ANNUAL FINANCIAL STATEMENTS 2011

for the year ended 31 December

CONTENTS

GRINDROD LIMITED

DIRECTORS' RESPONSIBILITY AND APPROVAL

for the year ended 31 December 2011

The directors of Grindrod Limited have pleasure in presenting the annual financial statements for the year ended 31 December 2011.

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

The annual financial statements comprise:

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

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

Supported by the audit committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. They are of the opinion that the annual financial statements fairly present in all material respects the state of affairs and business of the company and the group at 31 December 2011 and of the profit for the year to that date. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

In addition, the directors have also reviewed the cash flow forecast for the year to 31 December 2012 and believe that the Grindrod group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis and the external auditors concur.

The annual financial statements set out on pages 18 to 82 were approved by the board of directors on 28 February 2012 and were signed on their behalf by:

IAJ Clark
Chairman

AK Olivier
Chief executive officer

CERTIFICATE BY COMPANY SECRETARY

for the year ended 31 December 2011

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

CAS Robertson
Company secretary

Durban
28 February 2012

PREPARER OF ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2011

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

AG Waller
Group financial director

28 February 2012

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Grindrod Limited

Report on the financial statements

We have audited the group annual financial statements and annual financial statements of Grindrod Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 4 to 80 and pages 68 to 76 of the integrated annual report 2011.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these 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 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 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 whether the 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 the directors, 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Grindrod Limited as at 31 December 2011, 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.

Deloitte & Touche

Per R Ebrahim
Partner

Durban
28 February 2012

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

National executive: GG Gelink *(Chief executive)*, AE Swiegers *(Chief operating officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk advisory and legal services)*, NB Kader *(Tax)*, L Geeringh *(Consulting)*, L Bam *(Corporate finance)*, JK Mazzacco *(Human resources)*, CR Beukman *(Finance)*, TJ Brown (Chairman of the board), MJ Comber (Deputy chairman of the board).

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 2011

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 2011.

Nature of business

The nature of the group's business is set out under the divisional reviews on pages 28 to 50 of the integrated annual report 2011.

Financial results

The financial results for the year ended 31 December 2011 are set out in detail on pages 18 to 80 of these annual financial statements.

Year-end review

The year under review is fully covered in the chairman's, the chief executive's and the financial director's reviews on pages 16 to 23 of the integrated annual report 2011.

Share capital

Details of the authorised and issued shares are shown on note 19 and the share analysis is shown on pages 107 to 108 in the integrated annual report 2011. The directors proposed that the authority granted to them to control the unissued shares reserved for the share option scheme be renewed.

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 133 733 334 ordinary shares as a result of the allotment and issue of 400 000 shares in terms of the Grindrod share option scheme and the allotment and issue of 133 333 334 shares in terms of the Remgro transaction. Details of the Remgro transaction can be found on page 18 of the integrated annual report 2011.

Dividends

The directors have declared a final dividend of 12 cents per ordinary share (2010: 27 cents). Dividends paid or payable in respect of the year were as follows:

	Date of declaration	Last day to trade cum-dividend	Trading ex-dividend commences	Record date	Payment date	Amount per share (cents)
Interim	17.08.2011	02.09.2011	05.09.2011	09.09.2011	12.09.2011	17,5
Final	28.02.2012	23.03.2012	26.03.2012	30.03.2012	02.04.2012	12,0

The directors have also declared a dividend of 363 cents per preference share (2010: 386 cents) which will be paid on the same day as the final dividend to ordinary shareholders.

Post balance sheet events

Grindrod and the Vitol group entered into an agreement effective 1 January 2012 whereby Vitol acquired from Grindrod a 35% interest in Matola Coal Terminal for a consideration of US$67,7 million. In addition, Vitol and Grindrod have entered into a partnership to combine their respective sub-Saharan coal trading businesses (65% Vitol/35% Grindrod). This transaction was announced in the press on 18 January 2012.

Directorate

Brief curricula vitae of the current directors are disclosed on pages 13 to 15 and details of directors' remuneration and the share option schemes appear on pages 71 to 76 of the integrated annual report 2011.

Messrs LR Stuart-Hill and JG Jones retired as directors on 30 June 2011 and 31 August 2011, respectively.

Mr JB McIlmurray, a member of the executive committee also retired on 30 June 2011.

Mr MH Visser was appointed non-executive director and Mr JJ Durand alternate director with effect from 31 October 2011. Mr MR Wade, chief executive of the Shipping division has been appointed as an executive director with effect from 16 November 2011.

The appointment of Messrs MH Visser, JJ Durand (alternate) and MR Wade will be confirmed at the annual general meeting.

Mr IM Groves was appointed lead independent director on 17 August 2011.

According to the company's Memorandum of Incorporation, at the forthcoming annual general meeting, Messrs IAJ Clark, MR Faku, MJ Hankinson, DA Polkinghorne and SDM Zungu retire by rotation. All are eligible and have offered themselves for re-election.

Subsidiary companies

Information on subsidiary joint ventures and associated companies is contained in note 6, 7 and 8 respectively on pages 37 to 40. Reviews of the businesses and performance of the main operating subsidiary companies are covered in the divisional reviews on pages 28 to 50 of the integrated annual report 2011.

Accounting policies

The accounting policies adopted and methods of computation used in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those of the annual financial statements for the year ended 31 December 2010 except for the adoption of new or revised accounting standards, interpretations and circulars and restatements which are described below.

During the year the group elected to early adopt IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements, IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, and IFRS 12 Disclosure of Interests in Other Entities. The group believes that adoption of these standards will improve the disclosure of the nature of, and risks associated with interests in other entities and the effects of those interests on the financial position, financial performance and cash flows of the group.

The major change as a result of the early adoption is that joint venture entities which were previously proportionately consolidated are now accounted for and disclosed on the same basis as investments in associates, which are equity accounted. Account balances previously included as separate line items on the statement of financial position are now disclosed as a net amount on the investment in joint venture line. These standards have been applied retrospectively.

The group adopted accounting standards and interpretations that became applicable during the current financial year, IAS 24 (revised) Related Party Transactions was adopted in the current year which modifies the definition of a related party. The adoption of this standard has had no material effect on the group's disclosures.

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.

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 5% of the issued share capital of the company are detailed on pages 107 and 108 of the integrated annual report 2011.

Special resolutions

A renewal of authority for the company or its subsidiaries to repurchase its own shares was obtained at the 2011 annual general meeting.

There have been no special resolutions other than those referred to in this report passed by the company or its subsidiaries, the nature of which might be significant to members in their appreciation of the state of affairs of the group.

Employee retirement benefit plans

Details of the group's employee retirement benefit plans are separately disclosed in note 21.

Holding company

Grindrod Limited has no holding company at 31 December 2011.

Auditors

Deloitte & Touche will continue in office in accordance with section 94 of the Companies Act.

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.

Company secretary and registered office

The company secretary is Mr CAS Robertson and his address and that of the registered office are as follows:

Business address

Quadrant House
115 Margaret Mncadi Avenue
Durban 4001
South Africa

Postal address

PO Box 1
Durban 4000
South Africa

ACCOUNTING POLICIES

for the year ended 31 December 2011

BASIS OF PREPARATION

Accounting framework

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

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 2 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 impracticable to do so, in which case they are applied prospectively.

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

Recognition of assets and liabilities

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

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

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

Derecognition of assets and liabilities

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

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

Financial liabilities are derecognised when the relevant obligation has either 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 the South African Rand, are translated as follows:

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

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

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

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

Segmental reporting

Segment accounting policies are consistent with those adopted for the preparation of the group financial statements. The principal segments of the group have been identified on a primary basis by business segment which is representative of the internal reporting used for management purposes 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 results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All material inter-company balances and transactions are eliminated.

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

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

ACCOUNTING POLICIES

for the year ended 31 December 2011

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.

Interests in associate companies

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

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

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Interests in joint arrangements

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 operation is a joint arrangement whereby the parties that have joint control of an arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

The group reports its interests in joint operations using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale and discontinued operations. The group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis. The group reports its interests in joint ventures using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for as non-current assets held for sale and discontinued operations.

Goodwill arising on the acquisition of the group's interest in a jointly controlled arrangement is accounted for in accordance with the accounting policy for goodwill. Goodwill arising on the acquisition of a joint venture is included in the carrying amount of the joint venture.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

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

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

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

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

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.

Investment properties

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

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

Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or joint venture recognised at the date of acquisition.

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

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

On disposal of a cash-generated 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, it is not amortised but tested for impairment annually and impaired, if necessary. If assessed as having a finite useful life, it is amortised over their useful lives using the straight-line basis, and tested for impairment if there is an indication that it may be impaired.

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is 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 (including unused credits for secondary tax on companies). Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

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

Loans and advances

Advances designated as loans and receivables are recognised at amortised cost using the effective interest rate 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 arrear. 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.

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 its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

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

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

Inventories

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

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

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

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

Financial assets

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

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

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

Financial assets are accounted for at fair value through profit or loss where the financial asset is either classified as held for trading or is designated as held at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

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

Trade and other receivables are classified as loans and receivables and are measured at amortised cost, using the effective interest rate 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. The fair value of derivative assets is classified as non-current assets if the remaining maturity of the instruments are more than, and they are not expected to be realised within, 12 months.

Cash and cash equivalents are measured at fair value.

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

Financial liabilities

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

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

Financial liabilities are accounted for at fair value through profit or loss where the financial liability is either held for trading or it is designated as held at fair value through profit or loss.

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

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

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

Post-employment benefit obligations

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

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

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

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

Provisions

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

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

Onerous contracts

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

Equity

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

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 completion basis. Results of uncompleted voyages are included based on the estimated voyage result and the voyage time elapsed. Anticipated losses for contracts arising on uncompleted voyages are provided in full.

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

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

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

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

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

Cost of sales

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

Employee benefit costs

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

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

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

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

Borrowing costs

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

Non-trading items

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

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- gains and losses on the disposal of property, terminals, vehicles and equipment;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and the realisation of hedges of a net investment in a foreign operation; and
- the group's proportionate share of exceptional items (determined on the same basis) of associates and joint ventures.

Re-measurements to fair value of other financial instruments (including amounts recycled through profit or loss under cash flow hedges 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.

Secondary taxation on companies (STC) is recognised as part of the current taxation charge when the related dividend is declared. Deferred taxation is recognised if dividends received in the current year can be offset against future dividend payments to the extent of the reduction of future STC.

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.

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on the straight-line basis over the lease term.

Government grants

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

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

Discontinued operations

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

Share-based payments

Equity settled share options

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

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

Cash settled share-based payments

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

Treasury shares

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

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

Financial guarantee contracts

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

Judgements made by management and key sources of estimation uncertainty

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

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

Asset lives and residual values

Property, terminals, vehicles and equipment are depreciated over their useful life taking into account 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 period.

Residual values of the ships are reassessed by management at each reporting period 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 and these are utilised in the assessment of the recoverability of deferred taxation assets. Deferred taxation assets are also recognised on STC credits to the extent it is probable that future dividends will be available to utilise these credits.

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 at least 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 22 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 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 39 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 39 provides more detail.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2011

		Group			Company		
	Notes	2011 R000	2010 R000	2009 R000	2011 R000	2010 R000	2009 R000
ASSETS							
Non-current assets							
Ships, property, terminals, vehicles and equipment	3	5 267 565	4 564 226	3 202 324			
Investment property	4	22 096	–	–			
Intangible assets	5	547 931	648 729	577 361			
Investments in subsidiaries	6				4 710 088	4 110 646	4 039 294
Investments in joint ventures	7	719 528	801 724	867 200			
Investments in associates	8	266 081	243 915	207 760			
Other investments	9	129 478	90 897	83 213			
Derivative financial assets	10	–	1 169	101 861			
Recoverables on cancelled ships	11	380 566	–	238 589			
Deferred taxation assets	12	89 472	162 379	145 162	603	2 318	428
Total non-current assets		7 422 717	6 513 039	5 423 470	4 710 691	4 112 964	4 039 722
Loans and advances to bank customers	13	2 073 903	1 709 796	1 483 314			
Current assets							
Inventories	14	899 420	667 816	493 507			
Trade and other receivables	15	2 610 823	3 177 218	2 674 599	2 837 637	1 120 396	1 188 371
Taxation		15 133	24 521	18 707			
Liquid assets and short-term negotiable securities	16	190 259	129 365	104 092			
Short-term loans	17	771 658	519 818	–			
Cash and cash equivalents		2 979 172	1 149 857	1 674 217	4 037	–	2 057
		7 466 465	5 668 595	4 965 122	2 841 674	1 120 396	1 190 428
Non-current assets classified as held for sale	18	3 467 286	–	12 624			
Total current assets		10 933 751	5 668 595	4 977 746	2 841 674	1 120 396	1 190 428
Total assets		20 430 371	13 891 430	11 884 530	7 552 365	5 233 360	5 230 150
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital and premium	19	2 014 429	28 682	13 220	2 406 656	422 854	414 161
Equity compensation reserve		37 947	37 300	35 771	16 668	16 021	14 786
Non-distributable reserves		732 339	(313 167)	106 125			
Accumulated profit		6 432 054	6 104 046	5 582 864	4 575 663	4 041 455	3 822 837
Equity attributable to owners of the company		9 216 769	5 856 861	5 737 980	6 998 987	4 480 330	4 251 784
Non-controlling interests		94 336	113 854	98 146			
Total equity		9 311 105	5 970 715	5 836 126	6 998 987	4 480 330	4 251 784
Non-current liabilities							
Long-term borrowings	20	2 226 575	1 314 553	819 517			
Provision for post-retirement medical aid	21	52 336	49 628	77 034			
Provisions	22	14 481	15 199	104 347			
Income received in advance		–	–	88 441			
Derivative financial liabilities	10	19 188	15 938	25 104			
Deferred taxation liabilities	12	124 796	117 349	17 947			
Total non-current liabilities		2 437 376	1 512 667	1 132 390	–	–	–
Deposits from bank customers	23	2 910 945	2 016 137	1 756 126			
Current liabilities							
Trade and other payables	24	1 147 631	2 358 290	1 771 843	550 837	751 349	977 463
Provisions	22	13 478	–	10 411			
Short-term borrowings and overdraft	20	1 620 223	1 430 514	1 102 404			
Current portion of long-term borrowings	20	527 481	582 906	165 816			
Current portion of income received in advance		–	–	29 480			
Taxation		45 181	20 201	74 741	2 541	1 681	903
		3 353 994	4 391 911	3 154 695	553 378	753 030	978 366
Non-current liabilities associated with assets classified as held for sale	18	2 416 951	–	5 193			
Total current liabilities		5 770 945	4 391 911	3 159 888	553 378	753 030	978 366
Total equity and liabilities		20 430 371	13 891 430	11 884 530	7 552 365	5 233 360	5 230 150

INCOME STATEMENTS

for the year ended 31 December 2011

	Notes	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
Revenue	25	**35 885 258**	29 390 576	**863 405**	626 458
Other income	26	**153 328**	236 140	**1 966**	-
Operating expenses	26	**(35 033 049)**	(28 444 067)	**(46 567)**	(49 230)
Earnings before interest, taxation, depreciation and amortisation		**1 005 537**	1 182 649	**818 804**	577 228
Depreciation and amortisation	26	**(362 979)**	(295 314)		
Operating profit before interest and taxation	26	**642 558**	887 335	**818 804**	577 228
Non-trading items	27	**60 152**	13 448	**–**	(7 510)
Interest received	28	**169 709**	128 042	**7 484**	497
Interest paid	28	**(218 647)**	(179 038)	**(7 192)**	(154)
Profit before share of associate and joint venture companies' profit		**653 772**	849 787	**819 096**	570 061
Share of associate companies' profit after taxation		**4 291**	39 908		
Share of joint venture companies' profit after taxation		**114 024**	69 569		
Profit before taxation		**772 087**	959 264	**819 096**	570 061
Taxation	29	**(175 363)**	(114 189)	**(24 633)**	(28 549)
Profit for the year		**596 724**	845 075	**794 463**	541 512
Attributable to:					
Owners of the parent/company		**584 176**	838 846	**794 463**	541 512
Non-controlling interests		**12 548**	6 229		
		596 724	845 075	**794 463**	541 512
Earnings per share (cents)	30				
Basic		**111,0**	171,6		
Diluted		**110,8**	171,1		
Dividends per share (cents)		**29,5**	54,0		
Interim		**17,5**	27,0		
Final		**12,0**	27,0		
Dividend cover (times)		**3,8**	3,2		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Group		Company	
	2011	2010	**2011**	2010
	R000	R000	**R000**	R000
Profit for the year	**596 724**	845 075	**794 463**	541 512
Other comprehensive income				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	**901 974**	(417 966)		
Reclassification adjustments relating to hedges of foreign operations disposed of in the year	**–**	(16 856)		
	901 974	(434 822)	**–**	–
Cash flow hedges				
Recycled through profit/(loss) during the year	**161 735**	(92 356)		
Reclassification adjustments for amounts recognised in profit	**–**	108 912		
Reclassification adjustments for amounts recognised in assets	**(2 070)**	60		
	159 665	16 616	**–**	–
Total comprehensive income for the year	**1 658 363**	426 869	**794 463**	541 512
Total comprehensive income attributable to:				
Owners of the parent/company	**1 648 400**	419 554	**794 463**	541 512
Non-controlling interests	**9 963**	7 315		
	1 658 363	426 869	**794 463**	541 512

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2011

	Notes	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
OPERATING ACTIVITIES					
Cash receipts from charter hire		**27 431**	1 014 563		
Cash receipts from freight		**2 192 182**	2 530 419		
Cash receipts from commodity sales		**29 677 014**	23 158 869		
Interest income from financial institution		**238 875**	188 309		
Interest expense from financial institution		**(181 033)**	(139 837)		
Dividend income from financial institution		**9 231**	7 851		
Corporate and structured finance fee income and other income		**127 753**	136 263		
Other revenue		**2 936 021**	2 363 694	**27 255**	16 375
Cash receipts from customers		**35 027 474**	29 260 131	**27 255**	16 375
Cash payments to suppliers and employees		**(35 222 509)**	(28 244 571)	**(22 841)**	(38 575)
Cash (absorbed by)/generated from operations	36.1	**(195 035)**	1 015 560	**4 414**	(22 200)
Interest received		**93 467**	128 042	**7 484**	497
Interest paid		**(218 647)**	(179 038)	**(7 192)**	(154)
Dividends received		**29 437**	18 056	**836 150**	610 083
Dividends paid	36.2	**(259 552)**	(317 664)	**(262 042)**	(325 752)
Taxation paid	36.3	**(63 004)**	(183 625)	**(22 059)**	(29 661)
		(613 334)	481 331	**556 755**	232 813
Net proceeds on disposal of ships and locomotives		**–**	124 053		
Capital expenditure on ships and locomotives	36.4	**(842 831)**	(1 134 740)		
Cash flows from operating activities of financial institutions					
Advances to customers		**(380 425)**	(226 482)		
Liquid assets and short-term negotiable securities		**(60 894)**	(25 273)		
Deposits from customers		**894 808**	260 012		
Net cash flows (used in)/from operating activities		**(1 002 676)**	(521 099)	**556 755**	232 813
INVESTING ACTIVITIES					
Property, terminals, vehicles and equipment acquired	36.4	**(296 837)**	(332 758)		
Replacement of property, terminals, vehicles and equipment		**(10 566)**	(1 369)		
Additions to property, terminals, vehicles and equipment		**(286 271)**	(331 389)		
Acquisition of associate, joint ventures and other investments		**(30 190)**	(4 530)		
Acquisition of subsidiaries	36.5	**(23 657)**	(302 416)	**(496 806)**	–
Proceeds on disposal of property, terminals, vehicles and equipment		**69 469**	43 708		
Proceeds from repayment of share capital by joint venture		**262 235**	–		
Proceeds from disposal of investments	36.6	**41 593**	–		
Acquisition of intangible assets		**(2 903)**	(10 471)		
Proceeds on disposal of other investments		**–**	23 374		
Loans advanced to associate companies		**(13 249)**	(20 161)		
Disposal of investment in subsidiary classified as non-current asset held for sale		**–**	(2 650)		
Net advances to subsidiaries				**(2 039 714)**	(243 563)
Net cash flows from/(used in) investing activities		**6 461**	(605 904)	**(2 536 520)**	(243 563)
FINANCING ACTIVITIES					
Net proceeds from issue of ordinary share capital		**1 983 803**	8 693	**1 983 802**	8 693
Proceeds from disposal of treasury shares		**1 945**	6 768		
Non-controlling investment in subsidiary		**–**	10 000		
Long-term borrowings raised		**1 548 382**	1 104 194		
Payment of capital portion of long-term borrowings		**(708 718)**	(377 886)		
Short-term loan issued		**(220 196)**	(439 509)		
Short-term loan raised		**399 326**	306 135		
Net cash flows from financing activities		**3 004 542**	618 395	**1 983 802**	8 693
Net increase/(decrease) in cash and cash equivalents		**2 008 327**	(508 608)	**4 037**	(2 057)
Cash and cash equivalents at beginning of year		**903 846**	1 454 814	**–**	2 057
Difference arising on translation		**(11 123)**	(42 360)		
Cash and cash equivalents at end of year	36.7	**2 901 050**	903 846	**4 037**	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2011

Group	Ordinary share capital R000	Preference share capital R000	Share premium R000	Equity compensation reserve R000
Balance at 31 December 2009	9	2	13 209	35 771
Share options exercised			8 693	
Treasury shares sold			6 769	
Share-based payments				1 529
Non-controlling interest acquired				
Non-controlling interest disposed				
Profit for the year				
Other comprehensive income				
Total comprehensive income	–	–	–	–
Ordinary dividends paid				
Preference dividends paid				
Balance at 31 December 2010	9	2	28 671	37 300
Share options exercised			2 612	
Share issue	3		1 999 997	
Share issue expenses			(18 810)	
Share-based payments				647
Treasury shares sold			1 945	
Non-controlling interest acquired				
Profit for the year				
Other comprehensive income				
Total comprehensive income	–	–	–	–
Ordinary dividends paid				
Preference dividends paid				
Balance at 31 December 2011	**12**	**2**	**2 014 415**	**37 947**
ANALYSIS OF HOLDING COMPANY AND SUBSIDIARY INTERESTS				
Holding company	12	2	2 406 642	16 668
Subsidiaries			(392 227)	21 279
	12	2	2 014 415	37 947

Company	Share capital R000	Preference share capital R000	Share premium R000	Equity compensation reserve R000	Accumulated profit R000	Interest of shareholders of Grindrod Limited R000
Balance at 31 December 2009	9	2	414 150	14 786	3 822 837	4 251 784
Share options exercised			8 693			8 693
Share-based payments				1 235		1 235
Total comprehensive income					541 512	541 512
Ordinary dividends paid					(264 300)	(264 300)
Preference dividends paid					(58 594)	(58 594)
Balance at 31 December 2010	9	2	422 843	16 021	4 041 455	4 480 330
Share options exercised			2 612			**2 612**
Share issue	3		1 999 997			**2 000 000**
Share issue expenses			(18 810)			**(18 810)**
Share-based payments				647		**647**
Total comprehensive income					794 463	**794 463**
Ordinary dividends paid					(206 984)	**(206 984)**
Preference dividends paid					(53 271)	**(53 271)**
Balance at 31 December 2011	**12**	**2**	**2 406 642**	**16 668**	**4 575 663**	**6 998 987**

Foreign currency translation reserve R000	Business combination reserve R000	Hedging reserve R000	Accumulated profit R000	Interest of shareholders of Grindrod Limited R000	Non-controlling interests R000	Interest of all shareholders R000
275 646	–	(169 521)	5 582 864	5 737 980	98 146	5 836 126
				8 693		8 693
				6 769		6 769
				1 529		1 529
				–	10 000	10 000
				–	(1 494)	(1 494)
			838 846	838 846	6 229	845 075
(436 107)	–	16 815		(419 292)	1 086	(418 206)
(436 107)	–	16 815	838 846	419 554	7 315	426 869
			(259 070)	(259 070)	(113)	(259 183)
			(58 594)	(58 594)		(58 594)
(160 461)	–	(152 706)	6 104 046	5 856 861	113 854	5 970 715
				2 612		**2 612**
				2 000 000		**2 000 000**
				(18 810)		**(18 810)**
				647		**647**
				1 945		**1 945**
	(18 718)			**(18 718)**	(26 277)	**(44 995)**
			584 176	**584 176**	12 548	**596 724**
904 559	–	159 665		**1 064 224**	(2 585)	**1 061 639**
904 559	–	159 665	584 176	**1 648 400**	9 963	**1 658 363**
			(202 897)	**(202 897)**	(3 204)	**(206 101)**
			(53 271)	**(53 271)**		**(53 271)**
744 098	**(18 718)**	**6 959**	**6 432 054**	**9 216 769**	**94 336**	**9 311 105**
			4 575 663	6 998 987		
744 098	(18 718)	6 959	1 856 391	2 217 782		
744 098	(18 718)	6 959	6 432 054	9 216 769		

SEGMENTAL ANALYSES

for the year ended 31 December 2011

The group has identified the following five main segments, namely Freight Services, Trading, Shipping, Financial Services and Group. These divisions are the basis on which the group reports its primary segment information. The principle services of each of these segments are described on page 28 and 50 of the integrated annual report 2011.

Business segments	Freight Services 2011 R000	Freight Services 2010 R000	Trading 2011 R000	Trading 2010 R000	Shipping 2011 R000	Shipping 2010 R000
Revenue – external	**2 905 067**	2 390 348	**29 189 365**	22 795 502	**3 596 835**	4 009 869
Revenue – internal	**62 254**	60 949	**609 892**	642 775	**600 833**	428 495
Trading profit (excluding amortisation)	**571 559**	419 064	**165 634**	173 152	**188 144**	497 343
Depreciation and amortisation	**(189 217)**	(177 258)	**(11 124)**	(8 498)	**(158 277)**	(105 135)
Operating profit	**382 342**	241 806	**154 510**	164 654	**29 867**	392 208
Non-trading Items	**37 338**	(7 086)	**7 942**	49	**14 872**	40 039
Share of associate and joint venture companies' profit after taxation	**70 929**	105 494	**32 973**	1 228	**14 413**	2 755
Segment result excluding net interest and taxation	**490 609**	340 214	**195 425**	165 931	**59 152**	435 002
Interest received	**34 431**	38 800	**49 320**	20 244	**29 849**	43 501
Interest paid	**(78 999)**	(73 644)	**(76 494)**	(31 739)	**(55 055)**	(66 941)
Taxation	**(97 224)**	(31 953)	**(21 857)**	(32 458)	**(9 770)**	(8 466)
Profit for the year	**348 817**	273 417	**146 394**	121 978	**24 176**	403 096
Non-controlling interests	**(9 674)**	(203)	**12 466**	5 128	**(5 801)**	(436)
Profit attributable to shareholders	**339 143**	273 214	**158 860**	127 106	**18 375**	402 660
Preference dividends	**(21 312)**	(11 134)	**(14 871)**	(7 032)	**(11 574)**	(40 440)
Profit attributable to ordinary shareholders	**317 831**	262 080	**143 989**	120 074	**6 801**	362 220
Capital expenditure excluding investment acquisitions	**266 931**	470 440	**7 510**	85 557	**865 262**	903 493
Total segment assets	**4 118 675**	3 629 657	**3 478 815**	3 083 173	**5 732 584**	4 394 768
Segment assets excluding investments in associates	**3 852 594**	3 385 743	**3 478 815**	3 083 173	**5 732 584**	4 394 768
Investments in associates	**266 081**	243 914				
Segment liabilities	**(1 778 270)**	(1 599 588)	**(2 332 888)**	(2 332 888)	**(2 451 795)**	(1 568 128)

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

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

Geographic segments	USA/Bermuda 2011 R000	USA/Bermuda 2010 R000	South America 2011 R000	South America 2010 R000	Middle East 2011 R000	Middle East 2010 R000
Revenue – external	**403 337**	9 777	**1 122 321**	542 635	**451 057**	32 443
Capital expenditure	**–**	–	**264**	198	**–**	–
Segment assets	**–**	–	**228 812**	138 917	**–**	–

Financial Services 2011 R000	Financial Services 2010 R000	Group 2011 R000	Group 2010 R000	Total 2011 R000	Total Group Adjustments* 2011 R000	Total 2011 R000	Total 2010 R000
193 558	192 531	433	2 326	35 885 258	–	35 885 258	29 390 576
3 861	1 099	86 229	115 741	1 363 069	–	1 363 069	1 249 059
81 512	90 240	(1 312)	2 850	1 005 537	–	1 005 537	1 182 649
(1 050)	(1 243)	(3 311)	(3 180)	(362 979)	–	(362 979)	(295 314)
80 462	88 997	(4 623)	(330)	642 558	–	642 558	887 335
–	(20 111)	–	557	60 152	–	60 152	13 448
–	–	–	–	118 315	–	118 315	109 477
80 462	68 886	(4 623)	227	821 025	–	821 025	1 010 260
(23 146)	–	79 255	25 497	169 709	–	169 709	128 042
23 146	–	(31 245)	(6 714)	(218 647)	–	(218 647)	(179 038)
(10 927)	(13 216)	(35 585)	(28 096)	(175 363)	–	(175 363)	(114 189)
69 535	55 670	7 802	(9 086)	596 724	–	596 724	845 075
(9 539)	(10 718)	–	–	(12 548)	–	(12 548)	(6 229)
59 996	44 952	7 802	(9 086)	584 176	–	584 176	838 846
(1 598)	–	(3 916)	12	(53 271)	–	(53 271)	(58 594)
58 398	44 952	3 886	(9 074)	530 905	–	530 905	780 252
913	10 533	1 955	7 946	1 142 571	–	1 142 571	1 477 969
3 936 705	2 534 703	2 194 249	249 129	19 461 028	969 343	20 430 371	13 891 430
3 936 705	2 534 703	2 194 249	249 129	19 194 947	969 343	20 164 290	13 647 516
				266 081	–	266 081	243 914
(3 235 624)	(2 135 654)	(351 346)	(249 126)	(10 149 923)	(969 343)	(11 119 266)	(7 920 714)

United Kingdom/ Europe/Isle of Man 2011 R000	United Kingdom/ Europe/Isle of Man 2010 R000	Singapore/Asia/Far East 2011 R000	Singapore/Asia/Far East 2010 R000	Africa 2011 R000	Africa 2010 R000	Total Group 2011 R000	Total Group 2010 R000
9 829 537	12 053 725	14 379 077	10 503 335	9 699 929	6 248 661	35 885 258	29 390 576
2 759	688 899	863 880	281 050	275 668	507 822	1 142 571	1 477 969
1 897 259	1 409 702	7 594 227	4 472 757	10 710 073	7 870 054	20 430 371	13 891 430

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

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

1.1 New and revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

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

IAS 24 Related Party Disclosures (as revised in 2009)

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

The company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the company are treated as related parties of the group under the revised Standard whilst such entities were not treated as related parties of the group under the previous Standard.

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

Amendments to IFRS 3 Business Combinations

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ("market-based measure").

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

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 Venture

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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

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

Amendments to IFRS 3 Business Combinations continued

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

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

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

Amendments to IAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, 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 of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the group has not issued instruments of this nature.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement 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.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the group has not entered into any transactions of this nature.

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

1.4 New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets[1]
IFRS 9 Financial Instruments[2]
IFRS 13 Fair Value Measurement[2]
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 12 Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011) Employee Benefits[2]

1 *Effective for annual periods beginning on or after 1 July 2011.*
2 *Effective for annual periods beginning on or after 1 January 2013.*
3 *Effective for annual periods beginning on or after 1 July 2012.*
4 *Effective for annual periods beginning on or after 1 January 2012.*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the group's disclosures regarding transfers of trade receivables previously affected (see note 15). However, if the group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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; and
- the most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

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

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

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

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

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

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

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012.

The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Restatement

During the year the group elected to early adopt IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (as revised in 2011) Separate Financial Statements, IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities. The group believes that adoption of these standards will improve the disclosure of the nature of, and risks associated with interests in other entities and the effects of those interests on the financial position, financial performance and cash flows of the group. The major change as a result of the early adoption is that joint venture entities which were previously proportionately consolidated are now accounted for and disclosed on the same basis as investments in associates. Account balances previously included as separate line items on the statement of financial position are now disclosed as a net amount on the Investment in joint venture line. These standards have been applied retrospectively and result in the following changes to disclosure:

Statements of financial position as at 31 December 2010

Group	As previously stated 2010 R000	Adjustment 2010 R000	Restated 2010 R000	As previously stated 2009 R000	Adjustment 2009 R000	Restated 2009 R000
ASSETS						
Non-current assets						
Ships, property, terminals, vehicles and equipment	5 121 449	(557 223)	4 564 226	3 923 378	(721 054)	3 202 324
Intangible assets	869 254	(220 525)	648 729	830 663	(253 302)	577 361
Investments in joint ventures	–	801 724	801 724	–	867 200	867 200
Investments in associates	342 824	(98 909)	243 915	283 068	(75 308)	207 760
Other investments	91 359	(462)	90 897	83 515	(302)	83 213
Derivative financial assets	1 169	–	1 169	101 861	–	101 861
Recoverables on cancelled ships	–	–	–	238 589	–	238 589
Deferred taxation assets	179 126	(16 747)	162 379	159 088	(13 926)	145 162
Total non-current assets	6 605 181	(92 142)	6 513 039	5 620 162	(196 692)	5 423 470
Loans and advances to bank customers	1 709 796	–	1 709 796	1 483 314	–	1 483 314
Current assets						
Inventories	691 156	(23 340)	667 816	499 804	(6 297)	493 507
Trade and other receivables	3 290 848	(113 630)	3 177 218	2 973 607	(299 008)	2 674 599
Taxation	28 326	(3 805)	24 521	19 745	(1 038)	18 707
Liquid assets and short-term negotiable securities	129 365	–	129 365	104 092	–	104 092
Short-term loan	519 818	–	519 818	–	–	–
Cash and cash equivalents	1 277 172	(127 315)	1 149 857	1 917 695	(243 478)	1 674 217
	5 936 685	(268 090)	5 668 595	5 514 943	(549 821)	4 965 122
Non-current assets classified as held for sale	–	–	–	12 680	(56)	12 624
Total current assets	5 936 685	(268 090)	5 668 595	5 527 623	(549 877)	4 977 746
Total assets	14 251 662	(360 232)	13 891 430	12 631 099	(746 569)	11 884 530

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

Restatement continued

Statements of financial position as at 31 December 2010 continued

Group	As previously stated 2010 R000	Adjustment 2010 R000	Restated 2010 R000	As previously stated 2009 R000	Adjustment 2009 R000	Restated 2009 R000
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital and premium	28 682	–	28 682	13 220	–	13 220
Equity compensation reserve	37 300	–	37 300	35 771	–	35 771
Non-distributable reserves	(313 167)	–	(313 167)	106 125	–	106 125
Accumulated profit	6 104 046	–	6 104 046	5 582 864	–	5 582 864
Equity attributable to owners of the company	5 856 861	–	5 856 861	5 737 980	–	5 737 980
Non-controlling interests	113 854	–	113 854	98 146	–	98 146
Total equity	5 970 715	–	5 970 715	5 836 126	–	5 836 126
Non-current liabilities						
Long-term borrowings	1 408 292	(93 739)	1 314 553	920 787	(101 270)	819 517
Provision for post-retirement medical aid	50 622	(994)	49 628	77 868	(834)	77 034
Provisions	15 199	–	15 199	104 347	–	104 347
Income received in advance	–	–	–	88 441	–	88 441
Derivative financial liabilities	15 938	–	15 938	25 104	–	25 104
Deferred taxation liabilities	124 889	(7 540)	117 349	22 277	(4 330)	17 947
Total non-current liabilities	1 614 940	(102 273)	1 512 667	1 238 824	(106 434)	1 132 390
Deposits from bank customers	2 016 137	–	2 016 137	1 756 126	–	1 756 126
Current liabilities						
Trade and other payables	2 510 123	(151 833)	2 358 290	2 345 218	(573 375)	1 771 843
Provisions	–	–	–	10 411	–	10 411
Short-term borrowings and overdraft	1 495 401	(64 887)	1 430 514	1 145 774	(43 370)	1 102 404
Current portion of long-term borrowings	621 043	(38 137)	582 906	179 902	(14 086)	165 816
Current portion of income received in advance	–	–	–	29 480	–	29 480
Taxation	23 303	(3 102)	20 201	84 045	(9 304)	74 741
	4 649 870	(257 959)	4 391 911	3 794 830	(640 135)	3 154 695
Non-current liabilities associated with assets classified as held for sale	–	–	–	5 193	–	5 193
Total current liabilities	4 649 870	(257 959)	4 391 911	3 800 023	(640 135)	3 159 888
Total equity and liabilities	14 251 662	(360 232)	13 891 430	12 631 099	(746 569)	11 884 530

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

Restatement continued

Income statements for the year ended 31 December 2010

Group	As previously stated 2010 R000	Adjustment 2010 R000	Restated 2010 R000
Revenue	30 202 885	(812 309)	29 390 576
Other income	245 253	(9 113)	236 140
Operating expenses	(29 144 003)	699 936	(28 444 067)
Trading profit	1 304 135	(121 486)	1 182 649
Depreciation and amortisation	(340 472)	45 158	(295 314)
Operating profit before interest and taxation	963 663	(76 328)	887 335
Non-trading items	12 421	1 027	13 448
Interest received	135 204	(7 162)	128 042
Interest paid	(196 675)	17 637	(179 038)
Profit before share of associates and joint venture companies' profit	914 613	(64 826)	849 787
Share of associate and joint venture companies' profit before taxation	84 304	25 173	109 477
Profit before taxation	998 917	(39 653)	959 264
Taxation	(153 842)	39 653	(114 189)
Profit for the year	845 075	–	845 075
Attributable to:			
Owners of the parent/company	838 846	–	838 846
Non-controlling interests	6 229	–	6 229
	845 075	–	845 075
Earnings per share (cents)			
Basic	171,6		171,6
Diluted	171,1		171,1

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

Restatement continued

Statements of cash flows for the year ended 31 December 2010

Group	As previously stated 2010 R000	Adjustment 2010 R000	Restated 2010 R000
OPERATING ACTIVITIES			
Cash receipts from charter hire	1 628 726	(614 163)	1 014 563
Cash receipts from freight	2 576 484	(46 065)	2 530 419
Cash receipts from invoiced sales	2 430 075	(2 430 075)	–
Cash receipts from commodity sales	23 464 395	(305 526)	23 158 869
Interest income from financial institution	188 309	–	188 309
Interest expense from financial institution	(139 837)	–	(139 837)
Dividend income from financial institution	7 851	–	7 851
Corporate and structured finance fee income and other income	136 263	–	136 263
Handling fees and other revenue	193 966	2 169 728	2 363 694
Cash receipts from customers	30 486 232	(1 226 101)	29 260 131
Cash payments to suppliers and employees	(29 711 147)	1 466 576	(28 244 571)
Cash generated from operations	775 085	240 475	1 015 560
Interest received	135 204	(7 162)	128 042
Interest paid	(196 675)	17 637	(179 038)
Dividends received	18 056	–	18 056
Dividends paid	(320 524)	2 860	(317 664)
Taxation paid	(183 625)	–	(183 625)
	227 521	253 810	481 331
Net proceeds on disposal of ships and locomotives	145 778	(21 725)	124 053
Capital expenditure on ships and locomotives	(1 040 159)	(94 581)	(1 134 740)
Cash flows from operating activities of financial institutions			
Advances to customers	(226 482)	–	(226 482)
Liquid assets and short-term negotiable securities	(25 273)	–	(25 273)
Deposits from customers	260 012	–	260 012
Net cash flows used in operating activities	(658 603)	137 504	(521 099)
INVESTING ACTIVITIES			
Property, terminals, vehicles and equipment acquired	(363 062)	30 304	(332 758)
Replacement of property, terminals, vehicles and equipment	(1 369)	–	(1 369)
Additions to property, terminals, vehicles and equipment	(361 693)	30 304	(331 389)
Acquisition of associates, joint ventures and other investments	(4 530)	–	(4 530)
Acquisition of subsidiaries	(302 416)	–	(302 416)
Proceeds on disposal of property, terminals, vehicles and equipment	58 779	(15 071)	43 708
Proceeds from disposal of other investments	23 597	(223)	23 374
Acquisition of intangible assets	(12 155)	1 684	(10 471)
Loans repaid by associate companies	(20 161)	–	(20 161)
Disposal of investment in subsidiary classified as non-current asset held for sale	(2 650)	–	(2 650)
Net cash flows used in investing activities	(622 598)	16 694	(605 904)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary share capital	8 693	–	8 693
Proceeds from disposal of treasury shares	6 768	–	6 768
Non-controlling investment in subsidiary	10 000	–	10 000
Long-term borrowings raised	1 104 194	–	1 104 194
Payment of capital portion of long-term borrowings	(361 367)	(16 519)	(377 886)
Short-term loan issued	(439 510)	1	(439 509)
Short-term loan raised	293 033	13 102	306 135
Net cash flows from financing activities	621 811	(3 416)	618 395
Net decrease in cash and cash equivalents	(659 390)	150 782	(508 608)
Cash and cash equivalents at beginning of year	1 669 282	(214 468)	1 454 814
Difference arising on translation	(42 360)	–	(42 360)
Cash and cash equivalents at end of year	967 532	(63 686)	903 846

	Cost/ valuation R000	Accumulated depreciation, amortisation and impairment R000	Group Carrying value 2011 R000	Carrying value 2010 R000
3. SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT				
FREEHOLD AND LEASEHOLD PROPERTIES				
Opening balance	613 717	(97 738)	**515 979**	452 678
Translation gain/(loss)	7 671	(384)	**7 287**	(3 800)
Reclassification	(18 283)	8 980	**(9 303)**	78 316
Additions and improvements	2 544	–	**2 544**	17 049
Finance costs capitalised	–	–	**–**	166
Disposal of business	(2 626)	1 315	**(1 311)**	–
Disposals	(3 323)	809	**(2 514)**	(757)
Depreciation and amortisation	–	(24 160)	**(24 160)**	(26 276)
Impairment	–	(871)	**(871)**	(1 397)
Closing balance	599 700	(112 049)	**487 651**	515 979
SHIPS				
Opening balance	2 255 276	(256 699)	**1 998 577**	1 197 159
Translation gain/(loss)	613 999	(53 796)	**560 203**	(209 239)
Additions	434 007	–	**434 007**	981 603
Acquisition of business	–	–	**–**	131 980
Depreciation and amortisation	–	(148 232)	**(148 232)**	(91 173)
Impairment	–	(19 142)	**(19 142)**	–
Reclassification	839 698	6 808	**846 506**	102 574
Transferred from financial assets	98 106	–	**98 106**	–
Transferred to dual purpose assets	–	–	**–**	(114 327)
Transferred to non-current assets classified as held for sale	(176 373)	50 010	**(126 363)**	–
Closing balance	4 064 713	(421 051)	**3 643 662**	1 998 577
SHIPS UNDER CONSTRUCTION				
Opening balance	815 203	–	**815 203**	653 337
Translation gain/(loss)	98 374	–	**98 374**	(87 059)
Additions	408 824	–	**408 824**	159 580
Reclassification	(840 087)	–	**(840 087)**	(102 574)
Transferred to receivables	–	–	**–**	37 238
Transferred (to)/from recoverables on cancelled ships	(342 062)	–	**(342 062)**	133 294
Reversal of impairment	39 298	–	**39 298**	21 387
Closing balance	179 550	–	**179 550**	815 203
PROPERTY UNDER CONSTRUCTION				
Opening balance	226 950	–	**226 950**	137 064
Translation gain/(loss)	25 957	–	**25 957**	(19 737)
Additions	51 882	–	**51 882**	164 439
Transferred to non-current assets classified as held for sale	(864)	–	**(864)**	–
Finance costs capitalised	114	–	**114**	51
Reclassification	(261 699)	–	**(261 699)**	(54 867)
Closing balance	42 340	–	**42 340**	226 950
TERMINALS, VEHICLES AND EQUIPMENT				
Opening balance	1 719 096	(748 031)	**971 065**	716 439
Translation gain/(loss)	79 154	(10 061)	**69 093**	(16 310)
Reclassification	279 984	(15 743)	**264 241**	(23 041)
Additions	189 630	–	**189 630**	148 330
Acquisition of businesses	22 838	–	**22 838**	340 048
Impairment	–	(1 218)	**(1 218)**	–
Disposals	(126 471)	69 161	**(57 310)**	(37 070)
Disposal of business	(10 953)	7 067	**(3 886)**	–
Depreciation	–	(170 777)	**(170 777)**	(157 331)
Transferred to non-current assets classified as held for sale	(497 163)	47 389	**(449 774)**	–
Closing balance	1 656 115	(822 213)	**833 902**	971 065

	Cost/ valuation R000	Accumulated depreciation, amortisation and impairment R000	Group Carrying value 2011 R000	Carrying value 2010 R000
3. SHIPS, PROPERTY, TERMINALS, VEHICLES AND EQUIPMENT CONTINUED				
LEASED TERMINALS, VEHICLES AND EQUIPMENT				
Opening balance	66 144	(29 692)	**36 452**	45 647
Reclassification	386	(44)	**342**	(408)
Additions	52 781	–	**52 781**	2 939
Disposal of business	(3 592)	2 282	**(1 310)**	–
Disposals	(1 579)	856	**(723)**	(4 120)
Depreciation	–	(7 082)	**(7 082)**	(7 606)
Closing balance	114 140	(33 680)	**80 460**	36 452
Aggregate	6 656 558	(1 388 993)	**5 267 565**	4 564 226

Group 2010	Cost/ valuation R000	Accumulated depreciation R000	Carrying value R000
Freehold and leasehold properties	613 717	(97 738)	515 979
Ships	2 255 276	(256 699)	1 998 577
Ships under construction	815 203	–	815 203
Property under construction	226 950	–	226 950
Terminals, vehicles and equipment	1 719 096	(748 031)	971 065
Leased terminals, vehicles and equipment	66 144	(29 692)	36 452
	5 696 386	(1 132 160)	4 564 226

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 the loan funds schedule.

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$508,92 million (2010: US$325,75 million).

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 R7 345,1 million (2010: R6 837,9 million).

Impairment/reversal of impairment

During the year, the Shipping segment impaired three products tankers to their values in use. In addition, the Shipping segment reversed an impairment of R39 298 000 (2010: R21 387 000) on two ships under construction which were cancelled due to non-performance of certain conditions by the shipyard.

	Group 2011 R000	2010 R000
4. INVESTMENT PROPERTY		
Addition	**16 318**	–
Fair value gain on revaluation	**5 778**	–
Balance at end of year	**22 096**	–

The investment property was independently valued as at 31 December 2011 by a professional valuer registered with the South African Council for the Property Valuers Profession.

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

	Cost/ valuation R000	Accumulated amortisation and impairment losses R000	Group Carrying value 2011 R000	Group Carrying value 2010 R000
5. INTANGIBLE ASSETS				
5.1 Goodwill				
Opening balance	555 285	–	**555 285**	487 177
Translation gain/(loss)	57 243	–	**57 243**	(29 432)
Recognised on acquisition of business	482	–	**482**	136 705
Disposal of business	(1 717)	–	**(1 717)**	–
Impairment	–	(9 168)	**(9 168)**	(39 165)
Transferred to non-current assets classified as held for sale	(115 661)	8 825	**(106 836)**	–
Closing balance	495 632	(343)	**495 289**	555 285
5.2 Other intangible assets				
Opening balance	137 597	(44 153)	**93 444**	90 184
Translation gain/(loss)	1 168	(412)	**756**	(177)
Additions	2 903	–	**2 903**	10 472
Recognised on acquisition of business	1 000	–	**1 000**	4 441
Disposals	(11)	11	**–**	–
Reversal of impairment	–	–	**–**	1 452
Amortisation	–	(12 728)	**(12 728)**	(12 928)
Transferred to non-current assets classified as held for sale	(40 509)	7 776	**(32 733)**	–
Closing balance	102 148	(49 506)	**52 642**	93 444
Aggregate	597 780	(49 849)	**547 931**	648 729

Impairment testing of goodwill

An impairment loss of R8 825 000 (2010: R nil) was recognised in one of the group's bunker barge businesses. The bunker barge business has been impacted by the oversupply of barges in Rotterdam where the barges operate.

In the prior year, an impairment loss of R19 720 000 was recognised in the Financial Services segment and R19 445 000 in the Logistics division of the Freight Services segment as the related businesses were not expected to generate profits in the future.

Allocation of goodwill to cash-generating units

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

	Group Carrying value 2011 R000	Group Carrying value 2010 R000
Freight Services		
Grindrod Terminals	**16 406**	16 406
Grindrod Intermodal	**25 080**	25 080
Grindrod Logistics	**133 766**	135 580
Ships Agencies	**9 600**	9 948
Trading	**286 721**	331 827
Shipping	**23 716**	36 444
	495 289	555 285
Significant other intangible assets		
Included in other intangible assets above are:		
Leases		
Intangible asset raised on acquisition of businesses in prior years in respect of the inherent value attached to beneficial lease agreements	**10 581**	15 327
SAP systems		
Financial systems implemented for processing	**22 212**	23 414

Write-off periods of intangible assets

Intangible assets are written off in periods ranging from 3 (2010: 3) to 25 (2010: 25) years.

		Company 2011 R000	Company 2010 R000
6.	**INVESTMENTS IN SUBSIDIARIES**		
	Investments in subsidiaries	**4 693 420**	4 094 624
	Share-based payments	**16 668**	16 022
		4 710 088	4 110 646

Details of the investments in subsidiaries are shown on the schedule of interest in subsidiaries on page 81.

			Group 2011 %	Group 2010 %
7.	**INVESTMENTS IN JOINT VENTURES**			
	The group has joint venture interests in the following companies, which have the same year-end as the company unless otherwise stated:			
	Handyventure (Singapore) Pte Limited	Shipowning and operating	**50,0**	50,0
	Petrochemical Shipping Limited	Shipowning	**50,0**	50,0
	Röhlig-Grindrod (Pty) Limited	Clearing and forwarding	**50,0**	50,0
	Unicorn Calulo Shipping Services	Barge operations	**50,0**	50,0
	Chromtech Holdings (Pty) Limited	Minerals trading	**50,0**	50,0
	Unicorn-Heidmar Tankers LLC	Ship operating	**50,0**	50,0
	Tri-View Shipping Pte Limited	Shipowning and operating	**51,0**	51,0
	Vanguard Rigging (Pty) Limited	Machine handling, rigging and transport services	**50,0**	50,0
	IM Shipping Pte Limited	Shipowning and operating	**51,0**	51,0
	Portus Indico – Sociedade de Servicos Poruarios SA	Port operations	**48,5**	48,5
	Corrline (Pty) Limited	Minerals trading	**50,0**	50,0
	Otjozondu Mining (Pty) Limited	Minerals mining	**–**	24,5
	East Coast Maritime (Pty) Limited	Minerals trading	**50,0**	50,0
	RRL Grindrod (Pty) Limited	Rail operations	**50,0**	50,0
	RRL Grindrod Locomotives (Pty) Limited	Rail owning	**50,5**	50,5
	Amanita Africa Limited	Grain trading	**50,0**	–
	Progroup Holdings (Pvt) Limited	Grain trading	**50,0**	–
	Jacobs Bulk Milling (Pty) Limited	Milling and blending of agricultural commodity	**50,0**	–
	Island Bulk Carriers Pte Limited	Shipowning and operating	**75,0**	–
	Intermodal Container Depot Maputo SA	Intermodal	**50,0**	–

7. 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	
	2011 R000	2010 R000	**2011 R000**	2010 R000	**2011 R000**	2010 R000	**2011 R000**	2010 R000
INCOME STATEMENT								
Revenue	**285 016**	252 642	**567 415**	305 525	**318 091**	254 141	**1 170 522**	812 308
Depreciation	**(9 691)**	(8 930)	**(3 483)**	(3 188)	**(29 654)**	(33 039)	**(42 828)**	(45 157)
Operating income before interest and taxation	**98 347**	83 818	**48 356**	12 040	**23 862**	12 048	**170 565**	107 906
Net interest paid	**(6 060)**	(2 328)	**(5 902)**	(6 360)	**(5 683)**	(1 787)	**(17 645)**	(10 475)
Taxation	**(25 651)**	(15 904)	**(9 479)**	(4 452)	**(3 766)**	(7 506)	**(38 896)**	(27 862)
Net income after taxation	**66 636**	65 586	**32 975**	1 228	**14 413**	2 755	**114 024**	69 569
Dividends received	**15 990**	–	**1 218**	–	**10 906**	–	**28 114**	–
STATEMENT OF CASH FLOW								
Cash inflow/(outflow) from operating activities	**(28 586)**	(33 950)	**(35 130)**	(14 817)	**197 277**	9 705	**133 561**	(39 062)
Cash inflow/(outflow) from investing activities	**(132 935)**	(30 436)	**(48 110)**	7 542	**104 507**	(8 286)	**(76 538)**	(31 180)
Cash (outflow)/inflow from financing activities	**166 483**	18 845	**37 501**	3 080	**(280 746)**	(16 581)	**(76 762)**	5 344
Net cash inflow/(outflow)	**4 962**	(45 541)	**(45 739)**	(4 195)	**21 038**	(15 162)	**(19 739)**	(64 898)
STATEMENT OF FINANCIAL POSITION								
Non-current assets	**575 540**	347 755	**48 895**	75 705	**581 300**	470 407	**1 205 735**	893 867
Current assets	**460 090**	294 205	**241 405**	123 150	**131 456**	83 452	**832 951**	500 807
Non-current liabilities	**(235 488)**	(26 150)	**(11 740)**	(8 224)	**(404 370)**	(67 898)	**(651 598)**	(102 272)
Current liabilities	**(422 262)**	(348 993)	**(188 701)**	(120 857)	**(56 597)**	(20 828)	**(667 560)**	(490 678)
Net assets	**377 880**	266 817	**89 859**	69 774	**251 789**	465 133	**719 528**	801 724
Total liabilities comprise:								
Interest-bearing liabilities	**(284 498)**	(99 012)	**(5 629)**	(24 447)	**(431 752)**	(73 305)	**(721 879)**	(196 764)
Non-interest-bearing liabilities	**(373 252)**	(276 131)	**(194 812)**	(104 634)	**(29 215)**	(15 421)	**(597 279)**	(396 186)

	Group	
	2011 R000	2010 R000
The proportionate share of the capital commitments of the joint ventures are as follows:		
Authorised and contracted for	**119 124**	204 155
Due within one year	**119 124**	119 896
Due between years one and two	**–**	84 259
Due between years two and three	**–**	–
Authorised and not contracted for	**246 568**	61 700
	365 692	265 855

ACQUISITION OF JOINT VENTURES

During the year the group acquired the following additional interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2011	Purchase consideration R000
Progroup Holdings	**Trading**	**50**	**1 January**	**–**
Jacobs Bulk Milling (Pty) Limited	**Trading**	**50**	**1 January**	**–**
Intermodal Container Depot Maputo SA	**Freight Services**	**50**	**30 June**	**–**
Amanita Africa Limited	**Trading**	**50**	**1 January**	**–**

		Effective holding %	Group 2011 R000	Group 2010 R000
8.	**INVESTMENTS IN ASSOCIATES**			
	Unlisted			
	Ocean Africa Container Lines (Pty) Limited		**165 651**	165 651
	Cost of investment	49	**191 757**	191 757
	Distribution out of share premium		**(6 859)**	(6 859)
	Distribution out of pre-acquisition reserves		**(19 247)**	(19 247)
	Moneyline 992 (Pty) Limited		**9 846**	9 846
	Cost of investment	47	**4 775**	4 775
	Loan account		**5 071**	5 071
	Erundu Stevedoring (Pty) Limited – cost of investment	49	**2 045**	2 045
	Cost of investment		**2 045**	2 045
	Petrologistics Limited		**17 614**	4 522
	Cost of investment	25	**3 574**	3 574
	Loan account		**14 040**	948
	Empresa De Dragagem Do Porto de Mozambique		**7 379**	7 379
	Cost of investment	26	**169**	169
	Loan account		**7 210**	7 210
	Baobab Investments		**12 328**	12 328
	Cost of investment	39	**325**	325
	Loan account		**12 003**	12 003
	Oiltanking Grindrod Calulo (Pty) Limited – cost of investment	38	**1 245**	–
	Other investments		**2**	2
	Attributable share of accumulated profit at the end of the year		**49 971**	42 142
			266 081	243 915
	Directors' valuation		**289 955**	404 284

Ocean Africa Container Lines (Pty) Limited is incorporated in the Republic of South Africa and provides shipping and logistical services.

The following financial information is pertinent to the company:

	2011 R000	2010 R000
Total assets	**170 616**	109 155
Total liabilities	**(110 539)**	(46 871)
Revenue	**487 786**	556 304
Share of current year's profits	**2 193**	24 799

Moneyline 992 (Pty) Limited is incorporated in the Republic of South Africa and is an investment company.

The following financial information is pertinent to the company:

	2011 R000	2010 R000
Total assets	**146 712**	134 050
Total liabilities	**(53 406)**	(66 361)
Revenue	**13 387**	5 439
Share of current year's profits	**7 868**	12 832

Erundu Stevedoring (Pty) Limited is incorporated in Namibia and provides stevedoring services.

The following financial information is pertinent to the company:

	2011 R000	2010 R000
Total assets	**1 991**	5 004
Total liabilities	**(711)**	(2 089)
Revenue	**4 284**	7 178
Share of current year's profits	**70**	572

	Group 2011 R000	Group 2010 R000
8. INVESTMENTS IN ASSOCIATES CONTINUED		
Unlisted continued		
Petrologistics Limited is incorporated in Botswana and provides fuel logistical services.		
The following financial information is pertinent to the company:		
Total assets	100 669	848 422
Total liabilities	(68 277)	(608 422)
Revenue	78 209	101 958
Share of current year's profits	1 408	1 705
Empresa De Dragagem Do Porto de Mozambique is incorporated in Mozambique and its main line of business is port dredging.		
The following financial information is pertinent to the company:		
Total assets	146 840	44 273
Total liabilities	(131 382)	(24 524)
Revenue	38 393	10 286
Share of current year's profits	3 349	–
Boabab Investments is incorporated in Mauritius and its main business is to pursue port, rail and infrastructure opportunities.		
The following financial information is pertinent to the company:		
Total assets	7 510	16 784
Total liabilities	(51 401)	(17 026)
Revenue	–	–
Share of current year's loss	(10 473)	–
Oiltanking Grindrod Calulo (Pty) Limited is incorporated in South Africa and its main objective is to pursue tank terminal opportunities in South Africa.		
The following financial information is pertinent to the company:		
Total assets	2 651	–
Total liabilities	(3 046)	–
Revenue	858	–
Share of current year's loss	(124)	–
Total share of associates' profits	4 291	39 908
9. OTHER INVESTMENTS		
Investment banking portfolio		
Listed		
Held for trading		
Listed equities at fair value	14 323	13 999
The register of listed investments is available for inspection at the registered office of Grindrod Limited or Grindrod Bank Limited.		
Other financial assets		
Pension fund surplus recognised*	46 801	35 071
Loans and receivables at amortised cost	59 281	31 802
Available-for-sale financial assets	43 143	10 025
Other investments transferred to non-current assets held for sale	(34 070)	–
	129 478	90 897
Directors' valuation	129 478	90 897

* *Details of the pension fund are detailed in note 21.*

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000

10. FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
Financial assets				
Loans and receivables	**8 806 926**	6 352 168	**2 841 674**	1 120 396
Held for trading	**265 468**	239 594	**–**	–
Derivative financial assets	**56 505**	177 117	**–**	–
Derivative financial instruments designated as cash flow hedges	**6 959**	9 239	**–**	–
Total financial assets	**9 135 858**	6 778 118	**2 841 674**	1 120 396
Total non-financial assets	**11 294 513**	7 113 312	**4 710 691**	4 112 964
Total assets	**20 430 371**	13 891 430	**7 552 365**	5 233 360
Financial liabilities				
Held at amortised cost	**8 438 467**	7 626 090	**550 837**	751 349
Derivative financial liabilities	**94 008**	150 165	**–**	–
Derivative financial instruments designated as cash flow hedges	**(137)**	6 910	**–**	–
Total financial liabilities	**8 532 338**	7 783 165	**550 837**	751 349
Total non-financial liabilities and equity	**11 898 033**	6 108 265	**7 001 528**	4 482 011
Total liabilities and equity	**20 430 371**	13 891 430	**7 552 365**	5 233 360

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

DERIVATIVE FINANCIAL INSTRUMENTS

10.1 Forward exchange contracts

The group had 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 2011 R000	Group 2010 R000
Total change in fair value recognised in operating profit	**(20 762)**	11 678

Details of these forward exchange contracts are as follows:

Foreign currency	2011 Average rate	2011 Contract value US$000	2011 Contract value R000	2011 Asset/(liability) R000	2010 Average rate	2010 Contract value US$000	2010 Contract value R000	2010 Asset/(liability) R000
Purchase US Dollars	**7,97**	**29 538**	**235 478**	**7 525**	7,11	38 155	271 272	18 690
Purchase US Dollars	**8,17**	**54 566**	**445 940**	**(4 871)**	7,26	68 019	493 869	(35 944)
Sell US Dollars	**8,46**	**10 820**	**91 579**	**3 833**	7,03	7 497	52 730	3 099
Sell US Dollars	**–**	**–**	**–**	**–**	6,81	609	4 149	(119)
		94 924	**772 997**	**6 487**		114 280	822 020	(14 274)

10. FINANCIAL INSTRUMENTS CONTINUED

10.2 Cross currency swaps

The group has entered into the following cross currency swaps to manage currency risk:

Maturity date	Currency	Currency swapped with	Nominal value: Nominal currency amount '000	Nominal value: Nominal swapped currency amount '000	**2011 Asset/ (liability) R000**	2010 Asset/ (liability) R000
1 January 2012 to 31 March 2013	GBP	USD	3 456	5 232	**138**	–
1 January 2012 to 29 February 2012	EUR	USD	140	181	**6**	–
January 2012	USD	ZAR	198	24	**2**	–
					146	–

10.3 Forward freight agreements

The group has entered into a number of forward freight agreements (FFAs) 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 FFA hedge sales are 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 2011, there was one (2010: four) open forward freight agreements, designated as cash flow hedges, maturing as follows:

Settlement periods	Hedged item	Strike price US$	Quantity/ duration days	Nominal value US$000	**2011 Asset/ (liability) R000**	2010 Asset/ (liability) R000
1 January 2011 to 31 December 2011	Handysize	11 000	365	–	**–**	(628)
1 January 2011 to 31 December 2011	Handysize	11 500	365	–	**–**	576
1 January 2011 to 31 December 2011	Handysize	14 000	360	–	**–**	6 524
1 January 2012 to 31 December 2012	Handysize	13 150	180	2 367	**6 959**	2 767
				2 367	**6 959**	9 239
Ineffective cash flow hedge					**–**	–
Effective cash flow hedge					**6 959**	9 239

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 days	Nominal value US$000	**2011 Asset/ (liability) R000**	2010 Asset/ (liability) R000
1 January 2011 to 31 March 2011	Handysize	16 000	45	–	**–**	(192)
1 January 2011 to 31 January 2011	Handysize	16 500	30	–	**–**	(232)
1 January 2012 to 31 December 2012	Handymax	12 100	180	2 178	**1 225**	–
31 July 2012 to 31 December 2012	Handymax	11 300	90	1 017	**414**	–
1 January 2012 to 30 June 2012	Handymax	11 300	90	1 017	**(356)**	–
				4 212	**1 283**	(424)

10. FINANCIAL INSTRUMENTS CONTINUED

10.3 Forward freight agreements continued

At 31 December 2011, the sensitivity of the forward freight agreements to a 10% (2010: 10%) movement in the shipping market prices would have the following effect:

	Group	
	2011 R000	2010 R000
10% increase		
Increase in FFA liability	**(1 156)**	(4 442)
Decrease in hedging reserve deficit	**1 156**	4 442
Decrease in profit	**–**	–
10% decrease		
Decrease in FFA liability	**1 156**	4 442
Increase in hedging reserve deficit	**(1 156)**	(4 442)
Increase in profit	**–**	–
10% increase		
Decrease in FFA asset	**(3 270)**	(4 210)
Decrease in hedging reserve deficit	**3 270**	4 210
Decrease in profit	**–**	–
10% decrease		
Increase in FFA asset	**3 270**	4 210
Increase in hedging reserve deficit	**(3 270)**	(4 210)
Decrease in profit	**–**	–

10.4 Futures and options

The group has entered into certain futures in order to commercially hedge the price risk in respect of commodity contracts which mature between January 2012 and September 2012.

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	**2011 Gain/(loss) recognised R000**	2010 Gain/(loss) recognised R000
White maize	Sales	(129 300)	(238 716)	**(20 025)**	(488)
White maize	Purchase	13 605	22 523	**13 795**	–
White maize	Sales	(750)	(2 902)	**6 083**	–
Yellow maize	Purchase	9	163	**(21)**	(205)
Yellow maize	Sales	(1 500)	(3 128)	**23**	692
Yellow maize	Purchase	63 100	119 804	**5 175**	–
Sunflower	Sales	(11 000)	(46 638)	**(112)**	(3 727)
Sunflower	Purchase	1 050	4 512	**(18)**	–
Corn	Sales	(43 817)	(81 879)	**(8 564)**	(6 355)
Corn	Sales	(2 100)	(12 938)	**8 395**	–
Corn	Purchase	8 800	3 399	**(3 399)**	–
Corn	Purchase	26 365	2 354 438	**6 196**	–
Soya bean meal	Purchase	9 525	63 056	**–**	18 013
Soya bean meal	Sales	(1 020)	(2 780 432)	**(162)**	(285)
Soya bean meal	Purchase	1 723	(9 083)	**(3 528)**	–
Soya bean	Sales	(22 180)	(81 611)	**1 119**	313
Soya bean	Purchase	200	1 185	**–**	973
Soya bean	Sales	(1 750)	(4 554)	**(1 553)**	(1 993)
Soya bean	Purchase	48 504	2 366 606	**5 337**	3 456
Soya bean	Purchase	300	2 347	**(499)**	–
Wheat	Sales	(51 109)	(226 776)	**(5 470)**	(5 846)
Wheat	Sales	11 407	1 423	**–**	(1 754)
				2 772	2 794
Mark to market settled through margin account – asset				**14 028**	2 461
Mark to market settled through margin account – liability				**(22 348)**	–
Futures and options held on behalf of customers – liability				**13 699**	–
Futures and options held on behalf of customers – asset				**(13 710)**	–
				(5 559)	5 255

10. FINANCIAL INSTRUMENTS CONTINUED

10.4 Futures and options continued

Foreign currency	Contract value US$000	Contract value R000	2011 (Gain)/loss recognised R000	2010 (Gain)/loss recognised R000
Purchase US Dollars	44 000	302 874	**29 065**	(55 107)
Mark to market settled through margin account			**(29 065)**	55 107
Liability			**–**	–

10.5 Forward contracts

Commodity		Tonnage	Contract value R000	2011 Asset/(liability) R000	2010 Asset/(liability) R000
Wheat	Purchase	57 095	131 187	**8 417**	9 986
Wheat	Purchase	55 000	126 233	**–**	(14 818)
Wheat	Sales	(9 413)	(7 676)	**953**	15 186
Wheat	Sales	(54 918)	(5 346)	**(5 346)**	(9 236)
Soya bean meal	Purchase	118 343	243 475	**12 504**	707
Soya bean meal	Purchase	33 255	99 429	**–**	(5 443)
Soya bean meal	Sales	(167 377)	(80 643)	**6 613**	7 409
Soya bean meal	Sales	(53 001)	(158 425)	**(30 861)**	(21 118)
Soya bean	Purchase	1 957	6 821	**71**	386
Soya bean	Sales	(34 131)	(18 899)	**(126)**	(71)
Corn	Purchase	161 481	88 688	**–**	2 204
Corn	Purchase	52 500	–	**(7 031)**	–
Corn	Sales	(28 500)	(65 245)	**(16)**	(3 045)
White Maize	Purchase	25 371	45 133	**(4 172)**	(407)
White Maize	Sales	(7 054)	(15 598)	**2 777**	1 421
Yellow Maize	Sales	(1 927)	(9 111)	**1 025**	–
Yellow Maize	Purchase	28 437	49 099	**(3 944)**	(120)
Yellow Maize	Sales	(7 555)	(9 668)	**–**	(551)
Sunflower	Purchase	21 650	33 050	**–**	9 286
Sunflower	Purchase	4 000	6 228	**(389)**	(3 266)
Sunflower	Sales	(5 154)	(8 450)	**764**	3 327
Sunflower	Sales	(12 757)	(22 401)	**–**	(5 065)
Fuel	Purchase	71 470	5 799	**5 804**	–
Fuel	Purchase	9 400	730	**(728)**	–
Fuel	Sales	(2 700)	(284)	**287**	–
Fuel	Sales	(9 300)	(1 168)	**(1 170)**	–
Other	Purchases	660	2 185	**(505)**	(1 285)
Other	Sales	(9 800)	(962)	**–**	961
				(15 073)	(13 552)

10. FINANCIAL INSTRUMENTS CONTINUED

10.6 Interest rate swaps

The group has entered into the following interest rate swaps on Rand-denominated loans, whereby variable interest rates have been fixed as indicated below. 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 7,25% p.a. (2010: 7,35% p.a.) and 15,29% p.a. (2010: 15,29% p.a.) and mature over the periods as indicated below:

Maturity date	Interest rate	Nominal value R000	**2011** **Asset/ (liability)** **R000**	2010 Asset/ (liability) R000
30 December 2011	Variable to 7%	250 000	**–**	(7 377)
31 December 2011	Variable to 5,5%	60 000	**–**	(2 579)
30 December 2011	Variable to 10,0%	172 000	**–**	(7 394)
Between April 2011 and December 2011	Various	171 754	**–**	(17 532)
Between December 2012 and December 2020 (#)	Various	184 167	**(19 188)**	–
			(19 188)	(34 882)

	Group **2011** **R000**	2010 R000
10.7 Hedging details		
The above mentioned derivative's hedging details are as follows:		
Ineffectiveness recognised in profit and loss:		
– cash flow hedge	**–**	–

Details of cash flow hedges:

	2011 **< 3 months R000**	**3-6 months R000**	**6-12 months R000**	**>12 months R000**	2010 < 3 months R000	3-6 months R000	6-12 months R000	>12 months R000
Financial asset	**2 019**	**1 768**	**4 866**	**–**	1 774	1 774	6 321	–
Financial liability	**–**	**–**	**–**	**–**	575	(158)	(318)	–

Reconciliation of cash flow hedge accumulated in equity

	2011 **Amount accumulated in equity**	**Amount recycled from equity into**		2010 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	**152 706**			169 521		
Amount recognised through other comprehensive income in the current year	**–**			91 401		
Amount removed from equity to income statement	**(161 735)**	**161 735**		(108 912)	108 912	
Deferred tax	**2 070**		**(2 070)**	(60)		60
Translation adjustments	**–**		**–**	756		–
Closing balance	**(6 959)**	**161 735**	**(2 070)**	152 706	108 912	60
Comprised of:						
Financial instruments	**(7 096)**			154 639		
Deferred tax	**137**			(1 933)		
	(6 959)			152 706		

	Group 2011 R000	2010 R000
10. FINANCIAL INSTRUMENTS CONTINUED		
10.8 Ship purchase option		
In 2010, the group had the option to purchase a vessel in 2011 at an agreed price of $2 million. If the counterparty to the option elected not to transfer the vessel to the company at the exercised date, the group was entitled to receive a cash payment of $13 million. As the market value of the vessel was in excess of $14 million (the point at which it would become beneficial for the counterparty to transfer the vessel rather than settle in cash) at each reporting date, the fair value of the option was calculated by discounting the cash receipt by the group.		
Ship purchase option	–	76 732
At 31 December 2010, the sensitivity of the ship purchase option to a 10% movement in the market prices would have the following effect:		
10% increase		
Increase in option asset	–	(9 815)
Increase in profit	–	9 815
10% decrease		
Increase in option asset	–	9 815
Decrease in profit	–	(9 815)
10.9 Property purchase option		
In 2010, the group had the option to purchase a property on 31 December 2011 at an agreed price of R11,9 million. As the estimated market price of the property was R13,1 million, the fair value of the option was calculated as the difference between the market price and the agreed price. The market price was obtained from an external independent valuator and was based on the discounted future rentals that was expected to be generated by the property.		
Property purchase option	–	1 187

10.10 Bunker swaps

Settlement period	Quantity mt	Strike price R000	Hedging reserve 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)	–
			(1 123)	–

10. FINANCIAL INSTRUMENTS CONTINUED

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

	Hedging reserve 2011 R000	Financial assets 2011 R000	Financial liabilities 2011 R000	Hedging reserve 2010 R000	Financial assets 2010 R000	Financial liabilities 2010 R000
Forward currency exchange contracts on ships and other trading commitments	–	11 358	(4 871)	–	21 789	(36 063)
Cross currency swap	–	146	–	–	–	–
Forward freight agreements	6 959	8 598	(356)	9 239	9 867	(1 052)
Futures and options	–	10 066	(15 625)	(156 968)	25 908	(20 653)
Forward contracts	–	39 215	(54 288)	–	50 873	(64 425)
Interest rate swaps	137	–	(19 188)	(6 910)	–	(34 882)
Ship purchase option	–	–	–	–	76 732	–
Property purchase option	–	–	–	–	1 187	–
Bunker swaps	–	318	(1 441)	–	–	–
	7 096	69 701	(95 769)	(154 639)	186 356	(157 075)
Less portion due within one year included in trade and other payables/(receivables)	–	(63 464)	74 683	–	(185 187)	141 137
Transfer to non-current (asset)/liabilities held for sale	–	(6 237)	1 898	–	–	–
Long-term portion	7 096	–	(19 188)	(154 639)	1 169	(15 938)

	Group 2011 R000	Group 2010 R000
11. RECOVERABLES ON CANCELLED SHIPS		
Opening balance	–	238 589
Transferred from/(to) ships	342 062	(133 294)
Interest accrued	44 599	–
Interest transferred to other receivables	–	(8 683)
Cash receipt	(40 893)	(95 640)
Translation gain/(loss)	34 798	(972)
	380 566	–

During the year, the group cancelled two ships due to non-performance of certain contracted conditions from the shipyard.

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
12. DEFERRED TAXATION				
Deferred taxation analysed by major category:				
Capital allowances	**(190 910)**	(171 300)		
Other timing differences	**58 867**	55 808	**385**	603
Secondary taxation on companies credits	**11 073**	5 560	**–**	1 715
Estimated taxation losses	**85 646**	154 962	**218**	–
	(35 324)	45 030	**603**	2 318
Reconciliation of deferred taxation:				
Opening balance	**45 030**	127 216	**2 318**	428
Income statement effect	**(87 417)**	(28 442)	**(1 715)**	1 890
Transfer (from)/to non-distributable reserve	**(2 070)**	60		
Foreign currency translation adjustment	**13 602**	8 501		
Disposal of businesses	**(5 796)**	–		
Acquisition of businesses	**1 957**	(62 305)		
Transferred to non-current assets associated with assets classified as held for sale	**(630)**	–		
Closing balance	**(35 324)**	45,030	**603**	2 318
Comprising:				
Deferred taxation assets	**89 472**	162 379	**603**	2 318
Deferred taxation liabilities	**(124 796)**	(117 349)		
	(35 324)	45 030	**603**	2 318

	Group 2011 R000	Group 2010 R000
13. LOANS AND ADVANCES TO BANK CUSTOMERS		
Loans and receivables	**1 869 559**	1 519 272
Held at fair value through profit or loss using year-end market related interest rate yield curves to discount expected future cash flows	**204 344**	190 524
	2 073 903	1 709 796
Loans and advances – companies and close corporations	**1 584 427**	1 327 239
Loans and advances – unincorporated businesses	**197 261**	109 247
Loans and advances – individuals	**76 860**	114 682
Property in possession	**3 059**	3 059
Preference shares	**181 908**	134 122
Interest accrued	**19 916**	13 385
Revaluation of loans held at fair value through profit or loss	**18 460**	16 602
Less: impairments against advances	**(7 988)**	(8 540)
	2 073 903	1 709 796

Advances are made at market related rates of interest and are secured with various types of collateral such as cash, mortgage bonds, shares, discounted invoices, guarantees and suretyships. This book is considered to be well secured and impairments have been raised where impairment indicators exist.

	Group 2011 R000	Group 2010 R000
13. LOANS AND ADVANCES TO BANK CUSTOMERS CONTINUED		
Contractual maturity analysis		
Maturity on demand	**359 192**	106 997
Maturing within one month	**179 733**	461 847
Maturing after one month but within three months	**66 854**	125 191
Maturing after three months but within six months	**130 564**	121 985
Maturing after six months but within one year	**275 233**	110 497
Maturing after one year but within three years	**466 017**	415 070
Maturing after three years but within five years	**220 985**	174 609
Maturing after five years but within ten years	**343 918**	171 104
Maturing after ten years	**1 019**	1 049
Interest accrued	**19 916**	13 385
Revaluation of loans held at fair value through profit or loss	**18 460**	16 602
Less: impairment against advances	**(7 988)**	(8 540)
	2 073 903	1 709 796
Maximum exposure to credit risk before impairments	**2 081 891**	1 718 336
Exposures with renegotiated terms	**–**	–

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

	Group 2011 R000	Group 2010 R000
Sectoral analysis		
Agriculture, hunting, forestry and fishing	**23 590**	33 440
Mining and quarrying	**46**	1 171
Manufacturing	**178 867**	99 142
Construction	**10 093**	–
Wholesale and retail trade, repair of specified items, hotels and restaurants	**150 074**	149 147
Transport, storage and communication	**105 391**	21 313
Financial intermediation and insurance	**98 048**	24 090
Real estate	**826 741**	814 026
Business services	**142 720**	147 550
Community, social and personal services	**17 898**	19 070
Private households	**29 746**	63 241
Other	**490 689**	337 606
	2 073 903	1 709 796
Geographical analysis		
South Africa	**2 073 903**	1 709 796
Included in loans and advances are fixed rate loans designated as held at fair value through profit and loss:		
Net book value of loans and advances held at fair value through profit or loss	**169 566**	173 922
Revaluation of loans and advances held at fair value through profit or loss	**18 460**	16 602
Less: impairment of loans and advances held at fair value through profit or loss	**–**	–
Fair value of loans and advances held at fair value through profit or loss	**188 026**	190 524
Loans and advances made to related parties at market related rates of interest:		
Grindrod group companies – guarantees	**2 895**	2 895
Directors (directly and indirectly)	**–**	12 314
	2 895	15 209

		Group 2011 R000	Group 2010 R000
13.	**LOANS AND ADVANCES TO BANK CUSTOMERS** CONTINUED		
	Analysis of impairments		
	Impairments at the beginning of the year	(8 540)	(3 425)
	Net decrease/(increase) in impairments	552	(5 115)
	Impairments at the end of the year	(7 988)	(8 540)
	Analysis of impaired loans and advances		
	Loans and advances classified as special mention	35 407	12 230
	Loans and advances displaying significant weakness	12 009	10 972
	Carrying amount of impaired loans and advances	47 416	23 202
	Collateral held against impaired loans and advances	43 222	19 418
	Sectoral analysis of impaired loans and advances		
	Community, social and personal services	3 700	3 234
	Real estate	36 364	6 745
	Business services	2 575	7 063
	Other	4 777	6 160
		47 416	23 202
14.	**INVENTORIES**		
	Bunkers and other consumables	109 823	70 062
	Commodities		
	Agricultural	703 860	519 560
	Metal and mineral	72 573	38 592
	Merchandise and containers	70 170	39 602
	Transferred to non-current assets classified as held for sale	(57 006)	–
		899 420	667 816
	Reconciliation of dual purpose assets		
	Opening balance	–	–
	Transferred from ships, property, plant and equipment	–	114 327
	Translation loss	–	(5 607)
	Disposals	–	(108 720)
	Closing balance	–	–

The commodities inventory at fair value less costs to sell amounts to R804 382 000 (2010: R524 183 433).

Agricultural and other commodities, amounting to R712 572 000 (2010: R561 356 985) have been ceded to financial institutions in order to secure available borrowing facilities of R1 171 895 000 (2010: R705 003 000).

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
15. TRADE AND OTHER RECEIVABLES				
Trade debtors	**2 797 714**	1 939 930	**3**	–
Less: allowances for doubtful debts	**(35 025)**	(24 652)		
Net trade debtors	**2 762 689**	1 915 278	**3**	–
Prepayments	**127 009**	71 429	**–**	25
Amounts due from group subsidiaries			**2 837 634**	1 120 176
Current portion of derivative financial assets (note 10.11)	**63 464**	185 187		
Other receivables	**2 122 908**	1 005 324	**–**	195
Transferred to non-current assets classified as held for sale	**(2 465 247)**	–		
	2 610 823	3 177 218	**2 837 637**	1 120 396

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

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

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
Forward exchange contracts on ships and other trading commitments	**11 358**	–		
Cross currency swaps	**–**	21 787		
Futures and options	**10 066**	101 366		
Forward contracts	**33 124**	50 872		
Interest rate swaps	**–**	3		
Forward freight agreements	**8 598**	7 104		
Other	**318**	4 055		
	63 464	185 187	**–**	–
Reconciliation of allowances for doubtful debts				
Opening balance	**24 652**	41 554		
Increase in allowance	**21 146**	-		
Allowance utilised	**(10 773)**	(16 902)		
Closing balance	**35 025**	24 652	**–**	–

Concentrations of credit risk are limited due to the group's customer base being large and unrelated. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful debts.

Trade debtors have been ceded to financial institutions in order to secure overdraft facilities as follows:

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
	1 255 863	1 172 417		
Trading	**1 222 677**	1 172 417		
Freight Services	**33 186**	–		

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
16. LIQUID ASSETS AND SHORT-TERM NEGOTIABLE SECURITIES				
Measured at amortised cost				
Preference shares	**84 902**	44 014		
Statutory liquid assets				
Negotiable certificates of deposit	**105 357**	85 351		
	190 259	129 365		

	Group 2011 R000	Group 2010 R000
17. SHORT-TERM LOANS		
Loan to Fincrop Risk Management (Pty) Limited	**303 513**	163 099
Loan on sale of ship	**–**	80 307
Trade finance and loans and advances	**468 145**	276 412
	771 658	519 818

During the year, the group continued their local agricultural commodity origination project with Fincrop Risk Management (Pty) Limited which bears interest at a rate of prime plus 1% per annum and is payable in May and July 2012. The loan is secured by the agricultural commodity, crop insurance and procurement contracts on produce.

The loan in prior year arose on the sale of a ship to Petrochemical Shipping Limited, a joint venture of the group. The loan was unsecured, bore interest at LIBOR plus 4% per annum and was repaid during the year.

The trade finance and loans and advances bear interest at market related rates and are secured by trade assets, guarantees and suretyships.

	Group 2011 R000	Group 2010 R000
18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
Ships, property, terminals, vehicles and equipment		
Ships	**126 363**	–
Terminals, vehicles and equipment	**449 774**	–
Property under construction	**864**	–
Goodwill	**106 836**	–
Intangible assets	**32 733**	–
Other investments	**34 070**	–
Financial assets	**6 237**	–
Taxation	**2 028**	–
Inventory	**57 006**	–
Bank and cash	**185 498**	–
Deferred tax	**630**	–
Trade and other receivables	**2 465 247**	–
	3 467 286	–
Non-current liabilities associated with assets classified as held for sale		
Financial liabilities	**1 898**	–
Bank overdraft	**227 226**	–
Taxation	**13 780**	–
Interest-bearing debt	**248 001**	–
Trade and other liabilities	**1 926 046**	
	2 416 951	–

Business disposals

During the year the group decided to dispose of a portion of certain businesses in its Freight Services and Trading divisions. As part of this decision and with effect from 1 January 2012, Grindrod and the Vitol group entered into an agreement whereby Vitol acquired from Grindrod a 35% interest in TCM. In addition, Vitol and Grindrod entered into a partnership to combine their respective sub-Saharan coal trading businesses.

	Group		Company	
	2011	2010	**2011**	2010
	R000	R000	**R000**	R000
19. SHARE CAPITAL AND PREMIUM				
Authorised				
2 750 000 000 ordinary shares of 0,002 cent each (2010 : 2 750 000 000 ordinary shares of 0,002 cent each)	**55**	55	**55**	55
20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2010: 20 000 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each)	**6**	6	**6**	6
	61	61	**61**	61
Issued				
598 715 314 ordinary shares of 0,002 cent each (2010: 464 981 980 shares of 0,002 cent each)	**12**	9	**12**	9
7 400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each (2010: 7400 000 cumulative, non-redeemable, non-participating and non-convertible preference shares of 0,031 cent each)	**2**	2	**2**	2
Share premium	**2 014 415**	28 671	**2 406 642**	422 843
Balance at beginning of year	**28 671**	13 209	**422 843**	414 150
Premium on shares issued	**2 004 554**	15 462	**2 002 609**	8 693
Share issue expenses	**(18 810)**	–	**(18 810)**	–
Total issued share capital and premium	**2 014 429**	28 682	**2 406 656**	422 854

During the year, the group had a specific issue of 133 333 334 shares at a nominal amount of R15,00 per share. R18 810 000 (2010: nil) share issue costs were incurred in respect of the issue and was written off against share premium.

400 000 ordinary shares (2010: 1 600 000 ordinary shares) with a nominal value of R8,00 per share (2010: R32,00) were issued for R2 614 992 (2010: R8 691 968).

48 125 (2010: 69 475) cumulative, non-redeemable, non-participating and non-convertible preference shares with a nominal value of R97,20 (2010: R110,54) are held by a subsidiary of the group.

9 179 348 (2010: 9 179 348) ordinary shares are held by a subsidiary of the group.

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

During the current year, 21 350 treasury cumulative, non-redeemable, non-participating and non-convertible preference shares were sold for R 1 944 802.

		Group 2011 R000	Group 2010 R000
20.	**INTEREST-BEARING BORROWINGS**		
	Unsecured		
	Aggregate loans	**121 658**	114 258
	Secured		
	Long and medium-term financing	**2 880 399**	1 783 201
	Transferred to non-current assets held for sale	**(248 001)**	–
	Aggregate amounts repayable within one year	**(527 481)**	(582 906)
	Aggregate loans	**2 226 575**	1 314 553
	Short-term borrowings and overdraft	**1 847 449**	1 430 514
	Transferred to non-current assets held for sale	**(227 226)**	–
		3 846 798	2 745 067
	Interest-bearing borrowings is classified as financial liabilities measured at amortised cost and its carrying value approximates fair value:	**3 846 798**	2 745 067

Group assets of R6 159 675 000 (2010: R4 244 304 000) are pledged as security for loans of R4 500 622 000 (2010: R3 524 736 000).

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 82.

Available facilities

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

The group has undrawn committed facilities as at 31 December 2011, as follows:

	Expiry date	Currency	Interest rate	2011 R000	2010 R000
Long-term debt facilities	07/2018	USD	2,68	**202 750**	–
	12/2018	USD	2,82	**81 100**	–
Short-term borrowing facilities	06/2012	ZAR	–	**75 000**	50 000
	12/2012	ZAR	–	**20 000**	399 000
	12/2012	ZAR	–	**105 000**	59 500
	12/2012	ZAR	–	**100 000**	–
				583 850	508 500

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

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2011				
Interest-bearing debt repayable as follows	**2 622 931**	**1 445 868**	**780 707**	**4 849 506**
2010				
Interest-bearing debt repayable as follows	2 013 420	926 835	387 718	3 327 973

	Group 2011 R000	2010 R000

21. EMPLOYEE BENEFIT OBLIGATIONS

21.1 Provision for post-retirement medical aid

The group subsidises the medical aid contributions of certain retired employees and has an obligation to subsidise contributions of certain current employees when they reach retirement.

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

		Group 2011 R000	2010 R000
The amounts recognised in the financial statements in this respect are as follows:			
Recognised liability at beginning of the year		**49 628**	77 034
Recognised as an expense in the current year		**6 103**	372
Interest on obligation		**3 395**	66
Current service cost		**269**	1
Actuarial loss recognised		**2 616**	305
Other		**(177)**	–
Contributions paid		**(2 082)**	(3 368)
Settlement			
Payment		**–**	(9 733)
Transferred to current liabilities		**–**	(14 677)
Present value of unfunded obligations recognised as a liability at end of the year		**53 649**	49 628
Transfer to current portion of provisions (refer to note 22)		**(1 313)**	–
Long-term portion of provision for post-retirement medical aid		**52 336**	49 628
There are no unrecognised actuarial gains or losses.			
The principal actuarial assumptions applied in the determination of fair values include:			
Health care cost inflation	(%)	**7,3**	7,8
Discount rate	(%)	**8,3**	8,8
Continuation at retirement	(%)	**83,0**	75,0

An actuarial valuation was undertaken during 2011.

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

		2011 Effect of a 1% increase	**2011 Effect of a 1% (decrease)**	2010 Effect of a 1% increase	2010 Effect of a 1% (decrease)
Aggregate of the current service cost and interest cost	(%)	**15,0**	**(12,2)**	12,0	(10,1)
Accrued liability at year-end	(%)	**14,0**	**(11,5)**	11,5	(9,7)

The history of experience adjustments is as follows:

	2011	2010	2009	2008	2007
Present value of obligations	**53 649**	49 628	77 034	77 900	72 819
Fair value of plan assets	**–**	–	–	–	–
Present value of obligations in excess of plan assets	**53 649**	49 628	77 034	77 900	72 819
Experience adjustments on obligations	**–**	–	–	1 567	5 075
Experience adjustments on plan assets	**–**	–	–	–	–

		Group 2011 R000	2010 R000
21. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED			
21.2 Retirement benefit plans			
The group provides privately administered pension and provident funds for all permanent employees except those who belong to an external fund, industry pension fund or provident scheme. All eligible employees are members of either defined benefit or defined contribution plans which are governed by the South African Pension Funds Act,1956.			
The funded status of the pension fund is as follows:			
Actuarial value of assets		**111 090**	108 984
Present value of liabilities		**(64 289)**	(73 913)
Actuarial surplus		**46 801**	35 071
The next actuarial valuations will be performed on 31 December 2012. The employer's contribution 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	(%)	**8,3**	8,5
Salary increase	(%)	**6,3**	6,3
Pension increase	(%)	**3,1**	3,3
22. PROVISIONS			
Provision for onerous contracts			
Opening balance		**–**	108 329
Charged to/(released from) income statement		**15 451**	(74 228)
Foreign exchange gain		**–**	(442)
Utilisation of provision		**(3 286)**	(33 659)
Non-current portion of onerous contract provisions		**12 165**	–
Current portion included under current liabilities		**(12 165)**	–
		–	–
Provision for share price linked option scheme			
Opening balance		**15 199**	6 429
Charged to income statement		**–**	9 165
Foreign exchange gain		**(718)**	(136)
Payments made		**–**	(259)
Non-current portion of share price linked option scheme		**14 481**	15 199
Aggregate		**14 481**	15 199
Onerous contracts			
Cash outflows in respect of the onerous contract provision are expected to arise over the course of the relevant charter period based on current estimates of the loss arising from the contracts.			
Provision for phantom share scheme			
The phantom share scheme provision relates to a remuneration scheme whereby certain employees of Grindrod Limited are entitled to receive a cash settlement based on the excess of the market price of shares and an agreed upon strike price (refer to note 31).			
Current portion of provisions			
Provision for post-retirement medical aid (refer to note 21)		**(1 313)**	–
Onerous contract provisions		**(12 165)**	–
		(13 478)	–

	Group 2011 R000	Group 2010 R000
23. DEPOSITS FROM BANK CUSTOMERS		
Measured at amortised cost		
Call deposits	**1 178 614**	846 655
Notice and fixed deposits	**618 991**	384 948
Prime linked notice deposits	**1 081 750**	761 504
Interest accrued	**31 590**	23 030
	2 910 945	2 016 137
Amounts owed to depositors	**2 743 855**	1 837 315
Amounts owed to banks	**167 090**	178 822
	2 910 945	2 016 137
Contractual maturity analysis		
Withdrawable on demand	**1 178 614**	846 655
Maturing within one month	**198 768**	146 148
Maturing after one month but within six months	**1 362 291**	864 402
Maturing after six months	**139 682**	135 902
Interest accrued	**31 590**	23 030
	2 910 945	2 016 137
The maturity analysis of deposits is based on their remaining contractual periods to maturity from the reporting date.		
Sectoral analysis		
Banks	**167 090**	178 822
Government and public sector	**46 309**	22 886
Individuals	**1 102 068**	693 445
Business sector	**1 595 478**	1 120 984
	2 910 945	2 016 137
Geographical analysis		
South Africa	**2 910 945**	2 016 137
Included in deposits are funds from related parties earning interest at market related rates:		
Directors (directly or indirectly)	**26 232**	63 040

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
24. TRADE AND OTHER PAYABLES				
Trade creditors	**1 236 023**	952 774	**–**	53
Accrued expenses	**1 518 414**	1 024 019	**2 900**	3 816
Operating lease accrual	**24 729**	15 442		
Shareholders' loans	**11 200**	12 986		
Other payables	**182 455**	182 375	**1 842**	1 013
Shareholders for dividends	**26 173**	29 557	**27 770**	29 557
Amounts due to subsidiaries			**518 325**	716 910
Current portion of derivative financial liabilities (note 10.11)	**74 683**	141 137		
Transferred to non-current liabilities associated with assets classified as held for sale	**(1 926 046)**	–		
	1 147 631	2 358 290	**550 837**	751 349

Trade and other payables, other than the current portion of derivative financial liabilities, are measured at amortised cost and their carrying amount approximates fair value. Trade and other payables are predominately non-interest-bearing.

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

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
Forward exchange contracts on ships and other trading commitments	**4 871**	36 063		
Futures and options	**15 625**	20 653		
Forward contracts	**52 390**	64 425		
Other	**1 441**	1 594		
Interest rate swaps	**–**	17 350		
Forward freight agreements	**356**	1 052		
	74 683	141 137		

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
25. REVENUE				
Revenue comprises the net invoiced value of clearing and forwarding, shipping and transport services, gross revenue earned from ship and locomotive sales, sea freight, chartering, warehousing, depot operations, net interest and fee income of the financial institution, ancillary services, investment income and revenue from sale of commodities and is analysed as follows:				
Charter hire	**885 215**	1 014 563		
Freight revenue	**2 192 182**	2 530 419		
Sale of commodities	**29 677 014**	23 158 869		
Ship sales	**–**	115 170		
Net interest income of the financial institution	**57 842**	48 472		
Fee income of the financial institution	**127 753**	136 263		
Dividends received	**9 231**	7 851	**836 150**	610 083
Other revenue	**2 936 021**	2 378 969	**27 255**	16 375
	35 885 258	29 390 576	**863 405**	626 458
Analysis of the financial institution's net interest income included above:				
Interest income	**238 875**	188 308		
Advances	**187 387**	152 749		
Preference share dividends, advances portfolio	**20 873**	11 702		
Balances at banks and short-term funds	**27 793**	19 791		
Preference share dividends, negotiable securities portfolio	**2 063**	3 718		
Other short-term securities	**9 112**	6 078		
Paid on derivative instruments	**(8 353)**	(5 730)		
Interest expense	**181 033**	139 836		
Call deposits	**56 376**	54 011		
Notice and fixed deposits	**27 889**	30 385		
Other interest expense	**69 397**	14 817		
Prime linked notice deposits	**27 371**	40 623		
Net interest income	**57 842**	48 472		
Interest income calculated using the effective interest method	**38 624**	32 781		
Interest income at fair value through profit and loss	**19 218**	15 691		
	57 842	48 472		
26. OPERATING INCOME BEFORE INTEREST AND TAXATION				
Other income				
Ship option write up	**3 443**	7 319		
Foreign exchange gains	**69 059**	31 649	**1 134**	–
On foreign currency exposure	**68 743**	31 064	**1 134**	–
On commodity trading	**316**	585		
Pension fund surplus recognised	**11 730**	689		
Other sundry income	**50 301**	169 988		
Net gain on financial instruments	**18 795**	26 495	**832**	–
	153 328	236 140	**1 966**	–

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
26. OPERATING INCOME BEFORE INTEREST AND TAXATION CONTINUED				
Operating expenses				
Voyage expenses	**2 705 646**	2 303 629		
Charter hire	**1 089 422**	1 623 188		
Fuel	**799 806**	117 579		
Port expenses	**162 109**	189 302		
Provision/(utilisation of provision) for onerous voyage contracts	**15 451**	(74 228)		
Other voyage expenses	**638 858**	447 788		
Cost of sales	**29 593 580**	23 817 093		
Agricultural commodities	**7 272 674**	5 072 237		
Bunker fuels	**19 967 109**	17 066 471		
Container handling and logistics	**581 235**	1 053 308		
Merchandise	**1 358 493**	509 970		
Ships	**–**	108 724		
Other commodities	**414 069**	6 383		
Distribution and selling costs	**131 534**	45 555	**4 217**	2 350
Staff costs	**1 230 134**	1 125 927	**8 454**	6 314
Foreign exchange losses	**229 121**	74 048	**–**	412
Other operating expenses	**1 143 034**	1 077 815	**33 896**	40 154
	35 033 049	28 444 067	**46 567**	49 230
Depreciation and amortisation				
Amortisation				
Leasehold properties	**4 916**	8 914		
Ships	**10 700**	8 664		
Depreciation – owned assets				
Ships	**137 532**	82 509		
Other	**190 022**	174 693		
Depreciation – capitalised leased assets				
Other	**7 081**	7 606		
Amortisation of intangible assets	**12 728**	12 928		
	362 979	295 314	**–**	–
The above costs are arrived at after including:				
Auditors' remuneration				
Audit fees – current year provision	**27 294**	24 023	**3 459**	2 681
Prior year overprovision	**(282)**	(454)	**(882)**	(66)
Fees for other services	**6 550**	5 264	**400**	483
Expenses	**192**	411		
	33 754	29 244	**2 977**	3 098
Operating lease rentals				
Land and buildings	**148 626**	190 640		
Ships	**1 089 422**	1 646 045		
Other	**10 317**	6 700		
	1 248 365	1 843 385	**–**	–
Professional fees				
Administrative and managerial	**30 901**	24 439		
Technical/projects	**23 705**	9 575		
	54 606	34 014	**–**	–
Share-based expenses	**647**	1 529		
Amortisation of residual beneficiary stream	**463**	463		
Provision for credit losses/Impairment against advances	**410**	3 027		

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
27. NON-TRADING ITEMS				
Reversal of impairment of ships, property, terminals, vehicles and equipment	**18 067**	19 989		
Impairment of goodwill	**(9 168)**	(39 165)		
Impairment of intangible assets	**–**	2 903		
Profit on disposal of investments	**48 180**	11 104		
Impairment of other investment	**(5 849)**	–	**–**	(7 510)
Profit on disposal of property, terminals, vehicles and equipment	**8 922**	1 761		
Foreign exchange losses realised from non-distributable reserves on disposal of business	**–**	16 856		
	60 152	13 448	**–**	(7 510)
28. NET FINANCE COSTS				
Interest received	**169 709**	128 042	**7 484**	497
Net interest paid	**(218 647)**	(179 038)	**(7 192)**	(154)
Interest paid	**(218 761)**	(179 256)	**(7 192)**	(154)
Interest capitalised	**114**	218		
	(48 938)	(50 996)	**292**	343
Interest received on loans and receivables at amortised cost				
Interest paid is classified as follows:				
Financial liabilities held at amortised cost	**(214 912)**	(159 448)	**(7 192)**	(154)
Finance leases	**(3 735)**	(19 590)		
	(218 647)	(179 038)	**(7 192)**	(154)

Net finance costs excludes interest from the financial institution of the group which is shown as revenue in note 25.

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
29. TAXATION				
South African normal tax				
Current				
On income for the year	**(31 641)**	(20 700)		
Capital gains taxation	**–**	(936)		
Prior year	**(196)**	16 507	**(33)**	(1 090)
Secondary taxation on companies	**(29 974)**	(33 093)	**(22 885)**	(29 349)
Deferred				
On income for the year	**(77 950)**	(37 661)	**–**	175
Prior year	**(897)**	5 723		
On secondary taxation on companies credits	**5 999**	4 016	**(1 715)**	1 715
Foreign				
Current				
On income for the year	**(39 105)**	(45 373)		
Prior year	**12 970**	(2 152)		
Deferred				
On income for the year	**(14 083)**	1 297		
Prior year	**–**	(1 817)		
On secondary taxation on companies credits	**(486)**	–		
	(175 363)	(114 189)	**(24 633)**	(28 549)
Effective rate of taxation	**%**	%	**%**	%
Normal rate of taxation	**28**	28,0	**28,0**	28,0
Adjusted for:				
Current year tax losses utilised	**0,6**	1,5	**(0,1)**	0,5
Exempt income	**(9,4)**	(11,9)	**(28,6)**	(30,0)
Non-taxable foreign items	**(2,6)**	(7,6)		
Non-allowable items	**5,5**	1,0	**0,6**	1,4
CGT rate differential	**–**	(0,1)		
Secondary taxation on companies	**3,2**	2,9	**3,0**	4,8
Prior year	**(2,5)**	(1,9)	**–**	0,3
Effective rate of taxation	**22,8**	11,9	**2,9**	5,0

Subsidiary companies have estimated tax losses of R457 683 000 (2010: R654 124 000) of which R298 153 000 (2010: R532 942 000) has been utilised in the calculation of deferred taxation.

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

In the prior year, certain Shipping entities operated under the UK regime. Under the UK regime, tax is paid on the tonnage earned by the fleet rather than on corporate income earned from shipping operations.

		Group 2011 R000	Group 2010 R000
30. EARNINGS PER SHARE			
Basic earnings reconciliation			
Profit attributable to Grindrod Limited shareholders		**584 176**	838 846
Less preference dividends		**(53 271)**	(58 594)
Profit attributable to ordinary shareholders		**530 905**	780 252
Basic earnings per share is based on earnings of		**530 905**	780 252
and			
on the weighted average number of shares in issue for the year	(000's)	**478 234**	454 591
Diluted earnings per share is based on earnings of		**530 905**	780 252
and			
on the diluted weighted average number of shares in issue for the year	(000's)	**479 192**	455 912
Reconciliation of weighted average number of shares			
Basic average number of shares in issue	(000's)	**478 234**	454 591
Shares that will be issued for no value in terms of share option scheme	(000's)	**958**	1 321
Diluted average number of shares in issue	(000's)	**479 192**	455 912
Earnings per share			
Basic	(cents)	**111,0**	171,6
Diluted	(cents)	**110,8**	171,1
Headline earnings per share is based on headline earnings of		**476 362**	762 300
and			
on the weighted average number of shares in issue for the year	(000's)	**478 234**	454 591
Diluted headline earnings per share is based on headline earnings of		**476 362**	762 300
and			
on the weighted average number of shares in issue for the year	(000's)	**479 192**	455 912
Headline earnings per share			
Basic	(cents)	**99,6**	167,7
Diluted	(cents)	**99,4**	167,2

	2011 Gross R000	2011 Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		**530 905**
Adjusted for:		
IAS 16 Reversal of Impairment of Ships, Property, Terminals, Vehicles and Equipment	**(18 067)**	**(18 067)**
IAS 38 Impairment of Goodwill	**9 168**	**9 168**
IFRS 3 Profit on Disposal of Investments	**(48 180)**	**(42 384)**
IAS 16 Profit on Disposal of Property, Terminals, Vehicles and Equipment	**(8 922)**	**(9 109)**
IAS 38 Impairment of Other Investment	**5 849**	**5 849**
Headline earnings	**(60 152)**	**476 362**

	2010 Gross R000	2010 Net R000
Headline earnings reconciliation:		
Earnings attributable to ordinary shareholders		780 252
Adjusted for:		
IAS 16 Impairment of Ships, Property, Terminals, Vehicles and Equipment	(19 989)	(19 989)
IAS 16 Impairment of Goodwill	39 165	33 199
IAS 16 Impairment of Intangible Assets	(2 903)	(1 452)
IFRS 3 Profit on Disposal of Investments	(11 104)	(11 104)
IAS 16 Loss on Disposal of Property, Terminals, Vehicles and Equipment	(1 761)	(1 749)
IAS 21 The Effect of Changes in Foreign Exchange Rates on Disposal of Business	(16 856)	(16 856)
Headline earnings	(13 448)	762 301

31. 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 vest after three years;
- A further fifth of the options vest after four years;
- A further fifth of the options vest after five years;
- A further fifth of the options vest after six years; and
- A further fifth of the options vest 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 date.

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

	Group			
	2011		2010	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	**3 900 000**	**1 034**	5 500 000	891
Lapsed during the year	**(200 000)**	**–**		
Exercised during the year	**(400 000)**	**654**	(1 600 000)	495
Outstanding at the end of the year	**3 300 000**	**1 067**	3 900 000	
Exercisable at the end of the year	**2 900 000**		2 200 000	1 034

The weighted average share price at the date of exercise for the share options exercised during the year was R6,54 (2010: R4,95). Details of the options outstanding at the end of the year are disclosed in the remuneration report on page 73 of the integrated 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	
		2011	2010
Weighted average share price	(cents)	**1 253**	1 253
Weighted average exercise price	(cents)	**1 253**	1 253
Expected rolling volatility			
– five-year expected option lifetime	(%)	**43,64**	43,64
– six-year expected option lifetime	(%)	**39,45**	39,45
– seven-year expected option lifetime	(%)	**34,82**	34,82
Expected option lifetime			
– vesting periods three and four	(years)	**5**	5
– vesting periods five and six	(years)	**6**	6
– vesting period seven	(years)	**7**	7
Risk-free rate based on zero-coupon government bond yield			
– five-year expected option lifetime	(%)	**7,41**	7,41
– six-year expected option lifetime	(%)	**7,47**	7,47
– seven-year expected option lifetime	(%)	**7,52**	7,52
Expected dividend yield	(%)	**3,38**	3,38
Forfeiture rate per annum compound	(%)	**10,00**	10,00

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

The group recognised expenses related to these equity-settled share-based payment transactions during the year, details of which have been disclosed on note 26.

Cash-settled share-based payments

The group issues to certain employees share appreciation rights (SARs) 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 R14 481 000 (2010: R15 199 000).

The group recorded total expenses of Rnil (2010: R9 165 000).

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.

		Group 2011	Group 2010
31. SHARE-BASED PAYMENTS CONTINUED			
The valuation was performed by independent actuaries. The inputs into the model were as follows:			
Share price	(cents)	**1 400**	1 895
Expected rolling volatility			
– three-year expected option lifetime	(%)	**22,62**	29,63
– four-year expected option lifetime	(%)	**26,82**	31,76
– five-year expected option lifetime	(%)	**27,47**	38,82
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	(%)	**5,67**	5,64
– four-year expected option lifetime	(%)	**4,81**	5,77
– five-year expected option lifetime	(%)	**5,86**	6,10
Expected dividend yield	(%)	**3,09**	4,18
Forfeiture rate per annum compound	(%)	**10,00**	6,00

	Group 2011 R000	Group 2010 R000
32. CAPITAL COMMITMENTS		
Authorised and contracted for	**247 016**	843 184
Due within one year	**199 190**	693 294
Due between years one and two	**44 232**	112 647
Due thereafter	**3 594**	37 243
Authorised and not contracted for	**225 407**	339 061
	472 423	1 182 245
Financing guarantees	**132 302**	138 868
Financing guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.		
Irrevocable unutilised facilities to be advanced to Bank customers.	**148 228**	94 796

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

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

	2012 R000	2013 R000	Thereafter R000	Total R000
2011				
Ships	**151 759**	**42 232**	**–**	**193 991**
Property, terminals, vehicles and equipment	**119 245**	**127 966**	**2 253**	**249 464**
Intangible assets	**915**	**3 859**	**–**	**4 774**
Investment in businesses	**21 500**	**1 353**	**1 341**	**24 194**
	293 419	**175 410**	**3 594**	**472 423**
2010				
Ships	695 154	109 892	33 760	838 806
Property, terminals, vehicles and equipment	200 683	77 531	4 513	282 727
Intangible assets	4 954	517	441	5 912
Investment in businesses	54 800	–	–	54 800
	955 591	187 940	38 714	1 182 245

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.

33. CONTINGENT ASSETS/LIABILITIES

The company has guaranteed loans and facilities of subsidiaries and joint ventures amounting to R5 101 000 000 (2010: R3 692 400 000) of which R2 372 000 000 (2010: R2 014 900 000) had been utilised at year-end.

The company has guaranteed charter hire payments of subsidiaries amounting to R1 501 250 (2010: R1 718 100 000). The charter hire payments are due by the subsidiaries in varying amounts from years 2012 to 2019.

The total contingent liabilities incurred by the group arising from interests in joint ventures is Rnil (2010: R37 044 000).

The group engaged with legal counsel to institute a claim against a related party for breach of the shareholders' agreement. At reporting date, the impact of this claim was uncertain.

	Group			
	2011 Year end rates	**2011 Average rates**	2010 Year end rates	2010 Average rates
34. FOREIGN CURRENCY DENOMINATED ITEMS				
All foreign currency denominated items are translated in terms of the group's policies.				
At 31 December exchange rates used on conversion were:				
US Dollar	**8,11**	**7,27**	6,62	7,34
Euro	**10,56**	**10,12**	8,77	9,74
Pound Sterling	**12,65**	**11,66**	10,26	11,35
Swedish Krona	**1,18**	**1,11**	0,99	1,02
Singapore Dollar	**6,25**	**5,75**	5,18	5,38
Danish Kroner	**1,42**	**1,34**	1,19	1,30
Japanese Yen	**0,11**	**0,09**	0,08	0,08
Botswana Pula	**1,09**	**1,06**	1,03	1,08
Tanzanian Shilling	**0,01**	**0,00**	0,00	0,01
New Metical	**0,30**	**0,25**	0,21	0,21

35 LEASES AND SHIPCHARTERS

35.1 Operating leases and shipcharters

35.1.1 Income

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

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2011				
Ships	**354 201**	**217 532**	**–**	**571 733**
Properties	**19 743**	**65 788**	**–**	**85 531**
Other	**525**	**1 486**	**137**	**2 148**
	374 469	**284 806**	**137**	**659 412**
2010				
Ships	347 025	339 910	159 760	846 695
Properties	2 834	11 217	48 605	62 656
	349 859	351 127	208 365	909 351

35.1.2 Expenditure

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

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2011				
Ships	**689 941**	**1 609 983**	**163 579**	**2 463 503**
Properties	**1 889 113**	**2 394 948**	**274 103**	**4 558 164**
Terminals, vehicles and equipment	**4 116**	**1 419**	**–**	**5 535**
	2 583 170	**4 006 350**	**437 682**	**7 027 202**
2010				
Ships	532 883	1 342 630	384 386	2 259 899
Properties	120 472	327 716	260 228	708 416
Terminals, vehicles and equipment	4 170	2 737	5 552 792	5 559 699
	657 525	1 673 083	6 197 406	8 528 014

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.

35.2 Finance leases

35.2.1 Liabilities

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

	1 year R000	2 – 5 years R000	>5 years R000	Group R000
2011				
Future minimum lease payments	**18 912**	**45 862**	**–**	**64 774**
Future interest	**(3 686)**	**(4 271)**	**–**	**(7 957)**
Present value of future minimum lease payments	**15 226**	**41 591**	**–**	**56 817**
2010				
Future minimum lease payments	224 172	316 569	–	540 741
Future interest	(29 713)	(24 472)	–	(54 185)
Present value of future minimum lease payments	194 459	292 097	–	486 556

Details relating to redemption dates, interest rates and assets encumbered are set out in the schedule of loan funds on page 82.

	Group		Company	
	2011 R000	2010 R000	**2011 R000**	2010 R000
36. CASH FLOW				
36.1 Reconciliation of operating profit before interest and taxation to cash generated from operations				
Operating profit before interest and taxation	**642 558**	887 335	**818 804**	577 228
Adjustments for:				
Depreciation	**339 552**	273 277		
Share option expense	**647**	1 529		
Dividends received			**(836 150)**	(610 083)
Amortisation of intangible assets and dry-docking	**23 428**	22 038		
Non-cash financial instruments and foreign exchange losses/(gains)	**81 445**	167 774	**(832)**	–
Ship option write-up	**(3 443)**	(7 319)		
Non-cash provisions/other	**(14 845)**	(28 139)	**22 518**	11 481
Operating profit before working capital changes	**1 069 342**	1 316 495	**4 340**	(21 374)
Working capital changes				
Increase in inventories	**(202 164)**	(182 433)		
(Increase)/decrease in trade and other receivables	**(1 551 137)**	(457 829)	**221**	(207)
Increase/(decrease) in trade and other payables	**488 924**	339 327	**(147)**	(619)
Cash (absorbed by)/generated from operations	**(195 035)**	1 015 560	**4 414**	(22 200)
36.2 Dividends paid				
Dividends paid by company	**(259 552)**	(317 664)	**(262 042)**	(325 752)
36.3 Taxation paid				
Balance at the beginning of the year	**(4 320)**	(56 034)	**(1 681)**	(903)
Current year	**(87 946)**	(85 747)	**(22 918)**	(30 439)
Foreign exchange translation	**10 966**	(49 644)		
Businesses acquired	**–**	3 480		
Transferred to non-current assets held for sale	**(11 752)**	–		
Balance at the end of the year	**30 048**	4 320	**2 540**	1 681
Taxation paid	**(63 004)**	(183 625)	**(22 059)**	(29 661)
36.4 Property, plant and equipment acquired				
Additions – ships and locomotives	**(842 831)**	(1 134 740)		
Additions – property, terminals, vehicles and equipment	**(296 837)**	(332 758)		
Cash flow on acquisition of property, terminals, vehicles and equipment	**(1 139 668)**	(1 467 498)	**–**	–
36.5 Acquisition of subsidiaries				
During the year the group acquired additional interests in subsidiaries as follows:				
Ships, property, terminals, vehicles and equipment	**(22 838)**	(472 028)		
Investments	**–**	(5 807)	**(496 806)**	–
Working capital	**28 923**	(45 752)		
Bank overdraft	**2 164**	54 757		
Long-term liabilities	**14 976**	303 492		
Provision	**2 233**	–		
Non-controlling interests	**(26 277)**	–		
Deferred taxation	**(1 957)**	62 305		
Taxation asset	**–**	(3 480)		
Business combination reserve	**(17 235)**	–		
Goodwill and intangible assets	**(1 482)**	(141 146)		
Total purchase price	**(21 493)**	(247 659)	**(496 806)**	–
Less cash and cash equivalents	**(2 164)**	(54 757)		
Cash flow on acquisition net of cash acquired	**(23 657)**	(302 416)	**(496 806)**	–

	Group 2011 R000	Group 2010 R000	Company 2011 R000	Company 2010 R000
36. CASH FLOW CONTINUED				
36.6 Disposal of subsidiaries				
The group disposed of its interests in subsidiaries as follows:				
Ships, property, terminals, vehicles and equipment	6 507	–		
Working capital	4 843	–		
Bank and cash	10 157	–		
Deferred taxation	5 796	–		
Goodwill and intangible assets	1 717	–		
	29 020	–		
Profit on disposal	22 730	–		
Total purchase price	51 750	–	–	–
Less cash and cash equivalents	(10 157)	–		
Cash flow on acquisition net of cash acquired	41 593	–	–	–
36.7 Cash and cash equivalents				
Cash and cash equivalents included in the cash flow comprise the following statement of financial position amounts:	2 937 444	1 149 857	4 037	–
Deposits with the SA Reserve Bank	51 768	41 389		
Bank and cash balances included in non-current assets held for sale	(41 728)	–		
Interbank call deposits	773 323	323 432		
Bank balances and cash	2 154 081	785 036	4 037	–
Bank overdrafts	(36 394)	(246 011)		
	2 901 050	903 846	4 037	–

37. BUSINESS COMBINATIONS

37.1 Acquisition of subsidiaries

During the year the group acquired the following additional interests:

Company acquired	Nature of business	Percentage acquired	Interest acquired 2011	Purchase consideration R000
Spinnaker Shipping and Logistics (Pty) Limited	Logistics	50	1 January	458
Nelesco 681 (Pty) Limited	Investment	100	31 March	855
Terminal De Carvo da Matola Limitada (Mozambique)	Terminals	5	31 December	19 263
Empangeni Milling (Pty) Limited	Milling	80	1 October	3 600

Reason for acquisitions

The primary reason for the business acquisitions was to expand Grindrod's presence into new markets and geographical areas in both the Logistics and Trading businesses.

Impact of the acquisitions on the results of the group

From the dates of their acquisition, the acquired businesses contributed attributable profit of R5 451 000.

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

Net assets acquired	Acquirees' carrying amount before combination R000	Fair value adjustments R000	Fair value R000
Property, plant and equipment	22 838		22 838
Intangible assets	1 000		1 000
Working capital	(28 923)		(28 923)
Cash and bank	(2 164)		(2 164)
Minority interest	26 277		26 277
Long-term liabilities	(14 976)		(14 976)
Business combination reserve	17 685		17 685
Deferred taxation	1 957		1 957
Total	23 694	–	23 694
Goodwill and intangible assets arising on acquisition			482
			24 176
Contingent purchase consideration			(2 683)
			21 493

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

37.2 Disposal of subsidiaries

During the year the group disposed of the following interest:

Company disposed	Nature of business	Percentage disposed	Interest disposed 2011	Disposal consideration R000
Grindrod Perishable Cargo Agents	Cargo agents	100	30 June	51 750

Reason for disposal

The primary reason for the disposal was to rationalise operations in terms of the group's long-term goals.

Net assets disposed	Fair value R000
Property, plant and equipment	6 507
Working capital	4 843
Cash and bank	10 157
Goodwill and intangible assets disposed	1 717
Deferred taxation	5 796
Total	29 020
Profit on disposal	22 730
	51 750

38. RELATED PARTY TRANSACTIONS

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

	Group			
	Influence holders in the group R000	Associates R000	Joint ventures R000	Amounts due by/(to) related party R000
2011				
Goods and services sold to:				
Javelin Trucking	715			(63)
Mama Consulting	425			
Ocean Africa Container Lines (Pty) Limited		18 596		1 263
Petrochemical Shipping Limited			2 181	
Röhlig-Grindrod (Pty) Limited			1 127	
Vanguard Rigging (Pty) Limited				1 060
Island Bulk Carriers			1 745	(7 648)
Bow Properties	1 477			
Progroup Holdings			95 731	43 486
Amanita Africa			11 109	219
Calulo Investment (Pty) Limited	220			
Arrow bulk				162
RRL Grindrod Locomotives (Pty) Limited				31 340
Maputo Port Development Company		15 687		(79)
Goods and services purchased from:				
Tri-View Shipping Pte Limited			44 391	42 796
Boltim Property Holdings	2 086			
Petrologistics (Pty) Limited		27 268		16 769
Ocean Africa Container Lines (Pty) Limited		1 974		
Röhlig-Grindrod (Pty) Limited			4 841	
Petrochemical Shipping Limited			4 084	(601)
East Coast Maritime (Pty) Limited			240	46
Vanguard Rigging (Pty) Limited			316	
Calulo Services (Pty) Limited				(5 566)
Handyventure (Singapore) Pte Limited				(16 220)
IM Shipping Pte Limited			7 241	122 299
Oiltanking Grindrod Calulo (Pty) Limited		2 651		
Jacobs Bulk Milling		54		
	4 923	66 230	173 006	229 263
2010				
Goods and services sold to:				
Ocean Africa Container Lines (Pty) Limited		4 202		129
Röhlig-Grindrod (Pty) Limited			4 262	274
Spinnaker Shipping & Logistics (Pty) Limited		257		192
Vanguard Rigging (Pty) Limited			270	278
Engen Petroleum Limited			3 618	(159 630)
Petrologistics (Pty) Limited		15 880		3 370
Goods and services purchased from:				
Maputo Port Development Company		17 401		503
Catfish Investments (Pty) Limited	693			
Chromtech Holdings (Pty) Limited			56 144	
DC Technology Consultants (Pty) Limited	28 072			
Calulo Investment (Pty) Limited	180			
Nicolle Shipping (Pty) Limited	329			
Barberry Group CC	3 512			(552)
Barberry Cargo Terminals (Pty) Limited	1 809			(134)
Calulo Services (Pty) Limited				(8 258)
	34 595	37 740	64 294	(163 828)

38. 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
2011				
Subsidiaries				
Grindrod Freight Services (Pty) Limited	60 521	2 784		937 130
Grindrod Financial Holdings Limited	13 746	1 625		8 873
Grindrod Freight Investments (Pty) Limited	4 033			(5 364)
Grindrod Management Services (Pty) Limited			(9 243)	1 529 764
Grindrod Shipping Limited	705 683	17 660	(27 195)	(9 721)
Grindrod Shipping South Africa (Pty) Limited		1 295		15 899
Grindrod Trading Holdings (Pty) Limited	52 167	3 891		(48 374)
Swallow Enterprises Incorporated				4 405
Unilog (Pty) Limited				21
Grincor Shipping Holdings Limited				(113 325)
	836 150	27 255	(36 438)	2 319 308
2010				
Subsidiaries				
Grindrod Freight Services (Pty) Limited	46 550			753 595
Grindrod Freight Investments (Pty) Limited	25 641			(4 073)
Grindrod Management Services (Pty) Limited			(7 395)	(184 636)
Grindrod Shipping Limited	430 716	1 378	(26 479)	(23 771)
Grindrod Shipping South Africa (Pty) Limited		14 997		20 977
Grindrod Trading Holdings (Pty) Limited	75 845			(50 398)
Swallow Enterprises Incorporated				4 803
Unicorn Shipping Holdings Limited				72
Unicorn Shipping (Pty) Limited				21
Unilog (Pty) Limited	31 331			
Grincor Shipping Holdings Limited				(113 325)
	610 083	16 375	(33 874)	403 265

Associates

Details of material investments in associates are set out in note 8. Dividends received from associate companies amounted to R1 323 000 (2010: R18 056 000).

Joint ventures

Details of interests in joint ventures are set out in note 7.

Subsidiaries

Details of investments in subsidiaries are set out in note 6 and in the schedule of interest in subsidiaries on page 81.

Directors

Details of directors' interests in the company and directors' emoluments are set out in the remuneration committee report.

Shareholders

The principal shareholders of the company are detailed in the share analysis schedule.

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Commodity price exposure is managed by the Trading division. Main risk exposures are yellow maize, white maize, corn, soya bean meal, wheat, bunker fuel, iron ore and chrome.

Treasury function

The treasury function incorporates the following main sections:

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

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, and the group treasury accountant. In addition to the risk management process the TMC reviews the following functions:

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

Financial director

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

Executive committee

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

Board of directors

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

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.1 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; and

– Translation exposure relates to the group's investments and earnings in non-ZAR currencies which are translated in the ZAR reporting currency. Translation exposure is not hedged.

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

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

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

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

Foreign currency balances

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

	Group			
	2011 US$000	**2011 R000**	2010 US$000	2010 R000
Loans	**(361 279)**	**(2 929 974)**	(214 202)	(1 418 020)
Trade and other receivables	**518 211**	**4 202 692**	303 556	2 009 542
Trade and other payables	**(268 662)**	**(2 178 849)**	(181 512)	(1 201 607)
Bank balances	**150 489**	**1 220 462**	66 993	443 491
	38 759	**314 331**	(25 165)	(166 594)

Sensitivity analysis

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

	Group	
	2011 R000	2010 R000
Net exposure		
+10% (2010: +5%)	**68 738**	(22 166)
-10% (2010: -5%)	**(68 738)**	22 166

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.2 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.

	Group	
	2011 R000	2010 R000
Sensitivity analysis		
At year-end the sensitivity of the net open exposure on the operating profit is as follows:		
Net exposure		
+10%	34 491	9 251
-10%	(34 491)	(9 251)

39.3 Shipping market risk

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

39.4 Interest rate risk

39.4.1 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.

	Group	
	2011 R000	2010 R000
The interest rate profile of the group is summarised as follows:		
Loans linked to LIBOR	1 979 082	1 080 179
Loans linked to SA money market	919 167	743 372
Short-term borrowings linked to LIBOR	1 494 901	572 658
Short-term borrowings linked to SA money market	352 546	897 192
Loans with a fixed interest rate	103 808	115 182
	4 849 504	3 408 583

Full details of the interest rate profile of long-term borrowings is set out in the schedule of loan funds on page 82.

The range of interest rates in respect of all non-current borrowings comprising both fixed and floating rate obligations at 31 December 2011: local rates are between 6,3% and 9% (2010: 0,0% and 12,0%); foreign rates are between 0% and 10% (2010: 0,23% and 6,0%). At December 2011 and 2010, all of the group's non-current borrowings were at floating rates of interest. Floating rates of interest are based on LIBOR (London inter-bank offered rate – for USD borrowings) and on JIBAR (Johannesburg inter-bank agreed rate – for SA borrowings). Fixed rates of interest are based on contract rates. Interest rate swaps are taken in order to fix interest rates on certain loans.

	Group	
	2011 R000	2010 R000
Sensitivity analysis		
At year-end the sensitivity of the net open exposure of floating interest rates on the operating profit is as follows:		
Net exposure		
+150 BPS (2010: +150BPS)	(36 048)	(33 934)
-150 BPS (2010: -150BPS)	36 048	33 934

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.4 Interest rate risk continued

39.4.2 Interest rate risk of the financial institution

There is a risk that fluctuating interest rates will unfavourably affect Grindrod Bank'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 repricing gap	<3 months R000	>3 months <6 months R000	>6 month <1 year R000	>1 year <5 years R000	>5 years R000	Non-rate sensitive R000	Total R000
2011							
Assets	**3 101 388**	**–**	**–**	**96 471**	**80 684**	**178 575**	**3 457 118**
Equity and liabilities	**(2 900 955)**	**(39 729)**	**(11 337)**	**(28 346)**	**–**	**(476 751)**	**(3 457 118)**
Interest rate hedging activities	**175 652**	**–**	**–**	**(95 726)**	**(79 926)**	**–**	**–**
Repricing profile	**376 085**	**(39 729)**	**(11 337)**	**(27 601)**	**758**	**(298 176)**	**–**
Cumulative repricing profile	**376 085**	**336 356**	**325 019**	**297 418**	**298 176**		
Expressed as a percentage of total assets of the financial institution (%)	**10,9**	**9,7**	**9,4**	**8,6**	**8,6**		
2010							
Assets	2 120 432	3 560	27 551	78 794	55 589	154 413	2 440 339
Equity and liabilities	(1 975 468)	(36 163)	(6 556)	(29 346)	–	(392 806)	(2 440 339)
Interest rate hedging activities	171 754	(11 800)	(54 550)	(56 974)	(48 428)	–	2
Repricing profile	316 717	(44 404)	(33 556)	(7 526)	7 161	(238 393)	(1)
Cumulative repricing profile	316 717	272 313	238 758	231 232	238 393		
Expressed as a percentage of total assets of the financial institution (%)	13,0	11,2	9,8	9,5	9,8		

Interest income sensitivity	<3 months R000	>3 months <6 months R000	>6 months <1 year R000	Total R000
2011				
2% interest rate increase	**2 647**	**3 155**	**6 955**	**12 757**
2% interest rate decrease	**(2 633)**	**(3 114)**	**(6 754)**	**(12 501)**
2010				
2% interest rate increase	2 005	2 510	5 703	10 218
2% interest rate decrease	(1 982)	(2 477)	(5 535)	(9 994)

39.5 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:

	Freight Services		Trading		Shipping		Group		Total	
	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000	Number of debtors	R000
2011										
Trade debtors	**1 508**	**472 884**	**1 004**	**2 088 955**	**247**	**235 709**	**1**	**166**	**2 760**	**2 797 714**
2010										
Trade debtors	2 330	593 648	545	1 161 411	186	182 098	2	2 773	3 063	1 939 930

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.5 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 are the responsibility of the divisional and other financial managers. Monitoring of compliance with these policies is done by internal audit. All known risks are required to be fully disclosed and accounted for and are provided against as doubtful debts. Certain divisions have obtained Credit Guarantee Insurance Cover to manage the risk of default by debtors.

Granting credit

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

Loans and advances

The credit committee is responsible for ensuring that credit approval processes are stringent and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans.

Monitoring exposure

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

	Group	
	2011 R000	2010 R000
Carrying amount of financial assets past due or impaired and whose terms have been renegotiated	**3 003**	–
Carrying amount of financial assets impaired during the year	**22 456**	15 071
Maximum credit risk exposure to the group is:		
Other investments	**129 478**	90 897
Loans and advances	**2 073 903**	1 709 796
Trade and other receivables before allowance for doubtful debts	**5 111 094**	3 029 889
Liquid assets and short-term negotiable securities	**190 259**	129 365
Short-term loan	**771 658**	519 818
Cash and cash equivalents	**2 979 172**	1 149 857
	11 255 564	6 629 622
Analysis of the ageing of financial assets which are past due but have not been impaired:		
Current	**51 193**	232 330
30 days	**118 702**	203 523
60 days	**18 827**	39 897
90 days	**23 484**	15 770
120+ days	**39 895**	19 132
Total	**252 101**	510 652

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

39.6 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.

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.7 Liquidity risk

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

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

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

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

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

Group liquidity analysis

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

	<3 months R000	>3 months <6 months R000	>6 months <1 year R000	>1 year <5 years R000	>5 years R000	Non-contractual R000	Total R000
2011							
Liabilities							
Provisions	–	–	–	14 481	–	–	14 481
Trade and other payables	2 881 111	54 854	29 080	32 271	–	17 635	3 014 951
Post retirement medical aid	44	30	955	40 640	11 980	–	53 649
Financial liabilities	74 251	1 038	560	10 052	7 971	–	93 872
Deposits	2 713 697	2 791	149 854	44 603	–	–	2 910 945
	5 669 103	58 713	180 449	142 047	19 951	17 635	6 087 898
2010							
Liabilities							
Provisions	–	–	–	21 377	–	–	21 377
Trade and other payables	2 110 399	54 511	182 124	27 349	27 105	29 460	2 430 948
Post retirement medical aid	11	33	20 226	6 065	39 957	–	66 292
Financial liabilities	116 768	1 687	24 346	9 427	6 554	–	158 782
Deposits	1 803 750	72 353	110 688	29 346	–	–	2 016 137
	4 030 928	128 584	337 384	93 564	73 616	29 460	4 693 536
Bank liquidity analysis							
2011							
Liabilities							
Financial liabilities	959	–	206	10 052	7 971	–	19 188
Deposits	2 713 697	2 791	149 854	44 603	–	–	2 910 945
	2 714 656	2 791	150 060	54 655	7 971	–	2 930 133
2010							
Liabilities							
Financial liabilities	–	87	1 464	9 427	6 554	–	17 532
Deposits	1 803 750	72 353	110 688	29 346	–	–	2 016 137
	1 803 750	72 440	112 152	38 773	6 554	–	2 033 669

The holding company has guaranteed a facility of R341 million (2010: R235 million) to the Bank as additional liquidity.

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

39.8 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 2011 was 12,73% (2010: 13,25%). 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.

39.9 Capital risk management

The goup manages its capital to ensure that entities in the group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt to equity balance. The group's overall strategy remains unchanged from 2010.

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	
		2011 R000	2010 R000
Debt		**4 374 278**	3 327 972
Deposits from bank customers		**2 910 945**	2 016 137
Cash and cash equivalents		**(2 979 172)**	(1 149 857)
Recoverables on cancelled ships		**(380 566)**	–
Loans and advances to bank customers		**(2 073 903)**	(1 709 796)
Liquid assets and short-term negotiable securities		**(190 259)**	(129 365)
Short-term loan		**(771 658)**	(519 818)
Net (cash) debt		**889 665**	1 835 273
Equity (including minority interest)		**9 311 105**	5 836 126
Net debt to equity ratio	(%)	**10**	31

39. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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

	Level 1	Level 2	Total
2011			
Financial assets			
Derivative financial assets	**90 610**	**3 018**	**93 628**
Other financial assets held for trading	**–**	**–**	**–**
Financial assets designated at fair value through profit or loss	**–**	**–**	**–**
Total	**90 610**	**3 018**	**93 628**
Financial liabilities			
Derivative financial instruments	**(100 615)**	**(3 695)**	**(104 310)**
Other financial liabilities held for trading	**–**	**–**	**–**
Financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**
Total	**(100 615)**	**(3 695)**	**(104 310)**
2010			
Financial assets			
Derivative financial assets	95 146	87 564	182 710
Other financial assets held for trading	–	–	–
Financial assets designated at fair value through profit or loss	–	–	–
Total	95 146	87 564	182 710
Financial liabilities			
Derivative financial instruments	(120 000)	(2 191)	(122 191)
Other financial liabilities held for trading	–	–	–
Financial liabilities designated at fair value through profit or loss	–	–	–
Total	(120 000)	(2 191)	(122 191)

The group had no Level 3 financial instruments in 2010 and 2011.

INTEREST IN SUBSIDIARIES

for the year ended 31 December 2011

At 31 December 2011, the company had the following subsidiaries carrying on business which principally affected the profits and assets of the group.

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

		Share capital		Effective holding		Investments: Shares at original cost		Share-based payments to employees		Loans to subsidiary	
	Nature of business*	2011 R000	2010 R000	2011 %	2010 %	2011 R000	2010 R000	2011 R000	2010 R000	2011 R000	2010 R000
INCORPORATED IN SOUTH AFRICA											
Grindrod Freight Investments (Pty) Limited	F	1 495	1 495	100	100	203 500	203 500	575	495		
Grindrod Management Services (Pty) Limited	G			100	100			3 445	3 118		
Grincor Shipping Holdings Limited	D	53	53	100	100	144 451	144 451			21	–
Grindrod Shipping South Africa (Pty) Limited	S	5	5	100	100	5 000	5 000	1 020	860	–	358 702
Voigt Shipping (Pty) Limited	F	10 000	10 000	100	100						
Seasure Insurance Brokers (Pty) Limited	D	1	1	100	100						
Southern Tankers Operations (Pty) Limited	F			100	100						
Unicorn Shipping Holdings Limited	S	1 500	1 500	100	100					72	72
Unicorn Shipping Operations (Pty) Limited	S			100	100						
Southern Tankers (Pty) Limited	S	1	1	100	100						
Grindrod Financial Holdings Limited	B			87	81	471 097	221 097				
Grey Haven Riches 27 Limited	B			100	100						
Grindrod Trading Holdings (Pty) Limited	T			100	100	703 574	601 584			–	309
Grindrod Freight Services (Pty) Limited	F	1	1	100	100	1 893 244	1 893 244	10 717	10 638	754 891	754 892
Nelesco 681 (Pty) Limited	B			100	–	854					
INCORPORATED IN BRITISH VIRGIN ISLANDS											
Swallow Enterprises Incorporated	G	415	415	100	100	415	415			4 803	4 803
INCORPORATED IN ISLE OF MAN											
Grindrod Shipping Limited	S			100	100	1 271 285	1 025 331	911	911		
INTEREST IN SUBSIDIARIES (note 6)						4 693 420	4 094 622	16 668	16 022	759 787	1 118 778

* Nature of business

B *Bank*

D *Dormant*

F *Freight and Property Services*

G *Group Services*

S *Shipping Services*

T *Trading*

LOAN FUNDS
as at 31 December 2011

	Date of redemption	Current rate of interest per annum (%)	31 December 2011 Carrying value R000	31 December 2011 Carrying value US$000	31 December 2010 Carrying value R000	31 December 2010 Carrying value US$000
SECURED						
Foreign currency financing						
Financial liabilities measured at amortised cost						
Loans secured by mortgage bonds over ships						
Repayable in quarterly instalments	07/2014	1,56	**88 244**	**10 882**	79 627	12 028
Repayable in quarterly instalments	12/2014	1,56	**92 938**	**11 461**	83 611	12 630
Repayable in quarterly instalments	06/2019	2,18	**43 937**	**5 418**	39 085	5 904
Repayable in quarterly instalments	06/2020	2,18	**43 937**	**5 418**	39 085	5 904
Repayable in quarterly instalments	12/2018	2,18	**43 327**	**5 343**	52 132	7 875
Repayable in quarterly instalments	12/2016	1,86	**159 541**	**19 675**	142 012	21 452
Repayable in quarterly instalments	08/2018	3,43	**362 524**	**44 706**	334 918	50 592
Repayable in quarterly instalments	07/2018	2,68	**794 590**	**97 989**	–	–
Repayable in quarterly instalments	10/2018	2,82	**72 034**	**8 883**	–	–
Repayable in quarterly instalments	04/2023	5,40	**46 329**	**5 713**	41 821	6 317
Repayable in quarterly instalments	09/2025	5,95	**30 201**	**3 724**	27 878	4 211
Repayable in quarterly instalments	04/2016	4,40	**6 240**	**769**	6 183	934
Loans secured by guarantee						
Repayable in quarterly instalments	06/2013	2,46	**9 245**	**1 140**	12 465	1 883
Repayable monthly	06/2013	2,30	**8 451**	**1 042**	11 360	1 716
Repayable monthly	08/2015	3,30	**33 000**	**4 070**	33 901	5 121
Repayable monthly	02/2018	4,80	**123 783**	**15 265**	112 540	17 000
Repayable monthly	04/2015	2,30	**4 461**	**550**	3 634	549
Repayable monthly	02/2013	2,30	**–**	**–**	5 157	779
Two-year repayment holiday and quarterly instalments thereafter	11/2018	3,60	**16 301**	**2 010**	–	–
Local financing						
Financial liabilities measured at amortised cost						
Loans secured by mortgage bond over property, terminals and locomotives						
Repayable in quarterly instalments	11/2014	8,30	**42 755**		56 995	
Repayable in quarterly instalments	12/2017	7,78	**173 437**		195 705	
Repayable in quarterly instalments	09/2021	8,20	**127 662**			
Repayable monthly	08/2012	10,00	**4 586**			
Capitalised finance leases secured by vehicles and equipment and instalment sales						
Repayable monthly		*	**386 163**		414 121	
Loans secured by property			**36 199**		36 200	
Loans secured by guarantee			**130 514**		54 771	
Aggregate secured loans			**2 880 399**		1 783 201	
Other loans	01/2019	–	**103 808**	**12 800**	95 328	14 400
Redeemable preference shares	12/2013	–	**17 850**		18 930	
Transferred to non-current assets held for sale			**(248 001)**			
Amount repayable within one year			**(527 481)**		(582 906)	
Net long-term borrowings			**2 226 575**		1 314 553	
SECURITY						
Net book values of assets encumbered to secure long-term loans are as follows:			**4 191 240**		2 284 241	
Ships			**3 327 853**		1 344 885	
Land and buildings			**203 294**		432 420	
Equipment, plant and vehicles			**660 093**		506 936	

* *The capitalised finance leases and instalment sales financing have various interest rates ranging from 7% to 8,75% (2010: 6% to 12%) and dates of redemption from 07/2012 to 11/2016 (2010: 03/2011 to 12/2015).*