

# NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2022

## 5. FINANCIAL INSTRUMENTS DISCLOSURE continued

2021

Financial instruments	Fair value instruments				
	Carrying value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Amortised cost^ R'000
Bank balances and cash	2 057 642	–	–	–	2 057 642
Other investments	1 097 668	93 707	87 911	590 621	325 429
Loans and advances	9 537 311	–	638 174	2 629 678	6 269 459^
Liquid assets and negotiable securities	3 935 984	–	–	–	3 935 984^
Long-term receivable	245 214	–	–	–	245 214
Trade and other receivables	1 347 191	–	–	–	1 211 106^
Borrowings	(3 859 159)	–	–	–	(3 859 159)
Derivative financial liabilities	(24 277)	–	(24 277)	–	–
Trade and other payables	(1 310 696)	–	–	–	(1 055 710)
Deposits from Bank customers	(11 221 133)	–	–	–	(11 221 133)
<b>Non-financial instruments</b>					
Investment property	86 168	–	–	86 168	–
<b>Total</b>	93 707	701 808	3 306 467	(2 091 168)	(118 901)

^ Carrying value approximates fair value.

### Reconciliation of Level 3 fair value measurements of financial assets

	Audited 31 December 2022 R'000	Audited 31 December 2021 R'000
Opening balance	3 306 467	4 114 635
Purchases	341 334	458 101
Settlements	(371 461)	(1 088 645)
Disposal of subsidiary	(1 699 208)	–
Total gains/(losses) recognised in:		
– Summarised consolidated statement of other comprehensive income	(1 504)	13 579
– Summarised consolidated income statement	(227 235)	(191 203)
<b>Closing balance</b>	<b>1 348 393</b>	<b>3 306 467</b>

Fair value losses recognised in the summarised consolidated statement of other comprehensive income for Level 3 financial instruments were R228.7 million (2021: R177.6 million).

### Valuation inputs and relationships to fair value

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

Material investment	Fair value at 31 December 2022 R'000	Fair value at 31 December 2021 R'000	Valuation method	Un-observable input	Range of input	Relationship of unobservable inputs to fair value
Medical	–	175 977	This investment was disposed in the current year			
Vehicle financing	241 000^	301 700	Price multiple approach	PE multiple	6.81x	Increased PE multiple to 7.81x would increase FV to R276 658 000
North coast property loans	935 500*	1 456 749*	Monte Carlo simulation	Combined property valuation determining rate per hectare, discount rate and time to maturity	Rate per hectare determined per expert valuation (commercial/residential)	The value of the two combined properties held as security for the loans ranges from R2.6 billion to R3.0 billion based on independent valuations
						These valuations together with the Group's mortgage bonds were inputs into a Monte Carlo simulation to determine an independent valuation range between R0.6 billion and R1.2 billion on the loans
						Increase of rate per hectare by 10% would increase FV by R163.7 million
						Decrease of rate per hectare by 10% would decrease FV by R174.1 million
						Decrease of the discount rate by 2% would increase the FV by R82.7 million
						Increase of the discount rate by 2% would decrease the FV by R98.0 million
						Decrease of 6 months would increase the FV by R104.0 million
						Increase of 6 months would decrease the FV by R92.6 million

<sup>^</sup> The Directors draw attention to the negative industry factors that arose post the year-end, and are comfortable with the year-end valuation as this is a non-adjusting event.

\* The two combined properties are held as security for the fair value loan of R935.5 million (2021: R1.5 billion) per the table above, as well as amortised cost loans of R137.5 million (2021: R353.6 million).

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for the year ended 31 December 2022

## 5. FINANCIAL INSTRUMENTS DISCLOSURE continued

## Valuation process

The Group's finance and corporate finance teams perform valuations on certain assets for financial reporting purposes.

The valuation input, assumptions, methodology and outputs are then challenged and debated with the Group Financial Director (FD) prior to approval. Teams present their valuations for significant investments to the FD who interrogates the methodology used and the assumptions applied in the valuations. Discussions of valuation processes and results are held between the FD and the respective teams at least once every six months, in line with the Group's half-yearly reporting periods. Any resulting adjustments to the carrying value will follow the internal approval process.

North coast properties, being security on the lending, are assessed by an independent valuation professional and the option pricing model for the assessment of fair value is performed by an independent expert.

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

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

## 6. DISPOSAL OF SUBSIDIARIES AND BUSINESSES

During the year, the Group disposed of the following:

Company	Nature of business	Nature of disposal	Interest disposed	Date disposed	Disposal consideration R'000
Grindrod Financial Holdings Banking	Banking services	Sale of ordinary shares – disposal of subsidiary	100%	1 November 2022	1 264 195
Grindrod Bank Limited	Banking services	Sale of preference shares – disposal of subsidiary	100%	1 November 2022	292 699
<b>Total disposal consideration</b>					<b>1 556 894</b>

## Reason for current year disposal

The disposal is in line with Grindrod's strategic intent to separate its Freight Services and Banking services businesses.

## Net assets disposed

The net assets disposed are as follows:

Company	Total disposal R'000
Property, terminals, machinery, vehicles and equipment	5 326
Right of use assets	3 830
Other investments	5 727
Financial assets	5 808
Loans and advances	7 992 789
Deferred taxation	65 106
Trade and other receivables	78 282
Taxation	16 219
Liquid assets and short-term negotiables	5 249 782
Bank balances and cash	1 395 554
Business combination reserve	(28 574)
Long-term borrowings	(1 141 641)
Lease liabilities	(6 771)
Financial liabilities	(504)
Current liabilities	(96 098)
Deposits from Bank Customers	(11 807 325)
<b>Total</b>	<b>1 737 510</b>
Loss on disposal	(265 616)
Less: financial guarantees raised on disposal	
Advances warranty provision*	70 000
Other warranty provision**	15 000
<b>Proceeds on disposal</b>	<b>1 556 894</b>
Less: Cash disposed	(1 395 554)
<b>Net cash inflow on disposal of subsidiaries</b>	<b>161 340</b>

\* The Group provided warranties for a maximum of R300 million on specific loans and advances secured by KZN North Coast properties. These were fair valued at disposal date and a provision of R70.0 million was raised.

\*\* The Group provided other warranties for a maximum of R100 million. Exposure was assessed to be R15.0 million and a provision was raised.