Actuarial gain arising from changes in experience assumptions		9 680	19 314
		95 845	83 028
The assets of the fund were invested as follows:			
Cash and cash equivalents	(%)	3,8	19,1
Equity instruments	(%)	61,4	39,4
Debt instruments	(%)	9,2	19,1
Real estate	(%)	0,7	–
International instruments	(%)	24,8	20,1
Other	(%)	0,2	2,4
The fair value of the above equity and debt instruments are determined based on quoted market prices in active markets.			
An actuarial valuation was performed on 31 December 2013. The employer's contributions to all retirement benefit plans are charged against income when incurred.			
The principal actuarial assumptions applied in the determination of fair values include:			
Discount rate	(%)	9,6	6,3
Salary increase	(%)	8,0	6,0
Pension increase	(%)	5,4	1,2
Inflation increase	(%)	7,0	5,0

Note: In accordance with IAS 19 (2011) 173(b) comparative information for sensitivity is not required.

		2013 Effect of a 1% Increase (Decrease) % %	
The effect of an increase or decrease of 1% in the assumed discount rates is as follows:			
		(6,15)	7,69
The effect of an increase or decrease of 1% in the assumed inflation rates is as follows:			
		1,89	(1,76)

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

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

Description of risk management

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

23. Provisions

	Group	
	2013 R000	2012 R000
Provision for onerous contracts		
Opening balance	5 463	–
Charged to income statement	13 505	3 606
Foreign exchange gain	1 998	189
Utilisation of provision	(6 228)	1 668
Onerous contract provisions	14 738	5 463
Current portion included under current liabilities	(14 738)	–
Non-current portion of onerous contract provisions	–	5 463
Provision for share price-linked option scheme		
Opening balance	30 982	14 481
Charged to income statement	53 492	16 865
Foreign exchange gain	(79)	70
Utilisation of provision	(450)	(1 137)
Payments made	1 891	1 966
Provision disposed of	–	(1 263)
Balance at 31 December	85 836	30 982
Current portion included under current liabilities	(33 400)	(3 783)
Non-current portion of share price linked option scheme	52 436	27 199
Total	52 436	32 662
Onerous contracts		
The provision for onerous contracts relates to the expected cash outflows expected to arise over the course of the relevant contracts based on current estimates of the loss arising from these contracts.		
Provision for share price-linked option scheme		
The share price linked option provision relates to a remuneration scheme whereby certain employees of Grindrod Limited are entitled to receive a cash settlement based on the excess of the market price of shares over an agreed upon strike price. Refer to note 32.		
Cash-settled share-based payment scheme		
Grindrod Bank cash-settled share-based payment scheme is based on notional shares in issue and based on the higher of net asset value or a board-approved price earnings ratio per share.		
Current portion of provisions		
Onerous contract provisions	(14 738)	–
Provision for share price-linked option scheme	(33 400)	(3 783)
	(48 138)	(3 783)

24. Deposits from bank customers

	Group	
	2013 R000	2012 R000
Measured at amortised cost		
Call deposits	5 680 937	2 955 971
Notice and fixed deposits	2 307 243	571 607
Prime linked notice deposits	–	1 095 340
Interest accrued	26 710	38 428
	8 014 890	4 661 346
Amounts owed to corporate banking depositors	3 077 171	2 895 321
Amounts owed to retail banking depositors	4 702 524	1 708 712
Amounts owed to banks	235 195	57 313
	8 014 890	4 661 346
Contractual maturity analysis		
Withdrawable on demand	5 680 937	2 955 971
Maturing within one month	217 486	147 753
Maturing after one month but within six months	1 833 130	1 470 950
Maturing after six months	256 627	48 244
Interest accrued	26 710	38 428
	8 014 890	4 661 346
The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
Sectoral analysis:		
Banks	235 195	57 313
Government and public sector	45 485	30 506
Individuals	4 705 902	2 162 183
Business sector	3 028 308	2 411 344
	8 014 890	4 661 346
Geographical analysis:		
South Africa	8 014 890	4 661 346
Included in deposits are funds from related parties earning interest at market-related rates:		
Directors (directly or indirectly)	9 253	20 606

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

25. Trade and other payables

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Trade creditors	558 191	391 433		
Accrued expenses	878 562	653 137	5 960	5 840
Operating lease accrual	14 318	12 577		
Shareholder loans	9 990	–		
Related party loans	–	11 492		
Other payables	348 559	541 798	2 108	1 757
Shareholders for dividends	25 367	19 770	28 768	29 105
Amounts due to subsidiaries			83 146	231 880
Current portion of derivative financial liabilities (note 11.8)	283	104 816		
Transferred to non-current liabilities associated with assets classified as held for sale (note 18)	(495 633)	(81 437)		
	1 339 637	1 653 586	119 982	268 582
Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost and their carrying amount approximates fair value. Trade and other payables are predominately non-interest-bearing.				
Included in the current portion of financial liabilities are the following:				
Forward exchange contracts on ships and other trading commitments	–	8 374		
Futures and options	–	15 452		
Forward contracts	–	73 572		
Forward freight agreements	283	7 418		
	283	104 816		

26. Revenue

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Revenue comprises the net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from ship and locomotive sales, seafreight, chartering, warehousing, depot operations, net interest and fee income of the financial institution, ancillary services, investment income and revenue from sale of commodities and is analysed as follows:				
Charter hire	823 425	882 039		
Freight revenue	2 917 937	2 734 395		
Sale of commodities	8 054 086	20 574 398		
Net interest income of the financial institution	90 552	82 913		
Fee income of the financial institution	244 450	148 084		
Dividends received	47 613	22 710	2 917 810	490 325
Handling revenue	3 003 166	2 715 187		
Other revenue	174 736	102 497	48 813	34 205
Ship sales	306 061	–		
	15 662 026	27 262 223	2 966 623	524 530
Analysis of the financial institution's net interest income included above:				
Interest income	392 862	298 422		
Advances	283 275	228 259		
Preference share dividends, advances portfolio	29 629	19 830		
Balances at banks and short-term funds	68 379	41 290		
Preference share dividends, negotiable securities portfolio	7 824	6 740		
Other short-term securities	11 406	9 970		
Paid on derivative instruments	(7 651)	(7 667)		
Interest expense	302 310	215 509		
Call deposits	97 650	65 866		
Notice and fixed deposits	29 861	22 972		
Other interest expense	73 677	32 130		
Prime linked notice deposits	101 122	94 541		
Net interest income	90 552	82 913		
Interest income calculated using the effective interest method	90 552	67 055		
Interest income at fair value through profit or loss	–	15 858		
	90 552	82 913		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

27. Operating profit before interest and taxation

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Other income				
Foreign exchange gains	507 678	73 186	–	322
On foreign currency exposure	507 678	72 803	–	322
On commodity trading	–	383		
Pension fund surplus recognised	3 138	5 429		
Other sundry income	191 276	126 537		
Net gain on financial instruments	–	51 466		
	702 092	256 618	–	322
Operating expenses				
Voyage expenses	3 296 084	2 403 772		
Charter hire	1 493 371	1 271 168		
Fuel	890 327	219 566		
Port expenses	214 623	201 789		
Other voyage expenses	697 763	711 249		
Cost of sales	9 187 598	21 482 268		
Agricultural commodities	7 003 255	7 030 277		
Bunker fuels	155 114	12 253 303		
Container handling and logistics	620 475	624 404		
Merchandise	534 382	1 217 437		
Ships	227 087	–		
Other commodities	647 285	356 847		
Distribution and selling costs	101 478	142 039	3 594	3 934
Staff costs	1 287 419	1 263 761	13 755	13 108
Foreign exchange losses	532 113	113 735	803	–
Other operating expenses	1 058 386	1 183 362	27 150	31 743
Net loss on financial instruments	14 350	–	–	–
	15 477 428	26 588 937	45 302	48 785
Depreciation and amortisation				
Amortisation				
Leasehold properties	11 220	7 905		
Ships	22 362	16 505		
Depreciation – owned assets				
Ships	237 215	188 945		
Other	165 557	154 810		
Depreciation – capitalised leased assets				
Other	16 305	21 666		
Amortisation of intangible assets	9 540	15 600		
Non-current assets held for sale depreciation				
Ships	–	5 572		
Other	913	1 427		
	463 112	412 430		

27. Operating profit before interest and taxation continued

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
The above costs are arrived at after including:				
Auditors' remuneration				
Audit fees – current year provision	29 517	30 638	2 963	3 128
Prior year under provision	1 530	1 544	895	382
Fees for other services	4 562	3 177	275	162
Expenses	–	175		
	35 609	35 534	4 133	3 672
Operating lease rentals				
Land and buildings	133 486	183 583	–	104
Ships	1 539 583	1 271 168		
Other	62 493	73 428		
	1 735 562	1 528 179	–	104
Professional fees				
Administrative and managerial	33 115	29 408		
Technical/projects	31 652	10 674		
	64 767	40 082		
Share-based expenses	8 425	4 179		
Amortisation of residual beneficiary stream	–	1 041		
Provision for credit losses	–	(1 125)		

28. Non-trading items

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Impairment of ships, property, terminals, vehicles and equipment	(58 992)	(177 628)		
Impairment of goodwill	(186 447)	(21 045)		
Impairment of intangible assets	–	(1 020)		
Negative goodwill released	3 937	–		
Profit/(loss) on disposal of investments	87 654	378 648	(136 969)	–
Impairment of other investment	(64 530)	(11 208)		
Loss on disposal of property, terminals, vehicles and equipment	(190)	(2 023)		
Foreign currency translation reserve recycled on cessation of operations following restructure	698 028	33 965		
	479 460	199 689	(136 969)	–

29. Net finance costs

Interest received	129 961	206 941	292	456
Interest paid	(222 891)	(227 398)		
	(92 930)	(20 457)	292	456
Interest received on loans and receivables at amortised cost				
Interest paid is classified as follows:				
Financial liabilities held at amortised cost	(216 496)	(221 944)		
Finance leases	(6 395)	(5 454)		
	(222 891)	(227 398)	–	–

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

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30. Taxation

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
South African normal taxation				
Current				
On income for the year	(95 525)	(90 829)		
Capital gains taxation	(49)	(3 768)		
Prior year	2 033	2 025	–	2 694
Secondary taxation on companies	(168)	(347)	–	(339)
Deferred				
On loss/(income) for the year	48 329	(1 674)	151	315
Prior year	3 142	3 254	447	–
On secondary taxation on companies credits	–	(9 143)		
Foreign				
Current				
On income for the year	(82 845)	(70 702)		
Prior year	(7 961)	3 539		
Secondary taxation on companies	(2 165)	–		
Deferred				
On loss for the year	18 524	27 005		
Prior year	–	(188)		
Change of rate	145	–		
	(116 540)	(140 828)	598	2 670
Effective rate of taxation	%	%	%	%
Normal rate of taxation	28,0	28,0	28,0	28,0
Adjusted for:				
Current year taxation losses not utilised	1,0	(3,2)	0,4	(0,6)
Exempt income	(17,3)	(19,4)	(29,4)	(28,8)
Non-taxable foreign items	(14,4)	(2,3)		
Non-allowable items	18,9	15,2	0,9	1,3
Capital gains taxation	–	1,4	–	0,1
Deferred taxation on secondary taxation on companies credits	–	1,3		
Differing taxation rates	–	0,9		
Prior year	(0,6)	(1,7)	–	(0,6)
Withholding taxation and investment tax credit	(1,2)	–		
Effective rate of taxation	14,4	20,2	(0,1)	(0,6)
Effective rate of taxation on profit including joint ventures and associates	15,3	17,7		

Subsidiary companies have estimated taxation losses of R1 187 713 000 (2012: R386 696 000) of which R564 757 000 (2012: R196 645 000) has been utilised in the calculation of deferred taxation.

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

31. Earnings per share

	Group	
	2013 R000	2012 R000
Basic earnings reconciliation		
Profit attributable to Grindrod Limited shareholders	1 232 526	894 042
Less preference dividends	(55 354)	(57 297)
Profit attributable to ordinary shareholders	1 177 172	836 745
Basic earnings per share is based on earnings of and on the weighted average number of shares in issue for the year	1 177 172 (000's) 591 109	836 745 590 097
Diluted earnings per share is based on earnings of and on the diluted weighted average number of shares in issue for the year	1 177 172 (000's) 593 665	836 745 592 728
Reconciliation of weighted average number of shares	(000's)	
Basic average number of shares in issue	591 109	590 097
Shares that will be issued for no value in terms of share option scheme	2 556	2 631
Diluted average number of shares in issue	593 665	592 728
Earnings per share	(cents)	
Basic	199,1	141,8
Diluted	198,3	141,2
Headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year	701 816 (000's) 591 109	605 628 590 097
Diluted headline earnings per share is based on headline earnings of and on the weighted average number of shares in issue for the year	701 816 (000's) 593 665	605 628 592 728
Headline earnings per share	(cents)	
Basic	118,7	102,6
Diluted	118,2	102,2
	Gross R000	Net R000
2013		
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		1 177 172
Adjusted for:		
Impairment of ships, property, terminals, vehicles and equipment	58 992	58 992
Impairment of goodwill	186 447	186 447
Net profit on disposal of investments	(87 654)	(80 421)
Net loss on disposal of property, terminals, vehicles and equipment	190	1 703
Impairment of other financial assets/investments	64 530	64 530
Foreign currency translation reserve recycled on cessation of operations following restructure	(698 028)	(698 028)
Negative goodwill released	(3 937)	(3 937)
Joint ventures:		
Negative goodwill released	(4 642)	(4 642)
Headline earnings	(484 102)	701 816
2012		
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		836 745
Adjusted for:		
Impairment of ships, property, terminals, vehicles and equipment	177 628	171 342
Impairment of goodwill	21 045	21 045
Impairment of intangible assets	1 020	–
Net profit on disposal of investments	(378 649)	(390 926)
Net loss on disposal of property, terminals, vehicles and equipment	2 023	1 470
Impairment of other investment	11 208	11 208
Foreign currency translation reserve adjustment on disposal of investment	(33 965)	(33 965)
Joint ventures:		
Negative goodwill released	(31 596)	(31 596)
Impairment of ships, property, terminals, vehicles and equipment	20 305	20 305
Headline earnings	(210 981)	605 628

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for the year ended 31 December 2013

32. Share-based payments**Equity-settled share option plan**

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

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

Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. All options expire 10 years after grant.

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

	Group			
	2013		2012	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Outstanding at beginning of the year	2 250 000	881	3 300 000	1 067
Lapsed during the year	(250 000)	–	(100 000)	–
Exercised during the year	(1 100 000)	1 067	(950 000)	1 212
Outstanding at end of the year	900 000	1 251	2 250 000	881
Exercisable at end of the year	900 000		2 900 000	

The weighted average share price at the date of exercise for the share options exercised during the year was R10,67 (2012: R12,12). Details of the options outstanding at the end of the year are disclosed in the remuneration report on pages 95 to 105 of the integrated annual report.

The fair values were calculated using a stochastic model based on the standard binomial options pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

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

	Group	
	2013	2012
Weighted average share price	1 253	1 253
Weighted average exercise price	1 253	1 253
Expected rolling volatility		
Five-year expected option lifetime (%)	43,64	43,64
Six-year expected option lifetime (%)	39,45	39,45
Seven-year expected option lifetime (%)	34,82	34,82
Expected option lifetime		
Vesting periods three and four (years)	5	5
Vesting periods five and six (years)	6	6
Vesting period seven (years)	7	7
Risk-free rate based on zero-coupon government bond yield		
Five-year expected option lifetime (%)	7,41	7,41
Six-year expected option lifetime (%)	7,47	7,47
Seven-year expected option lifetime (%)	7,52	7,52
Expected dividend yield (%)	3,38	3,38
Forfeiture rate per annum compound (%)	10,00	10,00

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

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

32. Share-based payments continued

Equity-settled forfeitable share plan

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

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

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

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

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

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

	2013	2012	
Date of grant	31/08/2013	27/08/2012	25/06/2012
Number of shares granted and remaining at year-end	107 388	152 884	2 150 000
Share price at grant date	24,91	14,71	13,65
Estimated fair value per share at grant date	24,91	14,71	13,65

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 R46 217 000 (2012: R18 467 000).

The group recorded total current year expenses of R53 254 000 (2012: R3 211 000).

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

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

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

		Group	
		2013	2012
Share price	(cents)	2 803	1 585
Expected rolling volatility			
Three-year expected option lifetime	(%)	23,84	21,99
Four-year expected option lifetime	(%)	23,75	21,56
Five-year expected option lifetime	(%)	23,96	24,05
Expected option lifetime			
Vesting periods three	(years)	3	3
Vesting periods four	(years)	4	4
Vesting periods five	(years)	5	5
Risk-free rate based on zero-coupon government bond yield			
Three-year expected option lifetime	(%)	5,63	5,02
Four-year expected option lifetime	(%)	5,90	5,09
Five-year expected option lifetime	(%)	6,14	5,17
Expected dividend yield	(%)	1,48	2,34
Forfeiture rate per annum compound	(%)	10,00	10,00

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for the year ended 31 December 2013

33. Capital commitments

	Group			
	2013 R000	2013 US\$000	2012 R000	2012 US\$000
Authorised and contracted for	116 640	25 427	64 419	15 180
Due within one year	116 140	23 590	64 419	15 180
Due between years one and two	500	1 837	–	–
Authorised and not contracted for	68 338	32 284	245 247	27 027
	184 978	57 711	309 666	42 207
Financing guarantees	55 696		179 799	
Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.				
Irrevocable unutilised facilities to be advanced to Grindrod Bank customers	163 541		108 801	

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

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

2013	2014 R000	2015 R000	Thereafter R000	Total R000
Property, terminals, vehicles and equipment	152 444	500	–	152 944
Intangible assets	11 721	16 313	4 000	32 034
	164 165	16 813	4 000	184 978
2013	2014 US\$000	2015 US\$000	Thereafter US\$000	Total US\$000
Ships	–	–	1 800	1 800
Property, terminals, vehicles and equipment	4 804	37	–	4 841
Investment in businesses	24 820	3 250	23 000	51 070
	29 624	3 287	24 800	57 711
2012	2013 R000	2014 R000	Thereafter R000	Total R000
Property, terminals, vehicles and equipment	196 099	68 694	3 536	268 329
Intangible assets	28 016	2 100	–	30 116
Investment in businesses	8 629	1 341	1 251	11 221
	232 744	72 135	4 787	309 666
2012	2013 US\$000	2014 US\$000	Thereafter US\$000	Total US\$000
Ships	12 847	–	–	12 847
Property, terminals, vehicles and equipment	1 159	36	36	1 231
Investment in businesses	23 793	2 168	2 168	28 129
	37 799	2 204	2 204	42 207

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

34. Contingent assets/liabilities

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R7 941 355 000 (2012: R6 422 946 000) of which R4 629 690 000 (2012: R3 104 728 000) had been utilised at year-end.

The company has guaranteed charter hire payments of subsidiaries amounting to R1 194 376 000 (2012: R1 524 356 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2014 to 2022.

On establishment of a joint venture through contribution of businesses, both joint venture parties have agreed to compensate one another should targets not be achieved. At reporting date, the achievability of these targets was undetermined.

35. Foreign currency denominated items

	Group			
	2013		2012	
	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:				
United States dollar	10,55	9,67	8,48	8,22
Euro	14,50	12,83	11,18	10,57
Pound sterling	17,47	15,07	13,70	13,04
Singapore dollar	8,35	8,26	6,96	7,09
Japanese yen	0,10	0,10	0,09	0,10
Botswana pula	1,21	1,15	1,08	1,08
Tanzanian shilling	0,01	0,01	0,01	0,01
New metical	0,36	0,32	0,29	0,29

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for the year ended 31 December 2013

36. Leases and ship charters**36.1 Operating leases and ship charters***36.1.1 Income*

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

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
2013				
Ships	82 733	–	–	82 733
Properties	24 000	50 940	–	74 940
Other	63 050	266 188	–	329 238
	169 783	317 128	–	486 911
2012				
Ships	288 310	151 146	9 701	449 157
Properties	18 921	45 366	–	64 287
Other	53 199	196 562	62	249 823
	360 430	393 074	9 763	763 267

36.1.2 Expenditure

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

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
2013				
Ships	653 148	1 913 070	522 734	3 088 952
Properties	146 586	399 634	144 550	690 770
Terminals, vehicles and equipment	6 813	1 658	–	8 471
	806 547	2 314 362	667 284	3 788 193
2012				
Ships	670 070	1 409 548	44 027	2 123 645
Properties	134 400	282 714	98 373	515 487
Terminals, vehicles and equipment	10 844	2 645	106	13 595
	815 314	1 694 907	142 506	2 652 727

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

	1 year R000	2 – 5 years R000	> 5 years R000	Group R000
36.2 Finance leases				
<i>36.2.1 Liabilities</i>				
Included in interest-bearing borrowings are capitalised finance lease liabilities in respect of property, terminals, vehicles and equipment in favour of various local finance institutions, details of which are as follows:				
2013				
Future minimum lease payments	30 833	25 383	–	56 216
Future interest	(1 360)	(378)	–	(1 738)
Present value of future minimum lease payments	29 473	25 005	–	54 478
2012				
Future minimum lease payments	31 431	49 361	–	80 792
Future interest	(3 341)	(1 590)	–	(4 931)
Present value of future minimum lease payments	28 090	47 771	–	75 861

Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 88.

37. Cash flow

37.1 Reconciliation of operating profit before interest and taxation to cash generated from operations

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
Operating profit before interest and taxation	423 578	517 474	2 921 321	476 067
Adjustments for:				
Depreciation	453 572	396 830		
Share option expense	8 425	4 179		
Dividends received			(2 917 810)	(490 325)
Amortisation of intangible assets and drydocking	9 540	15 600		
Non-cash financial instruments and foreign exchange (gains)/losses	(1 268)	2 744		
Profit on sale of ships and locomotives	(78 974)	–		
Fair value adjustment on financial services instruments	(80 108)	(48 875)		
Non-cash provisions/other	–	2 238	(26 273)	561
Operating profit before working capital changes	734 765	890 190	(22 762)	(13 697)
Working capital changes				
Increase in inventories	89 439	58 585		
(Increase)/decrease in trade and other receivables	(97 824)	(133 284)	8	(5)
Increase/(decrease) in trade and other payables	(78 552)	608 964	475	2 861
Cash generated from/(absorbed by) operations	647 828	1 424 455	(22 279)	(10 841)
37.2 Dividends paid				
Dividends paid by company	(259 666)	(238 182)	(268 032)	(232 773)
37.3 Taxation paid				
Balance at beginning of the year	(74 790)	(30 048)	189	(2 540)
Current year	(186 680)	(160 082)	–	2 355
Foreign exchange translation	1 770	12 421		
Businesses acquired/disposed	(6 300)	–		
Transferred to non-current assets held for sale (note 18)	(474)	934		
Balance at end of the year	46 889	74 790	(12 718)	(189)
Taxation paid	(219 585)	(101 985)	(12 529)	(374)
37.4 Property, plant and equipment acquired				
Additions – ships	(406 251)	(242 372)		
Additions – property, terminals, vehicles and equipment	(661 881)	(388 326)		
Cash flow on acquisition of property, terminals, vehicles and equipment	(1 068 132)	(630 698)		

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37. Cash flow continued**37.5 Acquisition of businesses**

	Group		Company	
	2013 R000	2012 R000	2013 R000	2012 R000
During the year the group acquired interests in subsidiaries as follows:				
Property, plant and equipment	(86 578)	(54 707)		
Investments	(27 635)	(465 348)	(3 080 584)	(838 643)
Working capital	80 859	74 928		
Cash and bank	20 328	(158 954)		
Long-term liabilities	39 523	27 431		
Provision	-	15 392		
Non-controlling interest	(25 269)	8 037		
Deferred taxation	(8 980)	5 260		
Taxation	5 695	(1 687)		
Intangibles	(16 205)	(170 280)		
Total	(18 262)	(719 928)	(3 080 584)	(838 643)
Goodwill and intangible assets arising on acquisition	(85 545)	-		
Purchase consideration relating to associate	(677 616)	-		
Cash acquired	(20 328)	158 954		
Cash flow on acquisition net of cash acquired	(801 751)	(560 974)	(3 080 584)	(838 643)
37.6 Disposal of businesses				
The group disposed of its interests in subsidiaries as follows:				
Property, plant and equipment	10 620	5 975		
Investments and interest in joint venture companies	(18 817)	(60 449)		
Working capital	31 453	(197 156)		
Cash and bank	26 451	199 223		
Taxation	(605)	-		
Holding company loan and interdivisional loan	-	48 456		
Long-term liabilities	(13 501)	-		
Short-term borrowings	(1 992)	(1 476)		
Deferred taxation	14 576	3 666		
Non-controlling interest	-	(8 037)		
Intangibles	20	13 388		
Non-current assets disposed	-	622 460		
Profit on disposal	48 205	626 050		
	87 654	39 193		
Total purchase price	135 859	665 243		
Less cash and cash equivalents	(26 451)	(199 223)		
Cash flow on disposal net of cash disposed of	109 408	466 020		
37.7 Cash and cash equivalents				
Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:				
	6 076 314	4 226 367	2 538	1 975
Deposits with the SA Reserve Bank	136 894	90 090		
Interbank call deposits	4 482 135	2 146 235		
Bank balances and cash	1 457 285	1 990 042	2 538	1 975
Bank and cash balances included in non-current assets held for sale (note 18)	170 592	26 684		
Bank overdrafts	(115 403)	(2 801)		
	6 131 503	4 250 250	2 538	1 975
Amounts included in cash and cash equivalents relating to financial services subsidiaries where the balances form part of the reserving requirements as required by the Banks Act. Reserving requirements do not include all liquidity with SARB.	4 651 250	2 278 215		

38. Business combinations

38.1 Acquisition of subsidiaries, joint ventures and associates

During the year the group acquired the following interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2013	Purchase consideration R000
Oiltanking Grindrod Calulo (OTGC) Holdings Proprietary Limited	Liquid-bulk storage and trading	38	1 June	14 507
Grindrod Fuelogic Mozambique Limitada	Petrologistics	70	1 August	31 177
Property Index Tracker Managers Proprietary Limited	Financial services	100	26 August	4 191
Senwes Limited	Agricultural business	20	5 September	447 268
NWK Limited	Agricultural business	20	20 September	230 348
RACEC Group Limited	Engineering	75	1 November	27 557
United Refineries Limited	Toll crushing	51	31 December	26 375
Total purchase consideration				781 423

Reasons for acquisitions

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

Impact of the acquisitions on the results of the group

From the dates of their acquisition, the acquired businesses contributed attributable profit of R16,7 million.

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

Net assets acquired	Acquirees' carrying amount before combination at fair value R000
Property, plant and equipment	86 578
Intangibles	16 205
Investments	27 635
Taxation	(5 695)
Working capital	(80 859)
Cash and bank	(20 328)
Non-controlling interest	25 269
Long-term liabilities	(39 523)
Deferred taxation	8 980
Total	18 262
Goodwill and intangible assets arising on acquisition	85 545
Cash acquired	20 328
Purchase consideration relating to associate	677 616
	801 751

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

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38. Business combinations continued**38.2 Disposal of subsidiaries, joint ventures and associates**

During the year the group disposed of the following interests:

Company disposed	Nature of business	Percentage disposed	Interest disposed 2013	Disposal consideration R000
East Coast Maritime Proprietary Limited	Clearing and forwarding	50	1 March	1 933
King & Sons Namibia Proprietary Limited	Clearing and forwarding, ships agency and stevedoring	100	1 April	11 029
Grindrod Tank Terminals, a division of Grindrod South Africa Proprietary Limited	Liquid bulk	100	1 June	92 897
Oreport Proprietary Limited	Trading	75	18 December	30 000
Total disposal consideration				135 859

The primary reasons for the disposals was to introduce strategic partners or to rationalise operations to assist in the delivery of the group's long-term goals.

Net assets disposed	Fair value R000
Property, plant and equipment	10 620
Intangibles	20
Interest in joint venture companies	(24 220)
Investments	5 403
Taxation	(605)
Working capital	31 453
Cash and bank	26 451
Long-term liabilities	(13 501)
Short-term liabilities	(1 992)
Deferred taxation	14 576
Total	48 205
Profit on disposal	87 654
	135 859

39. Related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

39. Related party transactions continued

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

39. Related party transactions continued

	Company			
	Dividends received R000	Other revenue received R000	Guarantee fees and other expenses paid R000	Amounts due by/(to) related party R000
2013				
Subsidiaries				
Grindrod Freight Services Proprietary Limited	161 406	888		726 279
Grindrod Financial Holdings Limited	45 992	8 876		
Grindrod Management Services Proprietary Limited		15 126	(5 212)	498 855
Grindrod Shipping Limited	2 483 121		(11 944)	
Grindrod Shipping South Africa Proprietary Limited		27		
Grindrod Trading Holdings Proprietary Limited	21 607			
Swallow Enterprises Incorporated	23 290			4 576
Nelesco 681 Proprietary Limited	21 804			
Grincor Shipping Holdings Limited	160 590			1 807
	2 917 810	24 917	(17 156)	1 231 517
2012				
Subsidiaries				
Grindrod Freight Services Proprietary Limited	107 338	1 933		726 084
Grindrod Financial Holdings Limited	43 677	3 387		
Grindrod Freight Investments Proprietary Limited	53 073			(4 070)
Grindrod Management Services Proprietary Limited			(3 523)	1 225 946
Grindrod Shipping Limited			(22 378)	(5 912)
Grindrod Shipping South Africa Proprietary Limited		27		
Grindrod Trading Holdings Proprietary Limited	286 237			(50 707)
Swallow Enterprises Incorporated				4 576
Unicorn Shipping Proprietary Limited				21
Grincor Shipping Holdings Limited				(168 926)
	490 325	5 347	(25 901)	1 727 012

Associates

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

Joint ventures

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

Subsidiaries

Details of investments in subsidiaries are set out in note 5 and in the schedule of interest in subsidiaries on page 86.

Directors

Details of directors' interests in the company and directors' emoluments are set out in the remuneration report on page 95 to page 105 of the integrated annual report.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule on pages 134 and 135 of the integrated annual report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

40. Financial instruments risk management objectives and policies

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

- foreign currency risk;
- commodity risk;
- shipping market risk;
- interest rate risk;
- credit risk;
- counterparty risk;
- liquidity risk; and
- solvency risk.

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

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

Commodity price exposure is managed by the Trading division. Main risk exposures are maize, wheat, soybean meal, manganese ore, mill rolls, ferromoly, calcium aluminate, cement clinker, sulphuric acid, chrome and stainless steel.

Treasury function

The treasury function incorporates the following main sections:

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

The treasury management committee (TMC)

The TMC meets eight times a year and reviews the total risk management process. It is responsible for implementing, reviewing and maintaining the treasury management policies. The TMC membership consists of the group financial director, Freight Services treasurer, Shipping treasurer, Trading treasurer, Financial Services treasurer and the group treasury manager. In addition to the risk management process the TMC reviews the following functions:

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

Financial director

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

Executive committee

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

Board of directors

The board of directors is the highest approval authority for all treasury matters. A formal treasury review performed by the treasury department is tabled quarterly. Material changes to the policies and urgent treasury matters as determined by the group's limits of authority are required to be submitted to the board.

40. Financial instruments risk management objectives and policies continued

40.1 Foreign currency risk

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

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

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

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

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

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

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

	Group			
	2013 US\$000	2013 R000	2012 US\$000	2012 R000
Foreign currency balances				
The uncovered foreign currency denominated balances at 31 December were as follows:				
Loans	(290 360)	(3 063 293)	(170 830)	(1 448 639)
Trade and other receivables	206 498	2 178 550	202 930	1 720 850
Trade and other payables	(66 640)	(703 057)	(48 385)	(410 301)
Bank balances	138 822	1 464 572	163 689	1 388 080
Subtotal	(11 680)	(123 228)	147 404	1 249 990
Less: Non-current liabilities held for sale	79 763	841 500	–	–
	68 083	718 272	147 404	1 249 990

Sensitivity analysis

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

	Group	
	2013 R000	2012 R000
Net exposure		
+10%	(101 845)	(29 663)
-10%	101 845	29 663

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

40. Financial instruments risk management objectives and policies continued**40.2 Commodity risk**

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

Sensitivity analysis

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

	Group	
	2013 R000	2012 R000
Net exposure		
+10%	(17 209)	(25 040)
-10%	17 209	25 040

40.3 Shipping market risk

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

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

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

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

	2013 R000	2012 R000
Loans linked to LIBOR	1 654 612	1 706 877
Loans linked to SA prime rate	1 171 356	753 701
Loans linked to JIBAR	1 139 401	983 839
Short-term borrowings linked to LIBOR	1 220 781	549 986
Short-term borrowings linked to SA prime rate	791 043	1 028 856
Loans with a fixed interest rate	24 577	–
Subtotal	6 001 770	5 023 259
Less: Non-current liabilities held for sale	(1 658 067)	–
Total	4 343 703	5 023 259

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 88.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2013, local rates are between 5,2% and 9,5% (2012: 5% and 20%), foreign rates are between 1,3% and 15% (2012: 0% and 10%). At December 2013 and 2012 all of the group's non-current borrowings were at floating rates of interest. Floating rates of interest are based on LIBOR (London interbank offered rate – for USD borrowings) and on JIBAR (Johannesburg interbank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

Sensitivity analysis

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

	Group	
	2013 R000	2012 R000
Net exposure		
+50 BPS (2012: +50 BPS)	(8 312)	(23 004)
-50 BPS (2012: -50 BPS)	8 312	23 004

40. Financial instruments risk management objectives and policies continued

40.4 Interest rate risk continued

40.4.2 Interest rate risk of the Financial Institution

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

Interest rate risk management

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

Interest rate repricing gap	< 3 months	> 3 months < 6 months	> 6 month < 1 year	> 1 year < 5 years	> 5 years	Non-rate sensitive	Total
2013							
Assets	8 889 228	–	–	107 110	58 614	284 830	9 339 782
Equity and liabilities	(7 321 315)	(567 051)	(224 157)	(532 471)	–	(694 788)	(9 339 782)
Interest rate hedging activities	164 177	–	–	(106 298)	(57 879)	–	–
Repricing profile	1 732 090	(567 051)	(224 157)	(531 659)	735	(409 958)	–
Cumulative repricing profile	1 732 090	1 165 040	940 883	409 224	409 959	–	–
Expressed as a percentage of total assets of the financial institution (%)	18,5	12,5	10,1	4,4	4,4		
2012*							
Assets	5 575 212	–	–	122 594	66 269	224 831	5 988 906
Equity and liabilities	(4 336 650)	(400 601)	(48 244)	(598 500)	–	(604 911)	(5 988 906)
Interest rate hedging activities	187 074	–	–	(121 710)	(65 364)	–	–
Repricing profile	1 425 636	(400 601)	(48 244)	(597 616)	905	(380 080)	–
Cumulative repricing profile	1 425 636	1 025 035	976 792	379 175	380 081	–	–
Expressed as a percentage of total assets of the financial institution (%)	23,8	17,1	16,3	6,3	6,3		

* 2012 gap analysis has been restated to reflect revised analysis performed.

Interest income sensitivity	< 3 months	> 3 months < 6 months	> 6 months < 1 year	Total
2013				
2% interest rate increase	4 814	4 674	10 659	20 147
2% interest rate decrease	(4 767)	(4 572)	(10 176)	(19 515)
2012				
2% interest rate increase	3 260	4 218	9 769	17 247
2% interest rate decrease	(3 230)	(4 149)	(9 456)	(16 835)

Hedging

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

40. Financial instruments risk management objectives and policies continued**40.5 Credit risk**

Credit risk refers to the risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations. Potential areas of credit risk consist of cash and cash equivalents, bank advances, trade debtors and other receivables. The group limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. Credit risk management applied by the group involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security. These procedures help to ensure the credit quality of the group's financial assets. The spread of risk in relation to trade and other debtors is summarised as follows:

	Shipping		Freight Services		Trading	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
2013						
Trade debtors	61	127 590	1 305	514 261	374	771 498
Transfer to non-current assets held for sale					(372)	(761 003)
	61	127 590	1 305	514 261	2	10 495
2012						
Trade debtors	107	201 779	1 395	428 749	180	602 227
			Group		Total	
			Number of debtors	R000	Number of debtors	R000
2013						
Trade debtors			46	173	1 786	1 413 522
Transfer to non-current assets held for sale					(372)	(761 003)
			46	173	1 414	652 519
2012						
Trade debtors			45	40 029	1 727	1 272 784

40. Financial instruments risk management objectives and policies continued

40.5 Credit risk continued

Credit risk management

Trade debtors

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

Granting credit

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

Credit risk management

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

Credit risk mitigation

The Bank does not have material netting arrangements.

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

Monitoring exposure

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

	Group	
	2013 R000	2012 R000
Carrying amount of financial assets impaired during the year	74 256	26 200
Maximum credit risk exposure to the group is:		
Other investments	493 161	322 997
Loans and advances	3 674 567	3 188 454
Trade and other receivables before allowance for doubtful debts	3 461 162	3 260 171
Liquid assets and short-term negotiable securities	1 044 432	626 378
Short-term loan	–	518 819
Cash and cash equivalents	6 076 314	4 226 367
	14 749 636	12 143 186
Analysis of the ageing of financial assets which are past due but have not been impaired:		
Current	23 855	45 524
30 days	273 048	212 957
60 days	295 458	152 073
90 days	174 714	121 932
120+ days	107 675	161 133
Total	874 750	693 619

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

40. Financial instruments risk management objectives and policies continued**40.6 Counterparty risk**

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

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

40.7 Liquidity risk

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

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

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

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

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

Group liquidity analysis

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

	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non- contractual	Total
2013							
Liabilities							
Provisions	–	–	–	–	52 436	–	52 436
Trade and other payables	1 173 996	15 339	145 175	–	–	53 266	1 387 776
Post-retirement medical aid	–	–	2 597	45 578	–	–	48 175
Financial liabilities	847	–	–	6 777	2 575	–	10 199
Deposits	7 182 573	553 658	245 965	32 694	–	–	8 014 890
	8 357 416	568 997	393 737	85 049	55 011	53 266	9 513 476
2012							
Liabilities							
Provisions	–	–	–	32 662	–	–	32 662
Trade and other payables	1 242 335	30 345	211 816	–	–	41 961	1 526 457
Post-retirement medical aid	20 604	–	–	5 827	22 995	–	49 426
Financial liabilities	1 003	–	104 816	17 661	7 286	–	130 766
Deposits	4 201 528	384 929	74 889	–	–	–	4 661 346
	5 465 470	415 274	391 521	56 150	30 281	41 961	6 400 657

40. Financial instruments risk management objectives and policies continued

40.7 Liquidity risk continued

Bank liquidity analysis

	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non- contractual	Total
2013							
Liabilities							
Financial liabilities	847	–	–	6 777	2 575	–	10 199
Deposits	7 182 573	553 658	245 965	32 694	–	–	8 014 890
	7 183 420	553 658	245 965	39 471	2 575	–	8 025 089
2012							
Liabilities							
Financial liabilities	1 003	–	–	13 808	7 286	–	22 097
Deposits	4 201 528	384 929	74 889	–	–	–	4 661 346
	4 202 531	384 929	74 889	13 808	7 286	–	4 683 443

The holding company has guaranteed a facility of R1 053 000 000 (2012: R863 000 000) to the bank as additional liquidity.

40.8 Solvency risk

Capital adequacy refers to the risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses and losing confidence in the Bank and/or the banking sector.

The capital adequacy risk asset ratio of the Bank at 31 December 2013 was 13,11% (2012: 13,42%*). The Bank will raise additional capital as and when capital is required to support asset growth and to ensure that a prudent risk asset ratio is maintained.

* Restated due to revised ratio calculated.

40.9 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from 2012.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of Grindrod, comprising ordinary and preference share capital, reserves and accumulated profit as disclosed in the statement of changes in equity.

Gearing ratio

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

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

	Group	
	2013 R000	2012 R000
Debt	4 343 703	5 023 256
Deposits from bank customers	8 014 890	4 661 346
Cash and cash equivalents	(6 076 314)	(4 226 367)
Recoverables on cancelled ships	(236 440)	(379 050)
Loans and advances to bank customers	(3 674 567)	(3 188 454)
Liquid assets and short-term negotiable securities	(1 044 432)	(626 378)
Short-term loan	–	(518 819)
Net non-current assets classified as held for sale	1 264 716	–
Net debt	2 591 556	745 534
Equity (including minority interest)	12 132 667	10 240 889
Net debt to equity ratio	(%) 21,4	7,3

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2013

40. Financial instruments risk management objectives and policies continued**40.10 Fair value measurement recognised in the consolidated statement of financial position**

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

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

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

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

	Level 1	Level 2	Level 3	Total
2013				
Financial assets				
Derivative financial assets	35 613	6 583	–	42 196
Other financial assets held-for-trading	–	23 769	–	23 769
Financial assets designated at fair value through profit or loss	25 532	175 604	342 501	543 637
Total	61 145	205 956	342 501	609 602
Financial liabilities				
Derivative financial instruments	(9 199)	(10 484)	–	(19 683)
Other financial liabilities held-for-trading	–	(45 193)	–	(45 193)
Total	(9 199)	(55 677)	–	(64 876)
2012				
Financial assets				
Derivative financial assets	67 129	28 615	25 029	120 773
Financial assets designated at fair value through profit or loss	39 458	210 084	155 376	404 918
Total	106 587	238 699	180 405	525 691
Financial liabilities				
Derivative financial instruments	(57 809)	(75 519)	–	(133 328)
Total	(57 809)	(75 519)	–	(133 328)
Reconciliation of Level 3 fair value measurements of financial assets				Level 3
2013				
Opening balance				180 405
Additions				186 520
Disposals				(12 740)
Total loss recognised in other comprehensive income				25 000
Reclassified to profit or loss				(50 029)
Profit and loss				13 345
Closing balance				342 501

The level 3 financial asset was written off to other comprehensive income during 2013.

INTERESTS IN SUBSIDIARIES

year ended 31 December 2013

At 31 December 2013, the company had the following subsidiaries carrying on business which principally affected the profits and assets of the group. They have the same year-end date as the company and have been included in the consolidated financial statements.

		Share capital		Effective holding		Investment shares at original cost		Share-based payments to employees		Loans to subsidiary	
		2013 R000	2012 R000	2013 %	2012 %	2013 R000	2012 R000	2013 R000	2012 R000	2013 R000	2012 R000
Incorporated in South Africa											
Grindrod Freight Investments Proprietary Limited	F	1 495	1 495	100	100	203 500	203 500	610	610		
Grindrod Management Services Proprietary Limited	G	–	–	100	100			3 585	3 585	498 855	1 225 946
Grincor Shipping Holdings Limited	D	53	53	100	100	1	144 451			–	21
Grindrod Shipping South Africa Proprietary Limited	S	5	5	100	100	76 108	76 108	1 090	1 090		
Unilog Proprietary Limited	F			100	100						
Unicorn Shipping Holdings Limited	D	15 020	15 020	100	100						
Unicorn Shipping Operations Proprietary Limited	D			100	100						
Grindrod Financial Holdings Limited	B	1 923	1 922	93	87	563 064	489 004			2 429	–
Grindrod Trading Holdings Proprietary Limited	T			100	100	1 408 343	733 449				
Grindrod Freight Services Proprietary Limited	F	1	1	100	100	2 219 904	2 210 654	10 753	10 753	726 084	726 084
Nelesco 681 Proprietary Limited	B			100	100	–	20 593				
Incorporated in British Virgin Islands											
Swallow Enterprises Incorporated	G	415	415	100	100	415	415			4 576	4 576
Canosa Holdings Limited	G	–	–	100	–	23 290	–				
Incorporated in Isle of Man											
Grindrod Shipping Limited	S	–	–	100	100	–	1 653 888	–	911		
Grindrod Property Holdings Limited	G	–	–	100	100	34 344	–			1 807	
Singapore											
Grindrod Shipping Pte Ltd	S	4 405 677	–	100	–	4 083 677	–	911	–	14 318	–
Interest in subsidiaries (note 5)						8 612 646	5 532 062	16 949	16 949	1 248 069	1 956 627

* Nature of Business

B – Bank

D – Dormant

F – Freight and Property Services

G – Group Services

S – Shipping Services

T – Trading

VALUE ADDED STATEMENT

year ended 31 December 2013

	Group			
	2013 R000	%	2012* R000	%
Revenue	15 662 026		27 262 223	
Net cost of services	(12 768 666)		(24 470 783)	
Value added by operations	2 893 360		2 791 440	
Non-trading items	479 460		199 689	
Total value added	3 372 820		2 991 129	
Applied as follows:				
Employees' remuneration and service benefits	1 287 419	38,2	1 263 761	42,2
Taxation on income	111 518	3,3	136 201	4,6
Providers of share capital	55 354	1,7	57 297	1,9
Providers of loan capital	222 891	6,6	227 398	7,6
Reinvested in the business				
Depreciation and amortisation	463 112	13,7	412 430	13,8
Retained income	1 232 526	36,5	894 042	29,9
Total	3 372 820	100,0	2 991 129	100,0

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

* Restated due to application of IAS 19 Employee Benefits as amended.

LOAN FUNDS

at 31 December 2013

Secured	Date of redemption	Current rate of interest per annum (%)	31 December 2013 Carrying value		31 December 2012 Carrying value	
			R000	US\$000	R000	US\$000
Foreign currency funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by mortgage bonds over ships	06/2014 – 12/2018	1,30 – 3,34	1 538 445	145 824	1 668 385	196 744
Loans secured by guarantee	11/2017 – 11/2018	2,46 – 4,53	381 050	36 118	38 489	4 539
Asset finance and capitalised finance leases secured by vehicles and equipment	07/2017 – 09/2017	8,50 – 11,00	30 307	2 873		
Local currency funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by mortgage bond over property, terminals and locomotives	11/2014 – 09/2021	7,70 – 8,20	293 396		298 459	
Asset finance and capitalised finance leases secured by vehicles and equipment	01/2014 – 10/2018	6,50 – 9,00	460 805		399 818	
Loans secured by property			36 199		36 199	
Aggregate secured long-term borrowings			2 740 202		2 441 350	
Transferred to non-current assets held for sale			(69 219)		(4 402)	
Amount repayable within one year			(697 593)		(408 556)	
Net long-term borrowings			1 973 390		2 028 392	
Closing rand/USD exchange rate at 31 December 2013			10,55		8,48	
Security						
Net book values of assets encumbered to secure long-term loans are as follows:			5 188 799		4 071 047	
Ships			4 087 527		3 254 881	
Land and buildings			213 959		249 099	
Equipment, plant and vehicles			887 313		567 067	

FINANCIAL SERVICES FUNDING INSTRUMENTS

at 31 December 2013

Secured	Date of redemption	Current rate of interest per annum (%)	31 December 2013 Carrying value		31 December 2012 Carrying value	
			R000	US\$000	R000	US\$000
Local funding						
<i>Financial liabilities measured at amortised cost</i>						
Loans secured by guarantee	04/2014 – 08/2016	*	340 291		298 542	
Listed corporate bond secured by guarantee	10/2015	6,88	507 417		507 346	
Loans secured by mortgage bond over property	05/2016 – 05/2023	7,50 – 8,00	102 000			
Aggregate secured financial services funding instruments			949 708		805 888	
Redeemable preference shares	07/2015 – 09/2015	6,38	293 531		201 578	
Aggregate financial services funding instruments			1 243 239		1 007 466	
Amount repayable within one year			(160 253)		(193 519)	
Net financial services funding instruments			1 082 986		813 947	

* Rates linked to published South African market rates



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