

**GRINDROD SHIPPING HOLDINGS LTD.**  
**(Registration number: 201731497H)**

**DIRECTORS' STATEMENT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**GRINDROD SHIPPING HOLDINGS LTD.**

**DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS**

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## **GRINDROD SHIPPING HOLDINGS LTD.**

### **DIRECTORS' STATEMENT**

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 13 to 108 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, and there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

#### **1 DIRECTORS**

The directors of the company in office at the date of this statement are:

Alf Cato Brahde

Michael John Hankinson

John Peter Herholdt

Quah Ban Huat

Petrus Johannes Uys

Martyn Richard Wade

Stephen William Griffiths

Willem Ockert van Wyk (Alternate to Petrus Johannes Uys and appointed on 16 March 2020)

#### **2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES**

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other related body corporate, except for the arrangements mentioned in paragraphs 3 to 5 below.

## GRINDROD SHIPPING HOLDINGS LTD.

### DIRECTORS' STATEMENT

#### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as stated below:

Name of directors	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year/date of appointment if later	At end of year	At beginning of year/date of appointment if later	At end of year
The Company (Ordinary shares)				
Alf Cato Brahde	45,000	60,478	-	-
Michael John Hankinson	1,675	1,675	200	200
John Peter Herholdt	-	-	-	-
Quah Ban Huat	-	-	-	-
Petrus Johannes Uys	-	-	-	-
Willem Ockert van Wyk	-	-	-	-
Martyn Richard Wade	70,026	70,026	-	-
Stephen William Griffiths	18,370	28,886	-	-

#### 4 FORFEITABLE SHARE PLAN

The Forfeitable Share Plan ('FSP') in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 4 May 2018.

The scheme is administered by Compensation and Nomination Committee whose members are:

John Peter Herholdt (Chairman)  
Alf Cato Brahde  
Michael John Hankinson  
Quah Ban Huat

Directors and employees who have received share awards under the FSP will receive fully paid ordinary shares of the Company. These shares will be allotted and issued in three equal tranches over a period of 3 years on 1 March 2020, 1 March 2021 and 1 March 2022 if they remain employed by the Group at each vesting date.

## GRINDROD SHIPPING HOLDINGS LTD.

### DIRECTORS' STATEMENT

#### 4 FORFEITABLE SHARE PLAN (cont'd)

Details of the movement in the FSP granted and forfeited during the financial period were as follows:

<b>No. of shares</b>	<b>Balance as at 1 January 2019</b>	<b>Forfeited</b>	<b>Balance as at 31 December 2019</b>
Tranche 1	247,666	5,000	242,666
Tranche 2	247,667	5,000	242,667
Tranche 3	247,667	5,000	242,667
Total	743,000	15,000	728,000

The 15,000 forfeited shares were due to the resignation of one of the FSP recipients in end April 2019.

The information on directors of the Company participating in FSP is as follows:

<b>Name of directors</b>	<b>Share awards granted during the year No. of shares</b>	<b>Balance as at 1 January 2019 No. of shares</b>	<b>Vested No. of shares</b>	<b>Forfeited No. of shares</b>	<b>Balance as at 31 December 2019 No. of shares</b>
Martyn Richard Wade	-	180,000	-	-	180,000
Stephen William Griffiths	-	100,000	-	-	100,000

#### 5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company or any company in the group was granted.

(b) Options exercised

During the financial year, there were no shares of the company or any company in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any company in the group under option.

**GRINDROD SHIPPING HOLDINGS LTD.**

**DIRECTORS' STATEMENT**

**6 AUDITORS**

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

**/s/Martyn Richard Wade**

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Martyn Richard Wade

**/s/Stephen William Griffiths**

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Stephen William Griffiths

5 June 2020

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GRINDROD SHIPPING HOLDINGS LTD.

### Opinion

We have audited the accompanying consolidated statement of financial position of Grindrod Shipping Holdings Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company as at 31 December 2019, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 108 (collectively, the "financial statements").

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), International Financial Reporting Standards ("IFRSs") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GRI NDROD SHIPPING HOLDINGS LTD.

Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of ships (refer to Note 3, 14 and 15 to the financial statements)</p> <p>The Group's carrying amount of ships (including dry docking) and right of use assets as at 31 December 2019 was \$303,583,000 and \$52,977,000 respectively, representing 69% of the Group's total assets. Based on the management's assessment, the Group recognised an impairment loss on the certain ships amounting to \$19,245,000 for the year ended 31 December 2019.</p> <p>Management performed an impairment assessment based on external and internal sources of information to determine whether there is any indication of impairment. Based on this assessment, impairment indicators were identified for certain ships due to the fact that their market values were lower than their carrying amounts.</p> <p>For these ships, management determined the recoverable amount using the value-in-use model. A number of assumptions are made by management in determining the inputs of the value-in-use model, which include:</p> <ul style="list-style-type: none"> <li>• Forecast earnings comprising of contracted charter rates and forecast charter rates which are determined based on third party forecast reports and average historical earnings;</li> <li>• Pre-tax discount rate; and</li> <li>• Vessel operating expenses and drydock costs.</li> </ul> <p>The determination of forecast charter rates involve significant judgement and any change in the assumption will be highly sensitive to the value-in-use model. Accordingly, we have determined that forecast charter rates used in determining the recoverable amount of the ships is a key audit matter.</p>	<p>We focused our testing of the valuation of ships on the forecast charter rates used in the value-in-use model determined by management. Our audit approach included, amongst other, the following procedures:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of management's control over the impairment assessment, including estimating the recoverable amounts of the ships when impairment indicators are identified;</li> <li>• Assessed the internal and external factors used by management to determine impairment indicators;</li> <li>• With regards to the forecast charter rates applied in the value-in-use model, <ul style="list-style-type: none"> <li>- Corroborated the forecast charter rates to the underlying third party forecast reports and historical charter rates and any other information used by management to arrive at these estimates;</li> <li>- Challenged the forecast charter rates by comparing them against available market and historical data to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance;</li> <li>- Assessed the reliability of management's forecast charter rates through a review of actual earnings in current year against prior year's forecast charter rates.</li> <li>- Performed sensitivity analysis on the forecast charter rates to determine if the unfavourable change in the forecast charter rates would trigger an impairment. If so, we performed a reassessment of the appropriateness of the management's forecast charter rates.</li> </ul> </li> <li>• Assessed the independence, objectivity and experience of the management's external experts engaged to determine ships' market value and forecast charter rates.</li> </ul> <p>We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.</p>



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GRINDROD SHIPPING HOLDINGS LTD.

Key Audit Matters (cont'd)

<p>Going Concern (refer to Note 4(d) to the financial statements)</p> <p>The Group has incurred losses of \$43,487,000 and has negative cash flows from operating activities of \$55,587,000 (which includes net cash outflows of \$90,473,000 from capital expenditure on ships and disposals of ships) for the year ended 31 December 2019. The Company's current assets exceeds the current liabilities by \$4,707,000 as at 31 December 2019. The current shipping market has been challenging and volatile. The outbreak of COVID-19 subsequent to the end of the financial reporting period has resulted in governments of many countries implementing measures to mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the freight rates for drybulk vessels which has a significant impact on the Company's operations and cash flows including its plan to dispose certain vessels to repay outstanding loans and meet its loan covenants.</p> <p>Based on the 12 months cash flow forecast prepared by management from the date of the report, the Board of Directors has no reason to believe that the Group will not continue as a going concern and has assessed that there is no material uncertainty related to these conditions that would raise substantial doubt about the Group's ability to continue as a going concern. Management has plans in place to sell certain vessels, repay certain loans, protect existing covenants on term loans, and maintain adequate liquidity. Management obtained an amendment to the definition of current assets and current liabilities to exclude the adjustments made on the implementation of IFRS 16 for purpose of working capital covenant compliance. In addition, management has obtained a temporary reduction in the minimum cash requirement and an amendment to exclude certain loan from the current liabilities definition for purpose of working capital covenant compliance.</p>	<p>We have performed the following procedures to address this matter:</p> <ul style="list-style-type: none"> <li>• Reviewed management's cash flow forecast and evaluated the reliability of the underlying data used to prepare the forecast;</li> <li>• Assessed the feasibility and effectiveness of management's plans and whether such plans will be implemented based on the time frame indicated in the cash flow forecast, including the key assumptions made;</li> <li>• Applied various stress-test scenarios to management's cash flow forecast to assess the sufficiency of funds to meet the loan covenants; and</li> <li>• Evaluated the related disclosures made in the financial statements and assess whether those disclosures provide sufficient information about management's plans and judgements applied on the going concern assessment.</li> </ul>
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GRINDROD SHIPPING HOLDINGS LTD.

Other Matters

The accompanying financial statements as at 31 December 2019, and for the year then ended, have been included in the Form 20-F for the financial year ended 31 December 2019 filed with the United States Securities and Exchange Commission. Together with the statement of financial position of the Company and its related notes, these financial statements have been reproduced for the purpose of filing with the Accounting and Corporate Regulatory Authority of Singapore.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information which comprises the information included in the Form 20-F filed with the United States Securities and Exchange Commission and the directors' statements but does not include the financial statements, our auditor's report thereon and the report of the independent registered public accounting firm issued by us.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, IFRSs and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GRINDROD SHIPPING HOLDINGS LTD.

### Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
GRINDROD SHIPPING HOLDINGS LTD.

Auditor's Responsibility for the Audit of the Financial Statements (cont'd)

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tey Jack Kie.

**/s/Deloitte & Touche LLP**

Public Accountants and  
Chartered Accountants  
Singapore

5 June 2020

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As at 31 December**

		2019	2018
	Notes	US\$'000	US\$'000
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and bank balances	6	35,553	35,636
Trade receivables	7	13,173	12,034
Contract assets	8	3,844	1,959
Other receivables and prepayments	9	16,951	17,902
Due from joint ventures	10	3,855	13,516
Loans to joint ventures	11	1,037	23,803
Derivative financial instruments	12	173	-
Inventories	13	12,236	10,841
		<u>86,822</u>	<u>115,691</u>
Assets classified as held for sale	40	4,677	7,258
Total current assets		<u>91,499</u>	<u>122,949</u>
<b>Non-current assets</b>			
Restricted cash	6	9,611	11,627
Loans to joint ventures	11	2,627	-
Ships, property, plant and equipment	14	305,197	249,602
Right-of-use assets	15	55,238	-
Interest in joint ventures	17	52,475	54,560
Intangible assets	18	177	41
Goodwill	19	944	7,351
Deferred tax assets	20	1,299	1,497
Total non-current assets		<u>427,568</u>	<u>324,678</u>
<b>Total assets</b>		<u>519,067</u>	<u>447,627</u>

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)**

As at 31 December

**LIABILITIES AND EQUITY**

	Notes	2019 US\$'000	2018 US\$'000
<b>Current liabilities</b>			
Trade and other payables	21	28,327	22,364
Contract liabilities	22	4,080	4,223
Due to related parties	23	4,796	6,238
Lease liabilities	24	24,300	-
Bank loans and other borrowings	25	20,696	18,323
Provisions	26	959	1,578
Derivative financial instruments	12	-	867
Income tax payable		3,096	3,073
		<u>86,254</u>	<u>56,666</u>
Liabilities directly associated with assets classified as held for sale	40	538	-
Total current liabilities		<u>86,792</u>	<u>56,666</u>
<b>Non-current liabilities</b>			
Trade and other payables	21	221	403
Lease liabilities	24	33,646	-
Bank loans and other borrowings	25	144,548	96,133
Retirement benefit obligation	27	1,922	1,922
Total non-current liabilities		<u>180,337</u>	<u>98,458</u>
<b>Capital and reserves</b>			
Share capital	28	320,683	320,683
Other equity and reserves	29	(18,176)	(21,140)
Accumulated losses		(50,569)	(7,040)
Total equity		<u>251,938</u>	<u>292,503</u>
<b>Total equity and liabilities</b>		<u>519,067</u>	<u>447,627</u>

See accompanying notes to consolidated and combined financial statements.

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED AND COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Year ended 31 December**

	Notes	2019 US\$'000	2018 US\$'000	2017 US\$'000
<b>Revenue</b>	30	331,046	319,018	409,522
<b>Cost of sales</b>				
Voyage expenses		(149,444)	(151,705)	(166,924)
Vessel operating costs		(33,889)	(32,657)	(40,837)
Charter hire costs		(61,668)	(100,648)	(127,748)
Depreciation of ships, drydocking and plant and equipment– owned assets	35	(17,529)	(14,094)	(17,975)
Depreciation of ships and ship equipment – right-of-use assets	35	(30,449)	-	-
Other expenses		(697)	(1,146)	(16,364)
Cost of ship sale		(16,844)	(7,675)	(17,560)
<b>Gross profit</b>		<b>20,526</b>	<b>11,093</b>	<b>22,114</b>
Other operating (expense) income	32	(23,559)	6,022	(34,502)
Administrative expenses		(28,412)	(31,599)	(32,868)
Share of losses of joint ventures	17	(1,420)	(454)	(12,946)
Impairment loss recognised on financial assets		-	(1,583)	-
Interest income	33	1,979	3,787	7,164
Interest expense	34	(11,916)	(6,517)	(6,548)
<b>Loss before taxation</b>	35	<b>(42,802)</b>	<b>(19,251)</b>	<b>(57,586)</b>
Income tax	36	(685)	(1,389)	(3,226)
<b>Loss for the year</b>		<b>(43,487)</b>	<b>(20,640)</b>	<b>(60,812)</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of defined benefit obligation	27	(42)	8	157
		(42)	8	157
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations		761	(6,656)	4,232
Reclassification of translation reserve to profit or loss arising from loss of control of businesses	41.1	-	(1,063)	-
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges		1,040	(852)	210
		1,801	(8,571)	4,442
<b>Other comprehensive income (loss) for the year, net of income tax</b>		<b>1,759</b>	<b>(8,563)</b>	<b>4,599</b>
<b>Total comprehensive loss for the year</b>		<b>(41,728)</b>	<b>(29,203)</b>	<b>(56,213)</b>
		US\$	US\$	US\$
<b>Loss per share:</b>				
Basic and diluted	42	<b>(2.29)</b>	<b>(1.08)</b>	<b>(3.19)</b>

See accompanying notes to consolidated and combined financial statements.

GRINDROD SHIPPING HOLDINGS LTD.

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital	Parent invested capital	Other equity and reserves				Accumulated losses	Total	
			Treasury shares	Share compensation reserve	Hedging reserve	Translation reserve			Merger reserve
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>Balance at 1 January 2017</b>	-	<b>361,779</b>	-	-	<b>(225)</b>	<b>1,541</b>	-	-	<b>363,095</b>
Loss for the year	-	(60,812)	-	-	-	-	-	-	(60,812)
Other comprehensive income for the year, net of income tax	-	157	-	-	210	4,232	-	-	4,599
<b>Total comprehensive loss for the year</b>	-	<b>(60,655)</b>	-	-	<b>210</b>	<b>4,232</b>	-	-	<b>(56,213)</b>
Issue of ordinary shares	*	15,000	-	-	-	-	-	-	15,000
Recognition of share-based payments	-	(472)	-	-	-	-	-	-	(472)
Dividends (Note 37)	-	(1,674)	-	-	-	-	-	-	(1,674)
Transaction with owners, recognised directly in equity	*	12,854	-	-	-	-	-	-	12,854
<b>Balance at 31 December 2017</b>	*	<b>313,978</b>	-	-	<b>(15)</b>	<b>5,773</b>	-	-	<b>(319,736)</b>



## GRINDROD SHIPPING HOLDINGS LTD.

## CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the year ended 31 December

	Share capital	Parent invested capital	Other equity and reserves				Accumulated losses	Total	
			Treasury shares	Share compensation reserve	Hedging reserve	Translation reserve			Merger reserve
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>Balance at 1 January 2018</b>	*	313,978	-	-	(15)	5,773	-	-	319,736
IFRS 9 and 15 adjustment		(474)	-	-	-	-	-	-	(474)
<b>Adjusted balance as at 1 January 2018</b>	*	313,504	-	-	(15)	5,773	-	-	319,262
Loss for the year	-	(13,453)	-	-	-	-	-	(7,187)	(20,640)
Other comprehensive loss for the year, net of income tax	-	-	-	-	(852)	(7,719)	8	-	(8,563)
Total comprehensive loss for the year	-	(13,453)	-	-	(852)	(7,719)	8	(7,187)	(29,203)
Recognition of share-based compensation from parent company	-	933	-	-	-	-	-	147	1,080
Issue of ordinary shares (Note 28) and adjustment arising from "Spin-off" (Note 2.2)	320,683	(300,984)	-	-	-	(1,337)	(18,362)	-	-
Recognition of share-based payments (Note 29)	-	-	-	1,364	-	-	-	-	1,364
Transaction with owners, recognised directly in equity	320,683	(300,051)	-	1,364	-	(1,337)	(18,362)	147	2,444
<b>Balance at 31 December 2018</b>	<b>320,683</b>	<b>-</b>	<b>-</b>	<b>1,364</b>	<b>(867)</b>	<b>(3,283)</b>	<b>(18,354)</b>	<b>(7,040)</b>	<b>292,503</b>

GRINDROD SHIPPING HOLDINGS LTD.

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the year ended 31 December

	Share capital	Parent invested capital	Other equity and reserves					Accumulated losses	Total
			Treasury shares	Share compensation reserve	Hedging reserve	Translation reserve	Merger reserve		
			US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
<b>Balance at 1 January 2019</b>	<b>320,683</b>	-	-	<b>1,364</b>	<b>(867)</b>	<b>(3,283)</b>	<b>(18,354)</b>	<b>(7,040)</b>	<b>292,503</b>
Loss for the year	-	-	-	-	-	-	-	(43,487)	(43,487)
Other comprehensive income for the year, net of income tax	-	-	-	-	1,040	761	-	(42)	1,759
Total comprehensive loss for the year	-	-	-	-	<b>1,040</b>	<b>761</b>	-	<b>(43,529)</b>	<b>(41,728)</b>
Recognition of share-based payments (Note 29)	-	-	-	3,156	-	-	-	-	3,156
Acquisition of treasury shares (Note 29)	-	-	(1,993)	-	-	-	-	-	(1,993)
Transaction with owners, recognised directly in equity	-	-	(1,993)	3,156	-	-	-	-	1,163
<b>Balance at 31 December 2019</b>	<b>320,683</b>	-	<b>(1,993)</b>	<b>4,520</b>	<b>173</b>	<b>(2,522)</b>	<b>(18,354)</b>	<b>(50,569)</b>	<b>251,938</b>

\* Amount is less than US\$1,000.

See accompanying notes to consolidated and combined financial statements.

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

**Year ended 31 December**

	2019	2018	2017
	US\$'000	US\$'000	US\$'000
<b>Operating activities</b>			
Loss before taxation	(42,802)	(19,251)	(57,586)
Adjustments for:			
Share of losses of joint ventures	1,420	454	12,946
Net gain on disposal of businesses	-	(3,255)	-
Gain on deemed disposal of previously held joint venture interest	-	(213)	-
Loss (gain) on disposal of ships	298	(992)	(167)
(Gain) loss on disposal of plant and equipment	(4)	(68)	107
Depreciation and amortisation	48,763	14,291	19,680
Impairment loss recognised on ships	16,995	-	16,503
Impairment loss recognised on right-of-use assets	2,250	-	-
Impairment loss on goodwill and intangibles	3,179	-	12,119
Impairment loss net of reversals on financial assets	-	1,583	18
Impairment loss on net assets of disposal group	-	-	5,092
Reversal of provision for onerous contracts	(408)	(457)	(7,427)
Recognition of share-based payments expenses	3,156	2,297	33
Net foreign exchange loss (gain)	709	(3,190)	(1,242)
Interest expense	11,916	6,517	6,548
Interest income	(1,979)	(3,787)	(7,164)
Components of defined benefit costs recognised in profit or loss	183	206	63
Operating cash flows before movements in working capital and ships	43,676	(5,865)	(477)
Inventories	(1,644)	(1,576)	1,017
Trade receivables, other receivables and prepayments	(1,506)	(1,689)	(279)
Contract assets	(2,063)	(123)	-
Trade and other payables	5,796	(2,561)	(3,055)
Contract liabilities	28	(331)	-
Due from related parties	-	(6,002)	(5,049)
Due to related parties	638	-	6,737
Operating cash flows before movements in ships	44,925	(18,147)	(1,106)
Capital expenditure on ships	(106,107)	(21,351)	(5,219)
Proceeds from disposal of ships	15,634	8,313	17,727
Net cash (used in) generated from operations	(45,548)	(31,185)	11,402
Interest paid	(11,307)	(5,860)	(6,206)
Interest received	1,825	1,363	2,677
Income tax paid	(557)	(1,678)	(4,498)
<b>Net cash flows (used in) generated from operating activities</b>	<b>(55,587)</b>	<b>(37,360)</b>	<b>3,375</b>
<b>Investing activities</b>			
Advances to related parties	-	-	(1,264)
Repayment from related parties	7,648	14,054	415
Repayment of loans from joint venture	20,268	-	-
Cash inflow from acquisition of assets	-	952	-
Purchase of plant and equipment	(94)	(368)	(1,212)
Purchase of intangible assets	(161)	-	(19)
Proceeds from disposal of plant and equipment	5	68	18
Net proceeds from disposal of businesses (Note 41.1)	-	25,318	-
Capital distribution from a joint venture	2,500	-	-
Dividends received from a joint venture	5,000	-	-
<b>Net cash generated from (used in) investing activities</b>	<b>35,166</b>	<b>40,024</b>	<b>(2,062)</b>

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (cont'd)**

**Year ended 31 December**

	2019 US\$'000	2018 US\$'000	2017 US\$'000
<b>Financing activities (Note A)</b>			
Long-term interest bearing debt raised	95,824	104,549	45,150
Payment of capital portion of long term interest-bearing debt	(45,540)	(99,503)	(40,869)
Principal repayments on lease liabilities	(29,905)	-	-
Loans from related parties	-	-	5,000
Repayment of loans from related parties	-	-	(42,000)
Repayment to related parties	-	(8,351)	-
Acquisition of treasury shares	(1,993)	-	-
Restricted cash	987	(8,582)	58
Issuance of shares (Note B)	-	-	15,000
Dividends paid	-	-	(1,674)
Purchase of Parent's ordinary shares for forfeitable share plan	-	-	(505)
<b>Net cash flows generated from (used in) financing activities</b>	<b>19,373</b>	<b>(11,887)</b>	<b>(19,840)</b>
Net decrease in cash and cash equivalents	(1,048)	(9,223)	(18,527)
Cash and cash equivalents at the beginning of the year (Note 6)	33,498	45,245	62,470
Effect of exchange rate changes on the balance of cash held in foreign currencies	77	(2,524)	1,302
<b>Cash and cash equivalents at the end of the year</b>	<b>32,527</b>	<b>33,498</b>	<b>45,245</b>

**Note A:**

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated and combined statement of cash flows as cash flows from financing activities.

	Bank Loans (Note 25) US\$'000	Due (from) to related parties – (Note 10 & 23) US\$'000	Lease liabilities (Note 24)
Balance at 1 January 2018	108,754	(10,068)	-
Financing cash flows <sup>(i)</sup>	5,046	(8,351)	-
Investing cash flows	-	14,054	-
Operating cash flows	-	(6,002)	-
Other changes <sup>(ii)</sup>	656	3,089	-
Balance at 31 December 2018	114,456	(7,278)	-
IFRS 16 adjustment	-	-	68,666
Financing cash flows <sup>(i)</sup>	50,284	-	(29,905)
Investing cash flows	-	7,648	-
Operating cash flows	-	638	-
Other changes <sup>(ii)</sup>	504	(67)	19,185
Balance at 31 December 2019	165,244	941	57,946

**GRINDROD SHIPPING HOLDINGS LTD.**

**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (cont'd)**

**Year ended 31 December**

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes for bank loans and due (from) to related parties relates to interest accruals and payments and net foreign exchange differences. Other changes for lease liabilities relates to new lease arrangements entered and existing lease contracts terminated.

**Note B:**

As part of the Spin-Off (Note 1), the company acquired all of the shares of Grindrod Shipping Pte. Ltd. (Singapore) and Grindrod Shipping (South Africa) (Pty) Ltd for a purchase consideration of \$320,683,000 which was satisfied by the issuance of compulsorily convertible notes which were converted to 19,063,832 ordinary shares of the company on the same date. Accordingly, no cash was received on the issuance of the shares.

See accompanying notes to consolidated and combined financial statements

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 1 GENERAL

##### **General information**

The company was incorporated as a private company on 2 November 2017 and with effect from 25 April 2018, it was converted from a private company to a public company whereby it changed its name to Grindrod Shipping Holdings Ltd. The company is incorporated in Singapore with its principal place of business and registered office at #03-01 Southpoint, 200 Cantonment Road, Singapore 089763. On 18 June 2018, the company became a publicly traded company with its shares primarily listed on the NASDAQ Global Select Market and from the 19 June 2018 secondarily on the Main Board of the Johannesburg Stock Exchange (JSE).

The company was incorporated with the intention to acquire all of the shares of Grindrod Shipping Pte. Ltd., or GSPL, and Grindrod Shipping (South Africa) Pty Ltd, or GSSA from Grindrod Limited, a public company incorporated in accordance with the laws of the Republic of South Africa, or Parent as part of the Parent's plan to demerge its shipping business (referred to as the 'Spin-Off'). Before the Spin-Off, two of GSSA's businesses, Ocean Africa Container Lines division, or OACL, and Unicorn Bunker Services (Pty) Ltd, or Unicorn Bunker, were disposed to another Parent subsidiary on 1 January 2018. On 18 June 2018, the Spin-Off was affected by the company acquiring 100% of the issued and paid up share capital of GSPL and GSSA for a consideration of \$320,683,000 (Note 28). The purchase consideration was satisfied by the issuance by the company of compulsorily convertible notes which converted to 19,063,832 ordinary shares of the company on the same date.

The principal activities of the Group are ship chartering, operating and sales of vessels. Information of the entities within the Group is contained in Note 16.

The consolidated and combined financial statements of the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 5 June 2020.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### **2.1 Statement of compliance**

The consolidated and combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Singapore Financial Reporting Standards (International) (SFRS(1)). IFRS is identical to SFRS(1). The Group is considered as a transitioning entity and not a first-time adopter of SFRS(1).

##### **2.2 Basis of preparation of historical consolidated and combined financial information**

Grindrod Shipping Holdings Ltd and its subsidiaries (the "Group") resulting from the Spin-Off in Note 1 above is regarded as a continuing entity throughout the period ended 31 December 2018 and 31 December 2017 as the Group was under the management of Grindrod Limited and therefore considered to be under common management which forms the basis of the combined financial statements for the year ended 31 December 2017.

The financial statements presented herein represent (i) prior to 18 June 2018, the combined financial statements of GSPL and GSSA and (ii) subsequent to 18 June 2018, the consolidated financial statements of the company as a separate publicly traded company following the Spin-Off of GSPL and GSSA from Grindrod Limited. Prior to the Spin-Off, equity relating to GSPL and GSSA represents the Parent's net investment in the company and accordingly, this has been presented as 'Parent invested capital' in the combined financial statements. Upon the Spin-Off on 18 June 2018, the Parent Invested Capital was adjusted as a result of settlement of assets and liabilities of GSPL and GSSA with the Parent and formed the company's share capital with the residual differences recognised as merger reserve.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The financial statements are prepared in accordance with the historical cost basis except as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

#### 2.3 Application of new and revised International Financial Reporting Standards (IFRSs)

From 1 January 2019, the Group has applied a number of new IFRS and amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The adoption of these new/revised IFRSs has not resulted in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods except as follows:

##### IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment, if any, to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

##### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time adoption of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

##### b) Impact on lessee accounting

###### *Former operating leases*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17.

Applying IFRS 16 for leases, the Group:

1. Recognises right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of future lease payments with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii).
2. Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated and combined statement of profit and loss. Operating leases were previously recorded as “Charter hire costs” for ships, “Vessel operating costs” for ship equipment and “Administrative expenses” for property. When applying IFRS 16, the expense is split into “Interest expense” and “Depreciation – right-of-use assets”. Expenses relating to short-term leases and low value leases will continue to be expensed and disclosed in line with the previous treatment.
3. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. Payments of operating leases were previously presented as part of net cash flows used in operating activities.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

The right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- Leases ending within 12 months as at 1 January 2019 are accounted for as short-term leases irrespective of the initial lease period. For such leases and leases of low-value assets, the Group has elected not to recognise right-of-use assets and lease liabilities;
- A single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- Non-lease and lease components of the time chartered-in agreements will not be separated and will be treated as a single lease component for the purposes of recognition and measurement; and
- The use of hindsight in determining the lease term when the contract contains options to extend or terminate the lease.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (c) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

##### (d) Financial impact of initial application of IFRS 16

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	Adjusted as at 1 January 2019 US\$'000
Operating lease commitments as at 31 December 2018	126,354
Less: Short-term leases recognised on a straight-line basis as expense	(20,192)
Less: Leases of low value assets recognised on a straight-line basis as expense	(153)
Operating lease obligations as at 1 January 2019 (without discounting)	<u>106,009</u>
Operating lease obligations as at 1 January 2019 (discounted) <sup>(1)</sup>	69,395
Less: Prepayments of lease payments recognised	(729)
Lease liabilities recognised as at 1 January 2019	<u><u>68,666</u></u>

<sup>(1)</sup> The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.49%.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of \$69,395,000 were recognised on 1 January 2019, prepayments relating to leases of \$729,000 were reclassified to right-of-use assets and there is no impact to retained earnings on 1 January 2019.

The Group's significant accounting policies for the leases are disclosed in Note 2.14.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 2.4 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that are relevant to the Group that were issued but are not yet effective:

IFRS 17	<i>Insurance Contracts</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IFRS 3	<i>Definition of a business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of material</i>
Amendments to IAS 1	<i>Classification of liabilities as Current or Non-current</i>
Conceptual framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

##### 2.5 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 31 December each year. Control is achieved when the Group has the power over the investee, is exposed; or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including; the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Group, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount 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 the owners of the Group.

#### **2.6 Business combinations**

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustment depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

#### **2.7 Financial instruments**

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Financial assets**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### Classification of financial assets

Debt instruments mainly comprise cash and bank balances, trade and other receivables, loans to joint ventures and amounts due from joint ventures that meet the following conditions are subsequently measured at amortised cost:

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments relating to derivative financial instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (ECL), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

#### Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the lifetime financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The (ECL) on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified forecast economic information that relate to international shipping operations in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; or
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- i) the financial instrument has a low risk of default,
- ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
- iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

##### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue cost.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

##### Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

##### Bank loans

Interest-bearing bank loans are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowing in accordance with the company's accounting policy for borrowing costs (see below).

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Derivative financial instruments

The Group enters into freight forward agreements and bunker swaps to manage its exposure to freight rate and bunker prices respectively. Further details of derivative financial instruments are disclosed in Note 12.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting 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. Group designates the derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instruments is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### Hedge accounting

The Group designates hedges of freight rate risk and bunker prices as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 12 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statements of comprehensive income ("OCI").



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated under the heading of Hedging Reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other operating expense or other operating income.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and OCI as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. This transfer does not affect OCI. Furthermore, if the Group expects that some or all of the loss accumulated in OCI will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **2.8 Offsetting Arrangements**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

#### **2.9 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 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 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.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 2.10 Ships, Property, Plant and Equipment

Ships, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets other than freehold land and buildings and ships under construction over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment and furniture and fittings	-	3 years
Plant and equipment	-	3 to 5 years
Motor vehicles	-	5 years
Ships	-	15 years
Drydocking	-	2.5 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Ships and properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same bases as other assets, commences when the assets are available for use.

Ships are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises acquisition cost 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 policy is to maintain 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 a straight-line basis to an estimated residual value over their useful life.

From time to time, the Group's ships are required to be drydocked for inspection and re-licensing at which time major repairs and maintenance that cannot be performed while the ships are in operation are generally performed. The Group capitalises the costs associated with drydocking as they occur and depreciates these costs on a straight-line basis over 2.5 to 5 years, which is generally the period until the next scheduled drydocking. A portion of the cost of acquiring a new ship is estimated and allocated to the components expected to be replaced or refurbished at the next scheduled drydocking. If the ship is disposed before the next drydocking, the carrying amount of drydocking expenses is included in determining the gain or loss on disposal of the ship and taken to the profit or loss. If the period to the next drydocking is shorter than expected, the undepreciated balance of the deferred drydocking cost is charged immediately as an expense before the next drydocking.

Fully depreciated ships, plant and equipment still in use are retained in the financial statements.

Assets that are held for rental are initially classified as ships, property, plant and equipment. When these assets cease to be rented and a decision is made to sell these assets, the carrying amount is transferred to inventories. Upon sale of these assets, the sales value is recorded in gross revenue and the related carrying value of these assets (held as inventories) is recorded in cost of sales. In relation to these assets that are held for rental, the cash payments to acquire such assets and subsequently cash proceeds from the sale of such assets are classified as cash flows from operating activities.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### **2.11 Intangible Assets**

Intangible assets acquired in a business combination are identified and recognized separately from goodwill. The cost of such tangible assets is their fair value at the acquisition date. Subsequent to initial recognition, they are stated on the same basis as intangible assets acquired separately.

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset, such events are tested for impairment in accordance with the policy below.

##### **2.12 Impairment of Tangible and Intangible Assets Excluding Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that the asset may be impaired.

##### **2.13 Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill is not amortised but is reviewed for impairment at least annually. 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 its carrying amount, 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 subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 2.14 Leases

##### *Before 1 January 2019*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

##### *From 1 January 2019*

##### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Ships, property, plant and equipment' policy.

The Group has identified that the contracts between the pools and vessels owners described in Note 2.17 below, meet the definition of leases under IFRS 16 and the share of third party vessel owners' net earnings of the pool represents variable lease payments. Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Voyage expenses' for expenses relating to ships and 'Administrative expenses' for all other expenses in the consolidated and combined statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

#### The Group as lessor

The Group enters into lease agreements as a lessor with respect to its vessels and these are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Charter hire revenue (rental income from operating leases) is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **2.15 Interests in Joint Ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated and combined financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised in the consolidated and combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9 *Financial Instruments*. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when the investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss, the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated and combined financial statements only to the extent of interests in the joint venture that are not related to the Group.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### **2.16 Non-current assets and disposal groups held for sale**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

##### **2.17 Revenue recognition and voyage expenses**

###### Vessel revenue

The primary source of revenue for the Group is vessel revenue; comprising of charter hire of ships and freight revenue.

*Charter hire* - The Group earns hire revenue by placing its vessels on time charter, bareboat charter and in pool arrangements. The performance obligations within pool and time-charter contracts include the bareboat charter and the operation of the vessel. Hire revenue is recognised over time as the Group satisfies its obligation based on time elapsed between the delivery of a vessel to a charterer and the redelivery of a vessel from the charterer.

For time and bareboat charter contracts, hire is typically invoiced bi-monthly or monthly in advance and hire revenue is accrued based on the daily hire rates. Other variable hire components of the contract, such as off-hire and speed claims, are recognised only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty is subsequently resolved. In a small number of charters, the Group may earn profit share consideration, which occurs when actual spot tanker rates earned by the vessel exceed certain thresholds for a period of time.

For pool arrangements, the Group has two types of such arrangements: 1) pool arrangements that are controlled and managed by the Group namely, IVS Handysize Pool and IVS Supramax Pool; and 2) Pool arrangements operated by third parties in which the Group's owned vessels are placed. An assessment is performed to determine who is the principal and agent in such arrangements. Indicators that the Group as the pool manager is a principal in a pool arrangement are:

- The contract with the end charterer specifically names the pool, rather than the shipowner;
- The pool manager is responsible for managing issues that may arise during the end charterer's use of the vessel;
- The pool manager has the power to decide which vessel in the pool it will use to fulfill the contract with the end charterer; and
- The pool manager sets the prices that the end charterer will pay to use the vessel.

The Group has evaluated that it has the exclusive rights as the pool manager and hence it is a principal in the IVS Handysize and IVS Supramax Pool arrangements. In such arrangements, the Group recognizes total amount of the gross revenue earned by the pools as the revenue which it expects to be entitled for the satisfaction of the performance obligation and correspondingly, it also recognizes the share of third party vessel owners' net earnings of the pool in the voyage expenses in the period incurred. The Group has identified that the contracts between the pools and vessels owners to contain a lease in accordance with IFRS 16. Refer to Note 2.14 Leases for further discussion.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the other hand, for third party pool arrangements that the Group's vessels participate in, the Group recognizes revenue from these pool arrangements based on its portion of the net distributions reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees. The net distribution is computed based on pool index and the participation days of the Group's vessels in these third party pool arrangements. The pool index is variable and dependent on the participating vessels within the pool.

*Freight revenue* – The Group recognises freight revenue for each specific voyage which is usually priced on a current or "spot" market rate and then adjusted for predetermined criteria. The performance obligations for freight revenue commence from the time the ship is ready at the load port until the cargo has been delivered at the discharge port. The revenue will be recognised over the duration of the voyage between the two points, as measured using the time that has elapsed from commencement of performance at the load port. Management assesses the stage of completion as determined by the proportion of the total time expected for the voyage that has elapsed at the end of the reporting period as an appropriate measure of progress towards complete satisfaction of these performance obligations and the revenue is recognised in accordance with the calculated stage of completion. The duration of a single voyage will typically be less than three months. Demurrage and despatch are considered at contract inception and estimates are updated throughout the contract period. The consideration for demurrage and despatch will be recognised in the period within which such consideration was incurred. A contract asset is recognised over the period in which the freight services are performed representing the entity's right to consideration for the services performed as at the end of the reporting period.

#### Sale of ships, bunkers and other consumables

The Group generates revenue from the sale of ships, bunkers and other consumables. Revenue is recognised when control of the ships, bunkers and other consumables have been delivered to the buyer. The Group only has the right to the consideration at the point of transfer of the asset.

#### Management fees

The Group also generates revenue from the management and operation of vessels owned by third parties and by equity-accounted investees as well as providing corporate management services to such entities. The performance obligations within these contracts will typically consist of crewing, technical management, insurance and potentially commercial management. The performance obligations are satisfied concurrently and consecutively rendered over the duration of the management contract, as measured using the time that has elapsed from commencement of performance. Consideration for such contracts will generally consist of a fixed monthly management fee, plus the reimbursement of crewing and other costs for vessels being managed. Management fees are typically invoiced monthly.

#### *Voyage expenses*

Voyage expenses that relate directly to a contract include charter hire expenses, fuel expenses and port expenses. Contract costs are deferred and amortised over the course of the voyage on a percentage completion basis that is consistent with the revenue recognition. This percentage of completion is derived from time elapsed between the tender of readiness to load a cargo or delivery of a vessel to a charterer, and the completion of discharging a cargo or redelivery of a vessel from a charterer. Contract costs are recognised as an asset if they represent incremental costs of obtaining a contract or fulfilment costs that (i) relate directly a contract or to an anticipated contract, (ii) generate or enhance resources to be used in meeting obligations under the contract and (iii) are expected to be recovered.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### **2.18 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **2.19 Share-Based Payments**

Equity-settled share options – Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

##### **2.20 Retirement Benefit Costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and South African defined contribution provident funds, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in OCI in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

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

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Administrative expense'. Curtailment gains and losses are accounted for as past service costs.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

##### **2.21 Employee Leave Entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

##### **2.22 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

##### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

##### **2.23 Income Tax**

Income tax expense or income in profit or loss represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of profit or loss and OCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is recognised on the 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 tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in OCI or directly in equity), in which case the tax is also recognised outside profit or loss (either in OCI or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

#### **2.24 Foreign Currency Transactions and Translation**

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency which is either United States dollars or South African Rands). The consolidated and combined financial statements of the Group are presented in United States Dollars and are rounded to the nearest thousands.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in OCI. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in OCI.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated and combined financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in a separate component of equity under the header of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of 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. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments 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 OCI.

#### **2.25 Cash and Cash Equivalents in the Statement of Cash Flows**

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **2.26 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*.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *(i) Critical judgements in applying the Group's accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### Classification of certain investments as a joint venture

Note 17 describes that Tri-view Shipping Pte Ltd, Island Bulk Carriers Pte. Ltd. and IVS Bulk Pte. Ltd. as joint ventures of the Group even though the Group has 51%, 65% and 33.5% of ownership interest and voting rights in these entities respectively. Management has assessed that the interests in these entities would be considered as joint ventures given that the contractual agreement between the parties in undertaking the economic activities of these entities would be subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of all the parties sharing control.

##### Ships classified as inventories

The Group regularly engaged in trading of ships. When a ship ceased to be rented and a decision is made for the ship to be sold, the ship would be classified as inventories (Note 13). The proceeds from the sale of such assets shall be recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. The corresponding cost shall be accounted for as cost of sales.

##### *(ii) Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

##### Calculation of loss allowance on trade and other receivables, contract assets and amount due from joint ventures and loans to joint ventures

When measuring expected credit loss in relation to the trade and other receivables, contract assets and amount due from joint ventures and loans to joint ventures, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring the expected credit loss. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the loss allowance on trade receivables and amount due from joint ventures and loans to joint ventures are provided in Notes 7, 8, 9, 10 and 11.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

##### Impairment of interest in joint ventures

The recoverable amount of the investments has been determined based on the estimated net asset value of the joint ventures which approximates their fair value less cost to sell.

The carrying amounts of interest in joint ventures are disclosed in Note 17.

##### Percentage of completion of voyages recognised as revenue

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 ship being loaded, cargo type and quantity, ship speed as well as delays occasioned by weather or due congestion at load or discharge ports.

##### Ship life, residual value and impairment

In the shipping industry, the use of the 25 to 30 year ship life has become the prevailing standard for the type of ship owned by the Group. However, management depreciates the ships on a straight-line basis after deduction for residual values over the ship's estimated useful life of 15 years, from the date the ship was originally delivered from the shipyard as the Group maintains a young fleet compared to the market average and generally aims to replace ships that are 15 years or older. As a result, ships are depreciated over 15 years to the expected residual market value of a ship of a similar age and specification. Management reassesses the depreciation period of ships that surpass this limit with special consideration of the ships and the purpose for which the ship was retained in the fleet.

Residual values of the ships are reassessed by management at the end of each reporting period based on the current shipping markets, the movement of the markets over the previous five years and the age, specification and condition of the respective ships.

Considerations for useful life of the ships also include maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of ships.

Management also reviews the ships (owned and right-of-use) for impairment whenever there is an indication that the carrying amount of the ships may not be recoverable. Management measures the recoverability of an asset by comparing its carrying amount against its recoverable amount. Recoverable amount is the higher of the fair value less cost to sell and value in use. If the ship is considered to be impaired, an impairment loss is recognised to an amount to the excess of the carrying value of the asset over its recoverable amount.

Value in use is the future cash flows that the ships are expected to generate from charter hire of the ships and the expected running costs thereof over their remaining useful lives, with a cash inflow in the final year equal to the residual value of the ships. Management determined the value-in-use based on past performance of the ships and their expectations of the market development. The future cash flows are determined based on the combination of the following assumptions:

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

- 1) Forecast earnings are based on internal estimates having considered: fixed future earnings from existing contracts of affreightment and charter contracts, allowing for dry dock and commercial off hire days, internal forecasts, as well as third party information and historical earnings averages.
- 2) Pre-tax discount rate of 7.61% (2018: 8.33%) rate is used to discount future cash flows from deployment of the ships to their net present values.
- 3) Vessel operating expenses and drydock costs are based on management's best estimates.

Accordingly, based on the carrying amounts of the owned ships and right-of-use ships as at end of each reporting periods, the Group has recognised an impairment loss of approximately \$19,245,000 for the year ended 31 December 2019 (2018: \$Nil and 2017: \$16,503,000) recorded in profit or loss in the line item 'Other operating (expense) income'.

As at 31 December 2019 and 2018, a possible change to the following estimate used in management's assessment will result in the recoverable amount to be below the total carrying amount of the owned and right-of-use ships (on the basis that each of the other key assumptions remain unchanged):

#### Drybulk Carriers

- 0.0% to 19.63% decrease to the charter rate (2018: 13.3% to 37.8% decrease to the charter rate); or
- 0.0% to 56.6% increase to the discount rate (2018: 12.3% to 81.8% increase to the discount rate).

#### Tankers

- 13.9% to 34.2% decrease to the charter rate (2018: 0.6% to 33.9% decrease to the charter rate); or
- 14.3% to 45.2% increase to the discount rate (2018: 0.8% to 22.4% increase to the discount rate).

Based on the key assumptions and taking into account the sensitivity analysis above, management has determined that the estimated recoverable amount of the ships are appropriate.

The recoverable amounts of ships classified as inventories were determined based on fair value less cost of disposal, which were determined based on the market comparable approach that reflects recent transaction prices for similar ships, with similar age and specifications. In valuing the ships, the appraisers have taken into consideration the prevailing market conditions and have made adjustments for differences where necessary before arriving at the most appropriate value for the ships. The carrying amounts of the ships are disclosed in Notes 14 and 15.

#### Estimation of lease term of charters with extension options

When estimating the lease term of the respective lease arrangement, management considers all facts and circumstances that create an economic incentive to exercise an extension option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. This is assessed on an ongoing basis and the extension options are only included in the lease term if the lease is reasonably certain to be exercised.

\$53,954,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

If a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee, the above assessment will be reviewed further. During the financial year ended December 31, 2019, the Group did not exercise any extension and termination options.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

##### Estimation uncertainty arising from variable lease payments

One of the charter contracts requiring the recognition of a right-of-use assets and a lease liability contains variable payment terms that is linked to an index and such variable lease payments are recognised in charter hire cost in the profit or loss in the period in which the condition that triggers those payments occurs. A 5% increase in the index will result in such variable lease contracts to increase its total lease payments by approximately \$185,000.

##### Tax liabilities

The Group acquired a wholly-owned subsidiary, Unicorn Tankers International Ltd (“UTI”), in 2013. UTI and its subsidiary are tax residents in United Kingdom (“UK”). In recent years, the UK tax authorities have revised their interpretations of certain areas of tonnage tax legislation. If certain legislation is interpreted in an alternative manner, additional taxation of up to \$5,657,000 (2018: \$5,657,000) could arise. A tax provision of \$2,400,000 (2018: \$2,400,000) has been provided.

In 2013, there were queries raised by the UK tax authorities on a subsidiary of UTI. The case went to a Tribunal in July 2019 and on 13 November 2019 the Tribunal ruled in favour of the Group. Subsequent to year end, Her-Majesty’s Revenue & Customs, UK Government Tax Department have appealed the judgement and the outcome is still pending. At the date of authorisation of these financial statements, in view of the uncertainty of whether the judgement would be overruled, the provision has been retained.

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

##### *(i) Categories of financial instruments*

	2019 US\$'000	2018 US\$'000
<b>Financial assets</b>		
Derivative instruments designated in hedge accounting relationships	173	-
Financial assets at amortised cost	81,021	112,855
Less: Transferred to asset of disposal group classified as held for sale (Note 40)	(937)	-
	<u>80,084</u>	<u>112,855</u>
	<u>80,257</u>	<u>112,855</u>
<b>Financial liabilities</b>		
Derivative instruments designated in hedge accounting relationships	-	867
Financial liabilities at amortised cost	256,140	143,339
Less: Transferred to asset of disposal group classified as held for sale (Note 40)	(538)	-
	<u>255,602</u>	<u>143,339</u>
	<u>255,602</u>	<u>144,206</u>

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

##### *(ii) Financial risk management policies and objectives*

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (foreign currency risk, interest rate risk), credit risk and liquidity risk.

The Group does not hold or issue derivative financial instruments for speculative purpose.

Other than liquidity risk there has been no change to the Group's exposure to these financial risks. There have been no significant changes to the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

##### (a) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in Note 38.

In order to minimise credit risk, the Group has categorised exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for recognising ECL</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>31 December 2019</b>						
Trade receivables	7	(i)	Lifetime ECL (Simplified approach)	13,173	-	13,173
Contract assets	8	(i)	Lifetime ECL (Simplified approach)	3,844	-	3,844
Other receivables	9	Performing	12-month ECL	14,258	-	14,258
Due from joint ventures	10	Performing	12-month ECL	3,855	-	3,855
Loans to joint ventures	11	Doubtful	Lifetime ECL	5,216	(1,552)	3,664
				<u>40,346</u>	<u>(1,552)</u>	<u>38,794</u>

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>31 December 2018</b>						
Trade receivables	7	(i)	Lifetime ECL (Simplified approach)	12,034	-	12,034
Contract assets	8	(i)	Lifetime ECL (Simplified approach)	1,959	-	1,959
Other receivables	9	Performing	12-month ECL	16,239	-	16,239
Due from joint ventures	10	Performing	12-month ECL	13,516	-	13,516
Loans to joint ventures	11	Doubtful	Lifetime ECL	25,483	1,680	23,803
				<u>69,231</u>	<u>1,680</u>	<u>67,551</u>

<sup>(i)</sup> For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Further details on the loss allowance are disclosed in the respective notes.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. There are ongoing reviews on the limits attributed to customers.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

At the end of the reporting period, other than amounts due from joint ventures, the Group does not have significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are third parties and banks with high internal and external credit ratings. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on.

#### (b) Interest rate risk management

The Group is exposed to interest rate risk through the impact of bank loans and loans granted from/to joint ventures at variable interest rates. 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.

##### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 31 December 2019 would increase/decrease by \$691,000 (2018: increase/decrease by \$603,000 and 2017: increase/decrease by \$470,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans and loans from/to joint ventures.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

##### (c) Foreign currency exchange risk management

The Group's main operational activities are carried out in United States dollars and South African rands, which is the functional currency of the respective financial statements of each Group entity. The risk arising from movements in foreign exchange rates is limited as the Group has minimal transactions in foreign currencies which mainly relates to administrative expenses in Singapore dollars, loans to joint ventures in Japanese yen and amounts due to related companies in South African rands and Great Britain pounds as well as bank balances in South African rands.

The Group has access to a foreign exchange facility which enables it to enter into forward foreign exchange contracts. Management reviews and monitors currency risk exposure and determines whether any hedging is considered necessary.

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 the 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.

At the end of the reporting period, the significant carrying amounts of monetary liabilities and monetary assets denominated in currencies other than the respective Group entities' functional currencies are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollars	(657)	(1,660)	1,893	4,941
South African rands	(26,880)	(22,909)	6,903	7,894
Japanese yen	-	(6,976)	6	765

##### *Foreign currency sensitivity*

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of the entity, profit or loss will increase/(decrease) by:

	<u>Impact on profit or loss</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
United States dollars	124	328
South African rands	(1,998)	(1,502)
Japanese yen	1	(621)

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

If the relevant foreign currency weakens by 10% against the functional currency of the entity, profit or loss will increase/(decrease) by:

	<u>Impact on profit or loss</u>	
	<u>2019</u>	<u>2018</u>
	<u>US\$'000</u>	<u>US\$'000</u>
United States dollars	(124)	(328)
South African rands	1,998	1,502
Japanese yen	<u>(1)</u>	<u>621</u>

#### (d) Liquidity risk management

Liquidity risk refers to the risk that the Group is unable to pay its creditors due to insufficient funds. The Group maintains and monitors a level of cash deemed adequate by management at all times to finance its obligations as and when they fall due.

The shipping environment has been challenging and volatile over the last several years due to an oversupply of vessels allied to a lower growth rate of the world economy. As a result, the Group has reported losses and negative cash flow for the last three consecutive years. The outbreak of COVID-19 subsequent to the end of the financial period has resulted in governments of many countries implementing measures to mitigate the spread of the virus. These measures have resulted in a significant reduction in global economic activity and extreme volatility and our ability to comply with covenants and other conditions in our loan agreement in the freight rates for drybulk vessels which has a significant impact on the Group's operations and cash flows.

The Group manages liquidity risk by monitoring forecast and actual cash flows and ensuring that adequate borrowing facilities are maintained. The management may, from time to time, at their discretion raise or borrow monies for the purposes of the Group as they deem fit. There are measures in place to preserve cash, maintain adequate financing to meet Group's obligations and protect existing loan covenants imposed by the banks. The covenant levels are monitored continuously to identify any potential covenant issues so that solutions such as waivers or modifications to the loan covenants to obtain more favourable terms can be implemented in advance. The Group may seek to accomplish any of these independently or in conjunction with one or more of these actions. If the unfavourable market conditions persist, the Group may be unable to accomplish any of the foregoing on acceptable terms or at all.

Based on the 12 months cash flow forecast prepared by management from the date of the authorisation of financial statements, the Board of Directors has no reason to believe that the Group will not continue as a going concern and has assessed that there is no material uncertainty related to these conditions and there is no substantial doubt about the Group's ability to continue as a going concern. Management has plans in place to sell certain vessels, repay certain loans, protect existing covenants on term loans and maintain adequate liquidity. Subsequent the end of the financial reporting period, management obtained an amendment to the definition of current assets and current liabilities to exclude the adjustments made on the implementation of IFRS 16 for purpose of working capital covenant compliance. In addition management obtained a temporary reduction in the minimum cash requirement from \$30 million to \$20 million for purpose of compliance with the loan covenant on 30 June 2020 and 30 September 2020 and an amendment to exclude the Sankaty facility from the current liabilities definition on 30 June 2020 and 30 September 2020 for purpose of working capital covenant compliance.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

##### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the consolidated statements of financial position.

<u>Group</u>	Weighted average effective interest rate % p.a.	On demand or within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000	Adjustment US\$'000	Total US\$'000
<u>2019</u>						
Non-interest bearing	-	32,691	221	-	-	32,912
Lease liabilities	5.41	26,728	35,637	-	(4,381)	57,984
Variable interest rate instruments	5.09	<u>27,747</u>	<u>123,030</u>	<u>44,423</u>	<u>(29,956)</u>	<u>165,244</u>
		87,166	158,888	44,423	(34,337)	256,140
Included in assets of a disposal group held for sale (Note 40)		<u>(539)</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>(538)</u>
		<u>86,627</u>	<u>158,888</u>	<u>44,423</u>	<u>(34,336)</u>	<u>255,602</u>
<u>2018</u>						
Non-interest bearing	-	28,480	403	-	-	28,883
Variable interest rate instruments	5.30	<u>23,295</u>	<u>108,057</u>	<u>-</u>	<u>(16,896)</u>	<u>114,456</u>
		<u>51,775</u>	<u>108,460</u>	<u>-</u>	<u>(16,896)</u>	<u>143,339</u>

The maximum amount that the Group could be forced to settle under the financial guarantee if the full guaranteed amount is claimed by the counterparty to the guarantee is disclosed in Note 38. The Group considers that it is more than likely that no amount will be payable under the arrangement.

##### Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of reporting period.

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

<u>Group</u>	<u>On demand or within 1 year</u> US\$'000	<u>Within 2 to 5 years</u> US\$'000	<u>Adjustment</u> US\$'000	<u>Total</u> US\$'000
<u>2019</u>				
Gross settled:				
Bunker swaps				
Gross inflow	173	-	-	173
<u>2018</u>				
Gross settled:				
Bunker swaps				
Gross outflow	(867)	-	-	(867)

(e) Shipping market price risk management

The Group is exposed to the fluctuations in market conditions in the shipping industry which in turn affects the Group's profitability. Management continually assess shipping markets using their experience and detailed research. Risks are managed by fixing tonnage on longer term time charters, contracts of affreightment and entering into forward freight agreements. There are no outstanding contracts at 31 December 2019. Accordingly, no sensitivity analysis is prepared.

(f) Commodity price risk management

The Group uses bunker swaps 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. Management continually assess commodity price through their experience and detailed research. The carrying amount of the derivative financial instruments is disclosed in Note 12.

*Commodity price sensitivity*

The sensitivity analyses below have been determined based on the exposure to commodity price risk at the end of the reporting period.

In respect of derivative financial instruments, if the commodity prices had been 10% higher/lower while other variables were held constant:

- loss for the year ended 31 December 2019 would decrease/increase by \$Nil (2018: decrease/increase by \$Nil and 2017: decrease/increase by \$Nil).
- hedging reserve for the year ended 31 December 2019 would decrease/increase by \$209,000 (2018: decrease/increase by \$355,000 and 2017: decrease/increase by \$128,000).



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

##### (g) Fair value measurement of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

##### *Financial instruments measured at fair value on a recurring basis*

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
<b>Financial Assets</b>		
Bunker swaps	<u>173</u>	<u>-</u>
<b>Financial Liabilities</b>		
Bunker swaps	<u>-</u>	<u>867</u>

All the financial instruments relate to the forward freight agreements and bunker swap agreements and have been classified as Level 2 financial instruments, which indicates that the fair value of the instruments were determined based on discounted cash flow with reference to observable inputs for equivalent instruments, discounted at a rate that reflects the credit risk of various counterparties. Further details are disclosed in Note 12.

There were no transfers between Level 1 and 2 in the period.

##### **Fair Value of Financial Instruments**

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

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

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

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

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

- market related interest rate yield curves to discount expected future cash flows; and/or
- projected unit method; and/or
- market value, and/or
- the net asset value of the underlying investments; and/or
- a price earnings multiple or a discounted projected income/present value approach

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The fair value measurement for income approach valuation is based on significant inputs that are not observable in the market. Key inputs used in the valuation include discount rates and future profit assumptions based on historical performance but adjusted for expected growth. Management reassess the earnings or yield multiples at least annually based on their assessment of the macro- and micro-economic environment.

	<u>Level 1</u> US\$'000	<u>Level 2</u> US\$'000	<u>Level 3</u> US\$'000	<u>Total</u> US\$'000
<b><u>2019</u></b>				
<b>Financial Assets</b>				
Derivative financial instruments	<u>-</u>	<u>173</u>	<u>-</u>	<u>173</u>
<b><u>2018</u></b>				
<b>Financial liabilities</b>				
Derivative financial instruments	<u>-</u>	<u>867</u>	<u>-</u>	<u>867</u>

#### *(iii) Capital management policies and objectives*

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt and equity, which comprises of share capital and reserves.

The Group also reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group maintains gearing ratios within a set range to comply with the loan covenant imposed by a bank.

The Group's overall strategy remains unchanged from prior year.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 5 RELATED PARTIES TRANSACTIONS

Transactions between the Group and Grindrod Limited group of companies prior to the Spin-Off (Note 1) are disclosed as transactions with related parties under Group companies below. With effective from 18 June 2018, arising from the Spin-Off, Grindrod Limited group of companies no longer meet the definition of related parties and hence balances and transactions after this date are not disclosed as balances and transactions with related parties.

Many of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following transactions with related parties:

##### (i) *Group companies*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Freight revenue from related parties	-	-	939
Fuel and port expenses to related parties	-	(18,910)	(55,895)
Bunker swaps from related companies	-	111	182
Guarantee fees from related parties	-	-	325
Guarantee fees to related parties	-	(54)	(451)
Interest expense on loans from related parties	-	-	(629)
Interest income on amounts due from related parties	-	-	1,199
Management fees to related parties	-	(1,135)	(3,495)
Net gain on disposal of businesses	-	3,255	-
Overhead recovery from (to) related party (included in administrative expenses)	-	134	(202)
Dividend paid to related party	-	-	(1,674)
Other expenses to related parties	-	(187)	(1,268)
	<u>-</u>	<u>(187)</u>	<u>(1,268)</u>

##### (ii) *Joint ventures*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Interest income	983	2,573	4,346
Technical management fee income	1,625	1,625	1,625
Agency Fees from joint ventures	573	574	618
Charter hire and other related revenue	5,345	13,445	4,376
Charter hire and other related expenses	(44,206)	(52,050)	(50,741)
Payments on behalf of a joint venture	(2,199)	(1,217)	(585)
Purchase of ships from a joint venture	54,000	10,250	-
Dividend income	5,000	-	-
Management fee income	86	217	350
	<u>86</u>	<u>217</u>	<u>350</u>

Refer to Note 38 for information on the guarantees provided by the Group for loans within joint venture structures.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 5 RELATED PARTIES TRANSACTIONS (cont'd)

##### (iii) *Compensation of directors and key management personnel*

The remuneration of the directors and other members of key management is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Short-term benefits	4,166	4,839	6,026
Share-based payments <sup>(1)</sup>	-	84	459
	<u>4,166</u>	<u>4,923</u>	<u>6,485</u>

<sup>(1)</sup> Represents share-based payments on FSP vested during the financial year.

The remuneration of directors and key management is determined by the remuneration committee of Grindrod Shipping Holdings Limited (prior to 18 June 2018 by the remuneration committee of Grindrod Limited) having regard to the performance of individuals and market trends.

#### 6 CASH AND BANK BALANCES INCLUDING RESTRICTED CASH

	2019	2018
	US\$'000	US\$'000
Restricted cash, current portion	3,167	2,138
Cash on hand	357	438
Cash at bank	32,029	33,060
Cash and bank balances	<u>35,553</u>	<u>35,636</u>
Less: Restricted cash, current portion	<u>(3,167)</u>	<u>(2,138)</u>
	32,386	33,498
Add: Cash and cash equivalents included in the disposal group held for sale (Note 40)	141	-
Cash and cash equivalents in the statements of cash flows	<u>32,527</u>	<u>33,498</u>
<u>Restricted cash</u>		
Classified as:		
Current	3,167	2,138
Non-current	9,611	11,627
	<u>12,778</u>	<u>13,765</u>

The current portion of the restricted cash represents amounts placed in retention accounts can only be used to fund loan repayments or interest payments. The non-current portion of restricted cash represents debt reserves security deposit required due to the conditions of certain banking facilities and these deposits are not available to finance the Group's day to day operations.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 7 TRADE RECEIVABLES

	2019 US\$'000	2018 US\$'000
Trade receivables	10,171	8,936
Trade receivables due from the pools	3,706	3,098
	<u>13,877</u>	<u>12,034</u>
Included in assets of a disposal group held for sale (Note 40)	(704)	-
	<u>13,173</u>	<u>12,034</u>

The credit period is 1 to 30 days (2018: 1 to 30 days). No interest is charged on the outstanding invoice.

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for the amounts due from customers.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables based on the Group's provision matrix. The expected credit loss rate is considered immaterial for trade receivables outstanding for less than 120 days. For trade receivables past due for more than 120 days, the Group would recognise a loss allowance of 100% except for the adjustment to factors that are specific to the debtors, because historical experience has indicated that these receivables are generally not recoverable. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

2019	Trade receivables past due						Total
	Not past due	< 30	31-60	61-90	91-120	>120	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Estimated total gross carrying amount at default, representing net carrying amount of default	9,955	1,233	1,244	280	1,165	-	13,877
Less: assets of a disposal group held for sale	(699)	(1)	(4)	-	-	-	(704)
	<u>9,256</u>	<u>1,232</u>	<u>1,240</u>	<u>280</u>	<u>1,165</u>	<u>-</u>	<u>13,173</u>

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 7 TRADE RECEIVABLES (cont'd)

2018	Trade receivables past due						Total
	Not past due	< 30	31-60	61-90	91-120	>120	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Estimated total gross carrying amount at default, representing net carrying amount of default	6,585	2,647	1,185	139	1,478	-	12,034

#### 8 CONTRACT ASSETS

This relates to unbilled revenue, recognised over the period in which the freight services are performed representing the entity's right to consideration for the services performed as at the end of the reporting period which shall be recognised as revenue in the subsequent year.

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the industry.

#### 9 OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	US\$'000	US\$'000
Deposits	346	337
Prepayments	2,693	1,663
Voyages in progress	10,377	12,156
Other receivables	3,627	3,746
	17,043	17,902
Included in assets of a disposal group held for sale (Note 40)	(92)	-
	16,951	17,902

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate. No provision for loss allowance was made during 2019 and 2018.

The following table shows the movement in lifetime ECL – credit impaired lifetime ECL that has been recognised for other receivables in accordance with IFRS 9:

	2019	2018
	US\$'000	US\$'000
Balance as at 1 January	-	-
Adjustment upon application of IFRS 9	-	70
Amount written off	-	(70)
Balance as at 31 December	-	-

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 10 DUE FROM JOINT VENTURES

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Due from joint ventures (Note 5)		
- non-interest bearing - trade	815	-
- non interest bearing - non-trade	345	4,300
- interest bearing - non-trade	<u>2,695</u>	<u>9,216</u>
	<u>3,855</u>	<u>13,516</u>

Amounts due from joint ventures are unsecured and repayable on demand and their carrying value approximate fair value.

In 2019, interest was charged on the amounts due from joint ventures of US\$2,695,000 (2018: \$9,217,000) at 15.0% per annum (2018: 15.0% per annum).

For purpose of impairment assessment, amounts due from joint ventures are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the related parties.

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

11 LOANS TO JOINT VENTURES

	2019 US\$'000	2018 US\$'000
Loans to joint ventures analysed between:		
<u>Assets</u>		
Current assets	2,589	25,483
Provision for losses on joint ventures	(1,552)	(1,680)
	<u>1,037</u>	<u>23,803</u>
Non-current assets	2,627	-
Total	<u>3,664</u>	<u>23,803</u>

- (1) \$2,637,000 (2018: \$2,640,000) of the loans is to a joint venture which relates to payments made for instalments due for a ship under construction in accordance with the terms of ship building contract. The loan is repayable at the end of 3 years from date of the loan extension in 2019. The loan is unsecured and bear interest at rates ranging from 3.60% to 4.34% (2018: 3.14% to 4.34%) per annum during the year. The loan approximates the fair value as the loan is arranged at floating rates.
- (2) \$2,579,000 (2018: \$22,843,000) of loans to a joint venture is unsecured and did not bear interest during the current year (2018: 2% per annum). The loan is expected to be repaid within 12 months from the end of the reporting period. The carrying value of the loans at year end approximates the fair value.

For purpose of impairment assessment, loans to joint ventures have been considered to have a significant increase in the risk of default on the loans since initial recognition because of the volatile economic environment the joint ventures operate in. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at lifetime ECL. In determining the ECL, management has taken into account the provision of losses that arose from the Group's share of losses in joint venture that were in excess of the Group's cost of investment in joint ventures (Note 17) and any additional loss allowance required based on the expected recovery from the loan.

The following table shows the movement in lifetime ECL – credit impaired lifetime ECL that has been recognised for loans to joint venture:

	2019 US\$'000	2018 US\$'000
Balance as at 1 January 2019	1,680	10,667
Loss allowance reversed in profit or loss during the year on changes in credit risk	(128)	(2,540)
Amount written off	-	(6,447)
Balance as at 31 December 2019	<u>1,552</u>	<u>1,680</u>



**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

12 DERIVATIVE FINANCIAL INSTRUMENTS

Bunker swaps - analysed between:

	2019 US\$'000	2018 US\$'000
<u>Assets</u>		
Current assets	173	-
<u>Liabilities</u>		
Current liabilities	-	(867)

The Group has entered into a number of bunker swaps, as follows:

**2019**

Current assets

Derivative instruments in designated hedge accounting relationships:

Settlement periods		Strike price	Quantity	Notional value	Fair value gain
		US\$	MT	US\$'000	US\$'000
March 2020	Rott 0.5% Brg	471.3	600	283	40
January 2020 to February 2020	GO 10ppm	75.7	505	38	22
January 2020 to June 2020	ICE LS GasOil	566.5	2,400	1,360	111
				1,681	173

**2018**

Current liabilities

Derivative instruments in designated hedge accounting relationships:

Settlement periods		Strike price	Quantity	Notional value	Fair value gain
		US\$	MT	US\$'000	US\$'000
January 2019 to February 2019	MOPS380	457.75	1000	458	(135)
January 2019	MOPS380	419.00	350	147	(33)
January 2019	MOPS180	425.25	350	149	(34)
May 2019	MOPS180	403.50	350	141	(31)
September 2019	MOPS180	377.50	350	132	(26)
January 2019 to September 2019	Rott 3.5% Brg	338.50	1,800	609	(101)
January 2019 to September 2019	MOPS180	368.50	3,060	1,128	(164)
January 2019 to September 2019	Rott 3.5% Brg	369.75	1,350	499	(118)
January 2019 to September 2019	MOPS180	403.00	1,350	544	(119)
January 2019 to March 2019	MOPS380	406.00	1,500	609	(106)
				4,416	(867)

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

13 INVENTORIES

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Bunkers and other consumables at cost	12,491	10,841
Ships reclassified from ships, property, plant and equipment as inventories (Note 14) <sup>(a)</sup>	-	-
Sale of ships recognised as inventories <sup>(a)</sup>	15,932 <u>(15,932)</u>	7,321 <u>(7,321)</u>
Included in assets of a disposal group held for sale (Note 40)	<u>(255)</u>	<u>-</u>
	<u>12,236</u>	<u>10,841</u>

<sup>(a)</sup> Ships reclassified from Ships, property, plant and equipment as inventories is reconciled as follows:

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Cost	40,871	15,203
Accumulated depreciation	(11,659)	(3,443)
Impairment	<u>(13,280)</u>	<u>(4,439)</u>
Carrying amount	<u>15,932</u>	<u>7,321</u>

On 2 April 2019 and 23 April 2019, the Group entered into memoranda of agreement with third parties for the sale of a ship at purchase consideration of \$7,800,000 and \$8,875,000 (net consideration of \$7,378,000 and \$8,257,000), respectively. The ships were delivered to third parties on 30 April 2019 and the 28 June 2019.

On 10 October 2018, the Group entered into a memorandum of agreement with third party for the sale of a ship at purchase consideration of \$8,650,000 (net consideration of \$8,313,000). The ship was delivered to third parties on 26 October 2018.

GRINDROD SHIPPING HOLDINGS LTD.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

14 SHIPS, PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings and motor vehicles	Plant and equipment	Ships	Drydocking	Construction in progress	Freehold land and buildings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost:</b>							
<b>Balance at 1 January 2018</b>	<b>5,894</b>	<b>6,205</b>	<b>421,434</b>	<b>13,077</b>	<b>773</b>	<b>307</b>	<b>447,690</b>
Additions	88	280	9,980	5,760	5,611	-	21,719
Disposals	(296)	(1,057)	-	(5,353)	-	-	(6,706)
Acquired on acquisition of subsidiary (Note 41.2)	-	-	10,584	416	-	-	11,000
Reclassification to inventories (Note 13)	-	(57)	(14,160)	(986)	-	-	(15,203)
Effect of foreign currency exchange differences	(666)	-	-	-	-	(44)	(710)
<b>Balance at 31 December 2018</b>	<b>5,020</b>	<b>5,371</b>	<b>427,838</b>	<b>12,914</b>	<b>6,384</b>	<b>263</b>	<b>457,790</b>
Additions	70	24	54,000	2,517	49,590	-	106,201
Disposals	(26)	(593)	(70)	(2,527)	-	-	(3,216)
Reclassification from construction in progress	-	-	54,648	552	(55,200)	-	-
Reclassification to inventories (Note 13)	-	-	(38,847)	(2,024)	-	-	(40,871)
Reclassification to disposal group held for sale (Note 40)	(144)	-	-	-	-	-	(144)
Effect of foreign currency exchange differences	74	-	-	-	-	5	79
<b>Balance at 31 December 2019</b>	<b>4,994</b>	<b>4,802</b>	<b>497,569</b>	<b>11,432</b>	<b>774</b>	<b>268</b>	<b>519,839</b>

GRINDROD SHIPPING HOLDINGS LTD.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

14 SHIPS, PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment, furniture and fittings and motor vehicles	Plant and equipment	Ships	Drydocking	Construction in progress	Freehold land and buildings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Accumulated depreciation:</b>							
<b>Balance at 1 January 2018</b>	<b>5,263</b>	<b>4,448</b>	<b>103,994</b>	<b>6,525</b>	-	-	<b>120,230</b>
Depreciation	179	768	10,520	2,807	-	-	14,274
Disposals	(296)	(1,057)	-	(4,829)	-	-	(6,182)
Reclassification to inventories (Note 13)	-	(57)	(3,203)	(183)	-	-	(3,443)
Effect of foreign currency exchange differences	(598)	-	-	-	-	-	(598)
<b>Balance at 31 December 2018</b>	<b>4,548</b>	<b>4,102</b>	<b>111,311</b>	<b>4,320</b>	-	-	<b>124,281</b>
Depreciation	155	798	13,562	3,169	-	-	17,684
Disposals	(25)	(593)	(70)	(2,008)	-	-	(2,696)
Reclassification to disposal group held for sale (Note 40)	(142)	-	-	-	-	-	(142)
Reclassification to inventories (Note 13)	-	-	(10,785)	(874)	-	-	(11,659)
Effect of foreign currency exchange differences	71	-	-	-	-	-	71
<b>Balance at 31 December 2019</b>	<b>4,607</b>	<b>4,307</b>	<b>114,018</b>	<b>4,607</b>	-	-	<b>127,539</b>

GRINDROD SHIPPING HOLDINGS LTD.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

14 SHIPS, PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment, furniture and fittings and motor vehicles	Plant and equipment	Ships	Dry docking	Construction in progress	Freehold land and buildings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Impairment:</b>							
Balance at 1 January 2018	-	-	85,171	3,387	310	-	88,868
Reclassification to inventories (Note 13)	-	-	(4,439)	-	-	-	(4,439)
Disposal	-	-	-	(522)	-	-	(522)
Balance at 31 December 2018	-	-	80,732	2,865	310	-	83,907
Impairment losses recognized in profit and loss	-	-	14,877	2,118	-	-	16,995
Reclassification to inventories (Note 13)	-	-	(12,130)	(1,150)	-	-	(13,280)
Disposal	-	-	-	(519)	-	-	(519)
Balance at 31 December 2019	-	-	83,479	3,314	310	-	87,103
<b>Carrying Amount:</b>							
At 31 December 2019	387	495	300,072	3,511	464	268	305,197
At 31 December 2018	472	1,269	235,795	5,730	6,074	263	249,602

Certain ships are pledged to secure bank borrowings as disclosed in Note 25.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 15 RIGHT-OF-USE ASSETS

The Group leases several assets including office and residential property, ships and ship equipment which are disclosed as right-of-use assets.

	Office and residential property	Ships	Ship equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost:</b>				
Balance at 1 January 2019 from the recognition of right-of-use assets on initial application of IFRS 16	596	68,588	211	69,395
Additions	2,161	16,946	82	19,189
Cancellation of leases during the year	-	-	(22)	(22)
Reclassification to disposal group held for sale (Note 40)	(35)	-	-	(35)
Effect of foreign currency exchange differences	11	-	-	11
Balance at 31 December 2019	<u>2,733</u>	<u>85,534</u>	<u>271</u>	<u>88,538</u>
<b>Accumulated depreciation:</b>				
Depreciation, representing balance at 31 December 2019	<u>(601)</u>	<u>(30,307)</u>	<u>(142)</u>	<u>(31,050)</u>
<b>Impairment:</b>				
Impairment losses recognized in profit and loss, representing balance at 31 December 2019	<u>-</u>	<u>(2,250)</u>	<u>-</u>	<u>(2,250)</u>
<b>Carrying amount:</b>				
As at 31 December 2019	<u>2,132</u>	<u>52,977</u>	<u>129</u>	<u>55,238</u>

Right-of-use assets are depreciated over the remaining period of the lease. The average lease term is between 1 and 4 years for property, between 1 and 5 years for ships, and between 1 and 3 years for ship equipment.

Depreciation expense of \$30,449,000 for ships and ship equipment are recognised in cost of sales and the depreciation expense of \$601,000 for property is recognised separately in administrative expenses.

The Group has options to purchase certain ships at set prices at certain dates within the contracts.

For the year ended 31 December 2019, the Group recognized expense of \$63,113,000 for short term leases (i.e. a lease period of 12 months or less), US\$73,000 for leases of low value assets and US\$55,952,000 for variable lease payments in connection with pool arrangements not included in the measurement of the lease liability.

Corresponding lease liabilities are disclosed in Note 24.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 16 SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held by the Group	
			2019 %	2018 %
Grindrod Shipping Pte. Ltd.	Ship operating and management	Singapore	100%	100%
Grindrod Shipping (South Africa) Pty Ltd	Ship operating and management	South Africa	100%	100%
<b><i>Held by Grindrod Shipping Pte. Ltd</i></b>				
IVS Bulk Owning Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk Carriers Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 430 Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk 462 Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk 475 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 511 Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk 512 Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk 603 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 609 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 611 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 612 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 707 Pte. Ltd.	Dormant	Singapore	100%	100%
IVS Bulk 3708 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IVS Bulk 3720 Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
IM Shipping Pte. Ltd. <sup>(i)</sup>	Ship Owning and Operating	Singapore	100%	100%
Grindrod Shipping Services UK Limited	To provide shipping and shipping related services	United Kingdom	100%	100%
Unicorn Atlantic Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 16 SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held by the Group	
			2019 %	2018 %
Unicorn Baltic Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
Unicorn Ionia Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
Unicorn Tanker Operations (434) Pte. Ltd.	Dormant	Singapore	100%	100%
Unicorn Ross Pte. Ltd.	Ship Owning and Operating	Singapore	100%	100%
Nyathi Limited	Dormant	Isle of Man	100%	100%
Unicorn Caspian Pte. Ltd.	Dormant	Singapore	100%	100%
Unicorn Marmara Pte. Ltd.	Dormant	Singapore	100%	100%
Unicorn Scotia Pte. Ltd.	Dormant	Singapore	100%	100%
Unicorn Malacca Pte. Ltd.	Dormant	Singapore	100%	100%
Unicorn Bulk Carriers Ltd	Dormant	British Virgin Islands	100%	100%
Unicorn Tankers International Ltd	Dormant	British Virgin Islands	100%	100%
Grindrod Maritime LLC	Ship Owning and Operating	Marshall Islands	100%	100%
Unicorn Sun Pte. Ltd. <sup>(ii)</sup>	Ship Owning and Operating	Singapore	100%	100%
Unicorn Moon Pte. Ltd. <sup>(ii)</sup>	Ship Owning and Operating	Singapore	100%	100%
<b><u>Held by Grindrod Shipping (South Africa) Pty Ltd</u></b>				
Comshipco Schiffahrts Agentur GmbH	Ship agents and operators	Germany	100%	100%
K2019570755 (South Africa) (Pty) Ltd <sup>(iii)</sup>	Dormant	South Africa	100%	-

<sup>(i)</sup> On 6 April 2018, the Group purchased all of the remaining 49% issued shares in the joint venture, IM Shipping Pte. Ltd. ("IM Shipping"). Subsequent to the purchase of these shares, IM Shipping became a wholly-owned subsidiary of the Group (Note 41.2).

<sup>(ii)</sup> These companies are incorporated in 2018.

<sup>(iii)</sup> This company was incorporated in 2019.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 17 INTEREST IN JOINT VENTURES

	2019 US\$'000	2018 US\$'000
Cost of investment in joint ventures	77,974	80,474
Share of post-acquisition loss, net of dividends received	(25,416)	(18,656)
Reclassification to assets classified as held for sale <sup>(b)</sup>	(83)	(7,258)
Carrying amount	<u>52,475</u>	<u>54,560</u>

The Group's share of losses in joint ventures that are in excess of the Group's cost of investment of \$2,106,000 (2018: \$2,445,000) are accounted for as provision for losses on joint ventures (Note 11 and Note 26). Details of the joint ventures are as follows:

Name of joint venture	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held by the Group		Cost of investment in joint ventures	
			2019	2018	2019	2018
Tri-View Shipping Pte. Ltd. <sup>(a)</sup>	Ship owning and operating	Singapore	51%	51%	132	132
Island Bulk Carriers Pte. Ltd. <sup>(a)</sup>	Ship owning and operating	Singapore	65%	65%	*	*
IVS Bulk Pte. Ltd. <sup>(a)</sup>	Ship owning and operating	Singapore	33.5%	33.5%	66,440	66,440
Petrochemical Shipping Limited <sup>(b)</sup>	Dormant	Isle of Man	50%	50%	11,402	13,902
Leopard Tankers Pte. Ltd. <sup>(b)</sup>	Ship owning and operating	Singapore	50%	50%	*	*
					<u>77,974</u>	<u>80,474</u>

\* Amount is less than US\$1,000.

<sup>(a)</sup> The Group has joint control over these entities by virtue of the contractual arrangement with its joint venture partner(s) requiring resolutions on the relevant activities to be passed based on unanimous approval.

<sup>(b)</sup> These joint venture companies are expected to be dissolved in 2020. Accordingly, the carrying amount of the interest in joint ventures have been reclassified to assets classified as held for sale (Note 40).

The above joint ventures are accounted for using the equity method in these consolidated and combined financial statements.

In 2019, the total share of joint venture companies' loss after taxation amounts to \$1,420,000 (2018: \$454,000; 2017: \$12,946,000).

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 17 INTEREST IN JOINT VENTURES (cont'd)

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

##### Tri-View Shipping Pte. Ltd.

	2019	2018
	US\$'000	US\$'000
Current assets	897	2,342
Non-current assets	10,180	11,284
Current liabilities	(805)	(8,040)
Non-current liabilities	(6,300)	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	757	2,143
Current financial liabilities (excluding trade and other payable and provisions)	(726)	(7,995)
Non-current financial liabilities (excluding trade and other payables and provisions)	(6,300)	-

Revenue	2,488	3,029
Gross (loss) profit	(1,290)	1,241
(Loss) profit for the year, representing total comprehensive (loss) profit for the year	(1,615)	920

The above (loss) profit for the year include the following:

Depreciation	(2,102)	-
Interest expense	(307)	(328)
Income tax expense	-	11

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated and combined financial statements:

Net assets of the joint venture	3,972	5,586
Proportion of the Group's ownership interest in the joint venture	51%	51%
Other adjustments	(31)	(31)
Carrying amount of the Group's interest in the joint venture	1,995	2,818

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

17 INTEREST IN JOINT VENTURES (cont'd)

	2019 US\$'000	2018 US\$'000
<b>Island Bulk Carriers Pte. Ltd.</b>		
Current assets	31	1,919
Non-current assets	329	403
Current liabilities	<u>(1,212)</u>	<u>(3,499)</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	5	56
Current financial liabilities (excluding trade and other payables and provisions)	<u>(898)</u>	<u>(2,118)</u>
Revenue	10,499	28,899
Gross profit (loss)	476	(932)
Profit (loss) for the year, representing total comprehensive profit (loss) for the year	<u>325</u>	<u>(1,003)</u>

The above profit (loss) for the year include the following:

Depreciation	<u>(84)</u>	<u>-</u>
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Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated and combined financial statements:

Net liabilities of the joint venture	(852)	(1,177)
Proportion of the Group's ownership interest in the joint venture	65%	65%
Provision for losses on joint venture (Note 26)	<u>554</u>	<u>765</u>
Carrying amount of the Group's interest in the joint venture	<u>-</u>	<u>-</u>

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

17 INTEREST IN JOINT VENTURES (cont'd)

	2019 <u>US\$'000</u>	2018 <u>US\$'000</u>
<b>IVS Bulk Pte. Ltd.</b>		
Current assets	25,941	32,567
Non-current assets	263,670	268,247
Current liabilities	(81,118)	(21,602)
Non-current liabilities	<u>(49,358)</u>	<u>(116,314)</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	25,650	26,232
Current financial liabilities (excluding trade and other payables and provisions)	(78,507)	(20,413)
Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(49,358)</u>	<u>(116,314)</u>
Revenue	40,929	44,567
Gross profit	6,103	10,921
(Loss) profit for the year, representing total comprehensive (loss) profit for the year	<u>(3,764)</u>	<u>1,111</u>

The above (loss) profit for the year include the following:

Depreciation	(14,020)	(12,894)
Interest income	33	24
Interest expense	(9,029)	(9,666)
Income tax expense	<u>(1)</u>	<u>-</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated and combined financial statements:

Net assets of the joint venture	159,135	162,898
Proportion of the Group's ownership interest in the joint venture	33.5%	33.5%
Goodwill	3,575	3,575
Other adjustments	<u>(6,405)</u>	<u>(6,404)</u>
Carrying amount of the Group's interest in the joint venture	<u>50,480</u>	<u>51,742</u>

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

17 INTEREST IN JOINT VENTURES (cont'd)

	2019 US\$'000	2018 US\$'000
<b>Petrochemical Shipping Limited</b>		
Current assets	206	7,083
Non-current assets	-	14,484
Current liabilities	(40)	(7,050)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	203	5,623
Current financial liabilities (excluding trade and other payables and provisions)	(38)	(6,592)
Revenue	15,857	13,755
Gross profit (loss)	456	(604)
Profit (loss) for the year, representing total comprehensive loss for the year	650	(6,872)
Dividend income from the joint venture during the year	5,000	-

The above profit (loss) for the year include the following:

Depreciation	(2)	(957)
Impairment loss	-	(5,725)
Interest income	59	76
Interest expense	(79)	(519)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated and combined financial statements:

Net assets of the joint venture	166	14,517
Proportion of the Group's ownership interest in the joint venture	50%	50%
Reclassification to assets classified as held for sale (Note 40)	(83)	(7,258)
Carrying amount of the Group's interest in the joint venture	-	-

**GRINDROD SHIPPING HOLDINGS LTD.****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

## 17 INTEREST IN JOINT VENTURES (cont'd)

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
<b>Leopard Tankers Pte. Ltd.</b>		
Current assets	2,894	5,095
Non-current assets	-	108,000
Current liabilities	<u>(5,999)</u>	<u>(116,456)</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	2,802	3,899
Current financial liabilities (excluding trade and other payables and provisions)	(5,819)	(115,883)
Revenue	110,002	16,589
Gross profit	874	7,137
Profit for the year, representing total comprehensive income for the year	<u>255</u>	<u>5,079</u>

The above profit for the year include the following:

Depreciation	-	(3)
Interest expense	<u>(458)</u>	<u>(4,765)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated and combined financial statements:

Net liabilities of the joint venture	(3,105)	(3,361)
Proportion of the Group's ownership interest in the joint venture	50%	50%
Provision for losses on joint venture (Note 11)	<u>1,552</u>	<u>1,680</u>
Carrying amount of the Group's interest in the joint venture	<u>-</u>	<u>-</u>

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 18 INTANGIBLE ASSETS

	<u>Total</u> US\$'000
<b>Cost:</b>	
Balance at 1 January 2018	8,402
Disposal	(550)
Effect of foreign currency exchange differences	(1,082)
Balance at 31 December 2018	<u>6,770</u>
Additions	161
Effect of foreign currency exchange differences	126
Balance at 31 December 2019	<u>7,057</u>
<b>Accumulated amortisation:</b>	
Balance at 1 January 2018	4,705
Amortisation	17
Disposal	(550)
Effect of foreign currency exchange differences	(1,079)
Balance at 31 December 2018	<u>3,093</u>
Amortisation	29
Effect of foreign currency exchange differences	122
Balance at 31 December 2019	<u>3,244</u>
<b>Impairment:</b>	
Balance at 1 January 2018, 31 December 2018 and 2019	<u>3,636</u>
<b>Carrying Amount:</b>	
At 31 December 2019	<u>177</u>
At 31 December 2018	<u>41</u>

Intangible assets include club memberships, customer relationships and software and licences. Club memberships are lifetime memberships and are not amortised. Customer relationships arose from the acquisition of business and are amortised over 7 years. Software and licenses arose from the installation of major information systems (including packaged software) and are amortised over 3 years, the period over which the benefit is expected to accrue.

In 2017, an impairment of \$3,636,000 was recognised in respect of the customer relationships based on the value in use calculations. The impairment in 2017 arose from the unfavourable change in market conditions and following which, the management performed a reassessment and the recoverable amount of the customer relationship was less than the carrying amount, resulting in the impairment. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimated pre-tax discount rates to be 15% which they believed reflect the current market assessments of the time value of money and the risks specific to the cash generating units (CGUs). The growth rates were based on industry growth forecasts and are estimated to be 5.5%. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. No impairment allowance was recognised in 2018 and 2019.

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

19 GOODWILL

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Cost:		
Balance at 1 January	16,004	17,985
Disposal	-	-
Reclassification to disposal group held for sale (Note 40)	(12,317)	-
Effect of foreign currency exchange differences	<u>225</u>	<u>(1,981)</u>
At 31 December	<u>3,912</u>	<u>16,004</u>
Accumulated impairment losses:		
Balance at 1 January	8,653	9,566
Impairment	3,179	-
Reclassification to disposal group held for sale (Note 40)	(8,968)	-
Effect of foreign currency exchange differences	<u>104</u>	<u>(913)</u>
Balance at 31 December	<u>2,968</u>	<u>8,653</u>
Carrying amount:		
At 31 December	<u>944</u>	<u>7,351</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the cost of goodwill had been allocated as follows:

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Cost:		
Island Trading and Shipping	3,064	3,064
Unicorn Tankers, a division of Grindrod Shipping (South Africa) Pty Ltd	-	12,097
Parcel Service	244	239
Unicorn Tankers International	<u>604</u>	<u>604</u>
	<u>3,912</u>	<u>16,004</u>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 19 GOODWILL (cont'd)

The following CGUs have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill balance:

##### **Unicorn Tankers, a division of Grindrod Shipping (South Africa) Pty Ltd**

In relation to the goodwill analysis for year ended 31 December 2018, the Group prepared five-year period cash flow forecasts derived from the most recent financial budgets approved by management and the cash flows for the five-year period was extrapolated using an estimated growth rate of 5.5% per annum. This rate did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows was 15%. Based on the value in use calculations, no impairment was required as at 31 December 2018 (2017: \$6,119,000). The impairment at 31 December 2017 arose from the unfavourable change in market conditions and following which, the management performed a reassessment and the recoverable amount of the CGU was less than the carrying amount, resulting in the impairment. As at 31 December 2018, any reasonably possible change to the key assumptions applied was not likely to cause the recoverable amount to be below the carrying amounts of the CGU.

During the year ended 31 December 2019, the Group agreed to dispose the business to a third party (Note 40). Management assessed the fair value less cost to sell to its carrying value of the business and recorded an impairment loss of \$3,179,000. Pursuant to the measurement requirements of IFRS 5, this impairment allowance was allocated to Unicorn Tanker CGU's goodwill where the carrying amount is approximately \$6,528,000.

#### 20 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon, during the current and prior reporting periods:

	2019 US\$'000	2018 US\$'000
Deferred taxation analysed by major category:		
Capital allowances	(54)	(21)
Other timing differences	1,353	1,518
	<u>1,299</u>	<u>1,497</u>
Reconciliation of deferred taxation:		
Opening balance	1,497	1,179
IFRS 9 adjustment	-	20
Adjusted opening balance	<u>1,497</u>	<u>1,199</u>
(Charge) credit to profit or loss for the year (Note 36)	(108)	511
Deferred tax on the actuarial gain	(113)	-
Exchange differences	23	(213)
Closing balance	<u>1,299</u>	<u>1,497</u>

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$1,315,000 (2018: \$956,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unabsorbed tax losses of \$580,000 (2018: \$580,000) available for offset against future non-exempt profits. No deferred tax assets have been recognised on such losses due to the unpredictability of future profit streams.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 21 TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Trade payables	7,776	7,994
Accrued expenses	19,682	13,401
Others	1,588	1,372
Less: included in liabilities of a disposal group held for sale (Note 40)	(498)	-
	<u>28,548</u>	<u>22,767</u>
Non-current trade and other payables	(221)	(403)
Current trade and other payables	<u>28,327</u>	<u>22,364</u>

Trade and other payables are recognised at amortised cost and their carrying value approximates fair value. Charter hire is paid in advance in terms of the charter contracts. The remaining payment terms are predominately 30 days.

The Group's trade and other payables are predominantly non-interest bearing and unsecured.

#### 22 CONTRACT LIABILITIES

Advances received are classified as contract liabilities in accordance with IFRS 15 Revenue from Contracts with Customers. These arise when the customers' make payments in advance and the amounts received exceeds the revenue recognised at the end of the reporting period and it shall be recognised as revenue in the subsequent year.

There were no significant changes in the contract liability balances during the reporting period.

#### 23 DUE TO RELATED PARTIES

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Due to related parties - trade (Note 5)	-	2
Due to related parties - non-trade (Note 5)	-	1
Due to joint ventures - non-trade (Note 5)	4,796	6,235
	<u>4,796</u>	<u>6,238</u>

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

24 LEASE LIABILITIES

	Property	Ships	Ship equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Adjusted balance as at 1 January 2019	592	67,863	211	68,666
Additions	2,161	16,946	82	19,189
Disposal	-	-	(22)	(22)
Interest expense	69	3,365	8	3,442
Lease payments	(665)	(32,538)	(144)	(33,347)
- Principal	(596)	(29,173)	(136)	(29,905)
- Interest	(69)	(3,365)	(8)	(3,442)
Transferred to liabilities of a disposal group held for sale (Note 40)	(38)	-	-	(38)
Effect of foreign currency exchange differences	56	-	-	56
Lease liabilities as at 31 December 2019	<u>2,175</u>	<u>55,636</u>	<u>135</u>	<u>57,946</u>

  

	31 December 2019	Adjusted as at 1 January 2019
	US\$'000	US\$'000
Analysed between:		
Current portion	24,300	26,088
Non-current portion	<u>33,646</u>	<u>42,578</u>
	<u>57,946</u>	<u>68,666</u>

Maturity analysis of lease liabilities is disclosed in Note 4. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

In 2018, the Group entered in a two year charter contract with options to extend the contracts and purchase options in favour of the company for two supramax drybulk vessels. The charters are expected to commence in September 2020 and January 2021 on delivery of the vessels from the shipyard and as a result, a lease liability and right-of-use asset has not been recognised at 31 December 2019. The aggregated future cash outflows to which the Group is exposed in respect of each charter is fixed payments of \$4,453,000 per annum. As the lease is yet to commence, it cannot be determined whether the extension options or the purchase options will be exercised.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 25 BANK LOANS AND OTHER BORROWINGS

	2019 US\$'000	2018 US\$'000
Secured – at amortised cost:		
Bank loans	131,231	114,456
Other borrowings	34,013	-
	<u>165,244</u>	<u>114,456</u>
Analysed between:		
Current portion	20,696	18,323
Non-current portion	144,548	96,133
	<u>165,244</u>	<u>114,456</u>
Interest payable (included in bank loans)	<u>943</u>	<u>886</u>
Non-current bank loans and other borrowings are estimated to be payable as follows:		
Within 2 to 5 years	<u>144,548</u>	<u>96,133</u>
	<u>144,548</u>	<u>96,133</u>

#### Bank loans

##### i. \$100.0 million senior secured credit facility

The facility bears interest at London Interbank Offered Rate (“LIBOR”) plus 2.95% per annum and is made up of two tranches. Tranche A and B are repayable quarterly commencing 16 August 2018 and mature on 15 May 2022 and 15 May 2023 respectively, with the option to extend for a further two years. Facility fees of \$1,750,000 were payable to the lender upon signing the new loan agreement. These were recorded as transaction costs to the loan account to the extent the loan was drawn down. As at 31 December 2019, the outstanding balance in relation to this facility is \$49,088,000, net of \$1,180,000 facility fees (2018: \$87,741,000, net of \$1,530,000 facility fees).

##### ii. \$27.0 million senior secured credit facility

The facility bears interest at LIBOR plus 2.65% per annum, was fully drawn down in 2016 and is repayable quarterly, commencing 11 April 2017 and matures on January 11, 2021, with the option to extend for a further two years. As at 31 December 2019, the outstanding balance in relation to this facility is \$19,067,000 (2018: \$21,027,000).

##### iii. \$6.3 million senior secured credit facility

The facility bears interest at LIBOR plus 2% per annum and is repayable quarterly, commencing on 6 September 2018 and matures on 6 June 2023. Facility fees of \$32,000 were payable to the lender upon signing the new loan agreement. These were recorded as transaction costs to the loan account to the extent the loan was drawn down. As at 31 December 2019, the outstanding balance in relation to this facility is \$4,421,000, net of \$22,000 facility fees (2018: \$5,688,000, net of \$28,000 facility fees).

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 25 BANK LOANS AND OTHER BORROWINGS (cont'd)

iv. \$29.9 million senior secured credit facility

The facility bears interest at LIBOR plus 3.2% per annum and is repayable quarterly, commencing on 24 April 2019 and matures on 21 December 2023. Facility fees of \$373,000 were payable to the lender upon drawdown of the loan agreement. These were recorded as transaction costs to the loan account to the extent the loan was drawn down. As at 31 December 2019, the outstanding balance in relation to this facility is \$27,776,000, net of \$304,000 facility fees.

v. Combined \$31.4 million senior secured credit facility

On 29 July 2019, the Group entered into two term facilities, each for an amount up to \$15,720,000 to finance the acquisition of two supramax newbuildings. The facilities bear interest at LIBOR plus 2% per annum and is repayable quarterly, commencing on 5 November 2019 and 20 December 2019 and matures on 5 August 2026 and 24 September 2026. Facility fees of \$78,600 were payable to the lender upon drawdown of each loan agreement. These were recorded as transaction costs to the loan account to the extent the loan was drawn down. As at 31 December 2019, the outstanding balances in relation to these facilities are \$30,879,000, net of \$149,000 facility fees.

The bank loans are secured on cash and certain ships owned by the Group. The cash pledged and the carrying value of the ships under security charge as at 31 December 2019 is \$12,778,000 (2018: \$13,765,000) and \$265,874,000 (2018: \$242,445,000) respectively. In addition, there are charges over the relevant subsidiaries' earnings, insurances, charter and charter guarantees and any requisition compensation. Certain of the bank loans are guaranteed by Grindrod Shipping Pte. Ltd. and/or Grindrod Shipping Holdings Ltd.

The bank loans are arranged at LIBOR plus the respective margins. These bear a weighted average effective interest rate of 5.09% (2018: 5.30%) per annum.

At 31 December 2019, the Group had no available undrawn committed borrowing facilities (2018: \$0) which are subjected to the Group meeting all conditions precedent to drawdown.

These bank loan facilities contain financial covenants where the most stringent of which require the Group to maintain the following:

- book value net worth of the lower of (a) the aggregate of \$240 million plus 25% of the amount of positive retained earnings plus 50% of each capital raise and (b) \$275 million (2018: \$250 million);
- cash and cash equivalent (including restricted cash held in the debt service reserve account) of not less than \$30 million (2018: \$30 million);
- a ratio of debt to market adjusted tangible fixed assets of not more than 75% (2018: 75%) and
- positive working capital, such that consolidated current assets must exceed the consolidated current liabilities.

The Group was in compliance with its financial covenants as of 31 December 2019 and 31 December 2018. Subsequent to year end, there were amendments made to certain financial covenants. Please see Note 45 (c) for details.

#### Other borrowings

Other borrowings relate to \$35,750,000 in financing arrangements entered into with third parties with respect to three of the vessels in the Group we regard as owned. The arrangements commenced on 26 June 2019, 20 September 2019 and 20 November 2019, respectively, are payable monthly in advance and bear interest at 3 month LIBOR plus 1.7% per annum. The loans mature on 26 May 2030, 20 August 2031 and 20 October 2031. As at 31 December 2019, the outstanding balances in relation to these borrowings is \$34,013,000. The carrying value of the ships under security charge as at 31 December 2019 is \$37,980,000

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 26 PROVISIONS

	2019 US\$'000	2018 US\$'000
Provision for losses on investment in joint ventures <sup>(i)</sup>	554	765
Provision for onerous contracts <sup>(ii)</sup>	405	813
	<u>959</u>	<u>1,578</u>

(i) The joint venture, Island Bulk Carriers, generated profits during 2019 and the Group has reversed provisions of \$211,000 representing the reduction of the Group's share of the joint venture losses.

(ii) Provision for onerous contracts represents the present value of the future charter payments of short-term leases that the Group is presently obligated to make under non-cancellable onerous operating charter agreements and contracts of affreightment, less charter revenue expected to be earned on the charter. The estimate may vary as a result of changes to ship running costs and charter and freight revenue. Except for short-term onerous contracts when the effect of discounting is immaterial, the rate used to discount the future charter payments is 7.61% (2018: 8.33%).

Analysis of provision for onerous contracts:

Balance at 1 January	813	1,270
Released to profit or loss	(408)	(457)
Balance at 31 December	<u>405</u>	<u>813</u>

#### 27 RETIREMENT BENEFIT OBLIGATION

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

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

During November 2019, a valuation was performed by Alexander Forbes. Apart from paying costs of entitlement, the Group is not liable to pay additional contributions in the case the fund does not hold sufficient assets. In that case, the fund would take other measures to restore solvency.

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

27 RETIREMENT BENEFIT OBLIGATION (cont'd)

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

	2019 US\$'000	2018 US\$'000
Recognised liability at beginning of the year	1,922	2,180
Recognised in profit or loss in the current year	183	55
Interest on obligation	183	206
Other	-	(151)
Recognised in other comprehensive income in the current year		
Actuarial gains	(70)	(8)
Translation	34	(305)
Employer payments	(147)	-
Present value of unfunded obligation recognised as a liability at end of year	1,922	1,922
The principal actuarial assumptions applied in the determination of fair values include:		
Health care cost inflation rate (p.a.)	7.6%	8.2%
Discount rate (p.a.)	10.0%	9.9%
Continuation at retirement	75.0%	75.0%

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

	2019 Increase (Decrease)	2018 Increase (Decrease)
Aggregate of the current service cost and interest cost	10.4% (8.9%)	10.4% (8.9%)
Accrued liability at year-end	9.9% (8.6%)	9.9% (8.6%)

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year. The average duration of the benefit obligation as at 31 December 2019 is 11 years (2018: 11 years and 2017: 12 years).

	2019 US\$'000	2018 US\$'000
Present value of unfunded obligations	1,922	1,922
Present value of obligations in excess of plan assets	1,922	1,922

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

28 SHARE CAPITAL

	Number of shares	Share capital US\$'000
Issued and paid up:		
On 2 November 2017 (date of incorporation) and at 31 December 2017	1	*
Issue of ordinary shares in connection with the Spin-Off (Note 1)	<u>19,063,832</u>	<u>320,683</u>
At 31 December 2018 and 2019	<u>19,063,833</u>	<u>320,683</u>

\* Amount is less than US\$1,000.

Except for treasury shares, fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the company.

29 OTHER EQUITY AND RESERVES

	2019 US\$'000	2018 US\$'000
Treasury shares	(1,993)	-
Share compensation reserve	4,520	1,364
Hedging reserve	173	(867)
Translation reserve	(2,522)	(3,283)
Merger reserve	<u>(18,354)</u>	<u>(18,354)</u>
	<u>(18,176)</u>	<u>(21,140)</u>

*Treasury shares*

	Number of shares	Treasury Share US\$'000
Balance at 1 January 2018 and 2019	-	-
Acquisition of shares	<u>299,641</u>	<u>1,993</u>
Balance at 31 December 2019	<u>299,641</u>	<u>1,993</u>

On May 29, 2019, shareholders granted the board of directors' with the authority to repurchase shares of the company. The repurchase authority expires at the next Annual General Meeting, unless renewed, and may be suspended or terminated by the company at any time without prior notice. The company has acquired ordinary shares in the open market on NASDAQ and the JSE over the period from the end of the second fiscal quarter through to end of the year. These shares may be re-issued, including for the purpose of issuing shares under the Group's forfeitable share plan. See share compensation reserve for further information. Shares issued out of treasury shares are accounted for on a first in first out basis.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 29 OTHER EQUITY AND RESERVES (Cont'd)

##### *Share compensation reserve*

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Balance at 1 January	1,364	-
Share-based payments expenses	<u>3,156</u>	<u>1,364</u>
Balance at 31 December	<u>4,520</u>	<u>1,364</u>

The Group operates the 2018 FSP, in which certain employees of the company and its subsidiaries participate. On 31 July 2018, the Group granted the participating employees entitlements to be settled with a specified number of ordinary shares in the company ('Awards') which shares will be allotted and issued in 3 equal tranches over a period of 3 years commencing on 1 March 2020. This is subject to the condition that the participating employee remains employed during the vesting period relevant to each tranche.

A participant has no ownership rights (such as rights to dividends and voting) in the ordinary shares subject to the Award until such right has vested and the ordinary shares have been registered in the participant's name. The Award is subject to the risk of forfeiture until the vesting date should the participating employee no longer be employed for the period ending on the vesting date. However, the participating employee may be settled with all or a portion of the Award as determined by the rules of the 2018 FSP depending on the reasons for termination of his employment prior to the vesting date, and, in the case of retirement or termination for a reason not specifically set out in the 2018 FSP prior to the vesting date, subject to the discretion of the Compensation and Nomination Committee. The vesting of the ordinary shares is not subject to any performance-related conditions. The Group may utilise treasury shares or issue new ordinary shares when settling shares upon a participating employee. The employee is not required to make any payment for the ordinary shares settled upon him or her but is liable for taxation thereon.

At any time, the aggregate number of ordinary shares of the company may be granted under Awards that have not vested shall not exceed 5% of the ordinary shares in issue (excluding treasury shares) on the day preceding the Award. The 2018 FSP was adopted on 4 May 2018. On the date of adoption of the 2018 FSP, the company's issued share capital comprised 1 ordinary share and accordingly no Awards could be granted thereunder. On 18 June 2018 the company's share capital increased from 1 ordinary share to 19,063,833 ordinary shares, and from the following day the maximum number of ordinary shares that could have been granted was 953,191. Since 18 June 2018 there has been no change to the company's share capital and as accordingly at 31 December 2019, the issued share capital of the company comprised 19,063,833 ordinary shares. As at 31 December 2019, 728,000 ordinary shares were subject to Awards that had not been forfeited or vested and the maximum number of ordinary shares in respect of which further Awards could have been granted under the 2018 FSP was 210,209.

Details of the share awards outstanding during the year are as follows:

	Number of share awards	Fair value at grant date
Granted during 2018, representing outstanding at 31 December 2018	743,000	US\$10.18
Forfeited during the year	<u>(15,000)</u>	<u>US\$10.18</u>
Outstanding at 31 December 2019	<u>728,000</u>	<u>US\$10.18</u>

The fair value at grant date is determined based on the share price on the date of the grant. The Group recognised total expenses during the year of \$3,156,000 relating to the 2018 FSP (2018: \$2,294,000 of which, \$1,364,000 relates to the 2018 FSP and \$933,000 relates to forfeitable share plan previously operated by Grindrod Limited).

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 29 OTHER EQUITY AND RESERVES (Cont'd)

##### *Hedging reserve*

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in OCI and accumulated in hedging reserve is reclassified to profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

##### *Translation reserve*

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into United States dollars are brought to account by recognising those exchange differences in OCI and accumulating them in a separate component of equity under the header of translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are also recognised in OCI and accumulated in a separate component of equity under the header of translation reserve.

##### *Merger reserve*

This represents the residual differences between the 'Parent invested capital' and the Company's 'share capital' as a result of the Spin-off (Note 2.2).

#### 30 REVENUE

A disaggregation of the Group's revenue for the year based on timing of revenue recognition is as follows:

	<u>2019</u> US\$'000	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Over time:			
Charter hire	129,761	135,027	128,355
Freight revenue	<u>178,750</u>	<u>168,828</u>	<u>257,614</u>
Vessel revenue	<u>308,511</u>	<u>303,855</u>	<u>385,969</u>
Management fees	5,105	5,676	5,252
Miscellaneous	<u>884</u>	<u>820</u>	<u>574</u>
Other	<u>5,989</u>	<u>6,496</u>	<u>5,826</u>
At a point in time:			
Sale of ships	15,986	8,477	17,155
Sale of bunkers and other consumables	<u>560</u>	<u>190</u>	<u>572</u>
Ship sales	<u>16,546</u>	<u>8,667</u>	<u>17,727</u>
	<u><u>331,046</u></u>	<u><u>319,018</u></u>	<u><u>409,522</u></u>

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next reporting period. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 31 SEGMENT INFORMATION

The information reported to the Group's chief operating decision maker, who are directors of the Group, for the purpose of resource allocation and assessment of segment performance is provided based on the six operating segments within the two businesses of the Group, which are also reportable segments of the Group:

- a. In the drybulk carrier business, the Group operates a diversified fleet of owned, long-term chartered and joint-venture dry-bulk vessels across the world. The Group operates this business with a focus on the categories of vessels – namely Handysize and Supramax, with all other businesses within this business categorized as Others. Accordingly, the reportable segments of the drybulk business are: Handysize; Supramax and Others.
- b. In the tanker business, the Group operates a diversified fleet of owned, long-term chartered and joint-venture liquid-bulk vessels across the world. The Group operates this business with a focus on the categories of vessels – namely MR Tankers and Small Tankers, with all other businesses within this business categorized as Others. Accordingly, the reportable segments of the tanker business are: MR Tankers; Small Tankers and Others.

The reportable segments of the Group have been identified on a primary basis by the business segment which is representative of the internal reporting used for management purposes, including the chief operating decision maker, as well as the source and nature of business risks and returns.

Joint-ventures financial information are included within the segment information on a proportionate consolidation basis as the Group's chief operating decision maker reviews them together with the entities of the Group. Accordingly, joint-ventures' proportionate financial information are adjusted out to reconcile to the consolidated and combined financial statements in the 'Adjustments' column.

Segment profit (i.e. Gross profit (loss) ) represents the profit earned by each segment without allocation of central administration costs and directors' salaries. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Group activities that do not relate to the above two segments are accumulated in the 'Unallocated' segment financial information. Revenue reported in the segments represents revenue generated from external customers. There were no inter-segment sales in 2019, 2018 and 2017.

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets at the consolidated and combined Group level.

It is not practical to report revenue or non-current assets on a geographical basis due to the international nature of the shipping market.

For the years ended December 31, 2019, 2018 and 2017 no customers accounted for 10% or more of the Group's drybulk business revenue. For the year ended December 31, 2019, five customers accounted for 10% or more of the Group's tankers business revenue in amounts of approximately \$21.2 million, \$15.5 million, \$8.5 million, \$7.9 million and \$7.4 million. For the year ended December 31, 2018, three customers accounted for 10% or more of the Group's tankers business revenue in amounts of approximately \$17.3 million, \$14.3 million and \$6.3 million and for the year ended December 31, 2017, four customers accounted for 10% or more of tankers business revenue, in the amounts of approximately \$17.8 million, \$15.7 million, \$10.9 million and \$8.9 million. Each of the foregoing with respect to the drybulk carrier business and tankers business has been calculated excluding revenue attributable to the OACL and Unicorn Bunker businesses, respectively, which were sold in the first quarter of 2018.

The accounting policies of the segments are the same as the Group's accounting policies as described in Note 2.

The following is an analysis of the Group's revenue, results and additions and impairments to non-current assets by segment:

GRINDROD SHIPPING HOLDINGS LTD.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

31 SEGMENT INFORMATION (cont'd)

	Drybulk Carrier Business				Tanker Business			Unallocated		Consolidated		
	Handysize	Supramax	Others	Total	MR Tanker	Small Tanker	Others	Total	Total	Total	Adjustments	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Vessel revenue	102,805	153,937	-	256,742	37,813	13,419	5,182	56,414	-	313,156	(4,645)	308,511
Ship sale revenue	8,067	-	-	8,067	7,352	8,480	-	15,832	-	23,899	(7,353)	16,546
Other	1,360	1,218	1,058	3,636	-	-	924	924	-	4,560	1,429	5,989
<b>Total revenue</b>	<b>112,232</b>	<b>155,155</b>	<b>1,058</b>	<b>268,445</b>	<b>45,165</b>	<b>21,899</b>	<b>6,106</b>	<b>73,170</b>	-	<b>341,615</b>	<b>(10,569)</b>	<b>331,046</b>
Voyage expenses	(53,449)	(74,286)	(22)	(127,757)	(5,502)	(2,497)	-	(7,999)	-	(135,756)	(13,688)	(149,444)
Vessel operating costs	(23,632)	(4,436)	1,483	(26,585)	(10,194)	(5,743)	864	(15,073)	-	(41,658)	7,769	(33,889)
Charter hire costs	(15,162)	(41,393)	-	(56,555)	(5,581)	-	-	(5,581)	-	(62,136)	468	(61,668)
Depreciation of ships, drydocking and plant and equipment— owned assets	(10,585)	(3,596)	-	(14,181)	(5,305)	(1,489)	(2,269)	(9,063)	-	(23,244)	5,715	(17,529)
Depreciation of ships and ship equipment – right-of-use assets	(114)	(24,945)	-	(25,059)	(5,420)	(25)	-	(5,445)	-	(30,504)	55	(30,449)
Cost of ship sale	(8,280)	-	-	(8,280)	(7,757)	(8,564)	-	(16,321)	-	(24,601)	7,757	(16,844)
Other	(232)	(15)	-	(247)	(139)	(444)	(2)	(585)	-	(832)	135	(697)
<b>Costs of sales</b>	<b>(111,454)</b>	<b>(148,671)</b>	<b>1,461</b>	<b>(258,664)</b>	<b>(39,898)</b>	<b>(18,762)</b>	<b>(1,407)</b>	<b>(60,067)</b>	-	<b>(318,731)</b>	<b>8,211</b>	<b>(310,520)</b>
<b>Gross profit</b>	<b>778</b>	<b>6,484</b>	<b>2,519</b>	<b>9,781</b>	<b>5,267</b>	<b>3,137</b>	<b>4,699</b>	<b>13,103</b>	-	<b>22,884</b>	<b>(2,358)</b>	<b>20,526</b>
<b>Operating (loss) profit</b>	<b>(11,354)</b>	<b>(4,910)</b>	<b>94</b>	<b>(16,170)</b>	<b>(7,459)</b>	<b>(5,774)</b>	<b>2,202</b>	<b>(11,031)</b>	<b>(2,255)</b>	<b>(29,456)</b>	<b>(1,989)</b>	<b>(31,445)</b>
Interest income	659	666	-	1,325	368	180	37	585	-	1,910	69	1,979
Interest expense	(4,850)	(5,257)	-	(10,107)	(3,214)	(893)	(1,042)	(5,149)	-	(15,256)	3,340	(11,916)
Share of losses of joint ventures	-	-	-	-	-	-	-	-	-	-	(1,420)	(1,420)
Taxation	(95)	(99)	-	(194)	(215)	(296)	20	(491)	-	(685)	-	(685)
(Loss) profit for the year	(15,640)	(9,600)	94	(25,146)	(10,520)	(6,783)	1,217	(16,086)	(2,255)	(43,487)	-	(43,487)
Impairment loss on owned ships	2,905	-	-	2,905	8,124	5,966	-	14,090	-	16,995	-	16,995
Impairment loss on right-of-use assets	-	2,250	-	2,250	-	-	-	-	-	2,250	-	2,250
Impairment loss on goodwill and intangible assets	-	-	-	-	1,589	1,590	-	3,179	-	3,179	-	3,179
Capital expenditure	3,065	50,008	31	53,104	54,000	605	57	54,662	-	107,766	(1,565)	106,201

## GRINDROD SHIPPING HOLDINGS LTD.

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

## 31 SEGMENT INFORMATION (cont'd)

	Drybulk Carrier Business				Tanker Business			Unallocated		Consolidated		
	Handysize	Supramax	Others	Total	MR Tanker	Small Tanker	Others	Total	Total	Total	Adjustments	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Vessel revenue	116,372	146,097	1,218	263,687	37,911	17,395	5,183	60,489	-	324,176	(20,321)	303,855
Ship sale revenue	8,667	-	-	8,667	-	3,780	-	3,780	-	12,447	(3,780)	8,667
Other	1,670	1,225	1,060	3,955	-	-	1,133	1,133	-	5,088	1,408	6,496
<b>Total revenue</b>	<b>126,709</b>	<b>147,322</b>	<b>2,278</b>	<b>276,309</b>	<b>37,911</b>	<b>21,175</b>	<b>6,316</b>	<b>65,402</b>	-	341,711	(22,693)	319,018
Voyage expenses	(57,707)	(71,087)	41	(128,753)	(7,966)	(3,463)	-	(11,429)	-	(140,182)	(11,523)	(151,705)
Vessel operating costs	(26,514)	(3,405)	1,670	(28,249)	(11,313)	(8,960)	1,036	(19,237)	-	(47,486)	14,829	(32,657)
Charter hire costs	(16,091)	(69,428)	(1,468)	(86,987)	(16,090)	-	-	(16,090)	-	(103,077)	2,429	(100,648)
Depreciation of ships, drydocking and plant and equipment— owned assets	(9,016)	(2,716)	-	(11,732)	(3,157)	(1,738)	(2,268)	(7,163)	-	(18,895)	4,801	(14,094)
Cost of ship sale	(7,676)	-	-	(7,676)	-	(3,784)	-	(3,784)	-	(11,460)	3,785	(7,675)
Other	(550)	24	859	333	(1,269)	(697)	(2)	(1,968)	-	(1,635)	489	(1,146)
<b>Costs of sales</b>	<b>(117,554)</b>	<b>(146,612)</b>	<b>1,102</b>	<b>(263,064)</b>	<b>(39,795)</b>	<b>(18,642)</b>	<b>(1,234)</b>	<b>(59,671)</b>	-	(322,735)	14,810	(307,925)
<b>Gross profit (loss)</b>	<b>9,155</b>	<b>710</b>	<b>3,380</b>	<b>13,245</b>	<b>(1,884)</b>	<b>2,533</b>	<b>5,082</b>	<b>5,731</b>	-	18,976	(7,883)	11,093
<b>Operating (loss) profit</b>	1,758	(5,993)	271	(3,964)	(7,368)	(922)	8,075	(215)	(6,195)	(10,374)	(4,110)	(14,484)
Interest income	1,196	1,190	2	2,388	536	258	42	836	-	3,224	563	3,787
Interest expense	(4,985)	(1,764)	-	(6,749)	(3,249)	(921)	(1,104)	(5,274)	-	(12,023)	5,506	(6,517)
Share of losses of joint ventures	-	-	-	-	-	-	-	-	-	-	(454)	(454)
Impairment loss recognised on financial assets	(16)	(8)	-	(24)	(37)	(21)	(3)	(61)	-	(85)	(1,498)	(1,583)
Taxation	113	(131)	(1)	(19)	158	262	(1,785)	(1,365)	-	(1,384)	(5)	(1,389)
(Loss) profit for the year	(1,934)	(6,706)	272	(8,368)	(9,960)	(1,344)	5,225	(6,079)	(6,195)	(20,642)	2	(20,640)
Impairment loss on ships	-	-	-	-	1,262	1,600	-	2,862	-	2,862	(2,862)	-
Capital expenditure	26,690	6,629	307	33,626	-	815	54	869	-	34,495	(1,776)	32,719

## GRINDROD SHIPPING HOLDINGS LTD.

## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

## 31 SEGMENT INFORMATION (cont'd)

	Drybulk Carrier Business				Tanker Business			Unallocated		Combined		
	Handysize	Supramax	Others	Total	MR Tanker	Small Tanker	Others	Total	Total	Total	Adjustments	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Vessel revenue	118,262	156,517	56,644	331,423	42,561	22,740	14,186	79,487	-	410,910	(24,941)	385,969
Ship sale revenue	6,830	-	-	6,830	10,897	-	-	10,897	-	17,727	-	17,727
Other	1,639	911	1,068	3,618	(151)	-	958	807	-	4,425	1,401	5,826
<b>Total revenue</b>	<b>126,731</b>	<b>157,428</b>	<b>57,712</b>	<b>341,871</b>	<b>53,307</b>	<b>22,740</b>	<b>15,144</b>	<b>91,191</b>	-	<b>433,062</b>	<b>(23,540)</b>	<b>409,522</b>
Voyage expenses	(59,004)	(76,497)	(11,574)	(147,075)	(7,555)	(3,725)	-	(11,280)	-	(158,355)	(8,569)	(166,924)
Vessel operating costs	(26,546)	(3,302)	(1,020)	(30,868)	(13,267)	(9,488)	(3,072)	(25,827)	-	(56,695)	15,858	(40,837)
Charter hire costs	(22,773)	(73,336)	(14,054)	(110,163)	(16,257)	(2,148)	-	(18,405)	-	(128,568)	820	(127,748)
Depreciation of ships, drydocking and plant and equipment- owned assets	(10,642)	(2,648)	(4)	(13,294)	(6,476)	(2,324)	(4,073)	(12,873)	-	(26,167)	8,192	(17,975)
Cost of ship sale	(5,339)	-	-	(5,339)	(12,221)	-	-	(12,221)	-	(17,560)	-	(17,560)
Other	341	(124)	(14,957)	(14,740)	(756)	(864)	(278)	(1,898)	-	(16,638)	274	(16,364)
<b>Costs of sales</b>	<b>(123,963)</b>	<b>(155,907)</b>	<b>(41,609)</b>	<b>(321,479)</b>	<b>(56,532)</b>	<b>(18,549)</b>	<b>(7,423)</b>	<b>(82,504)</b>	-	<b>(403,983)</b>	<b>16,575</b>	<b>(387,408)</b>
<b>Gross profit (loss)</b>	<b>2,768</b>	<b>1,521</b>	<b>16,103</b>	<b>20,392</b>	<b>(3,225)</b>	<b>4,191</b>	<b>7,721</b>	<b>8,687</b>	-	<b>29,079</b>	<b>(6,965)</b>	<b>22,114</b>
<b>Operating (loss) profit</b>	<b>(20,039)</b>	<b>(3,109)</b>	<b>15,948</b>	<b>(7,200)</b>	<b>(22,203)</b>	<b>(9,372)</b>	<b>6,724</b>	<b>(24,851)</b>	<b>(4,481)</b>	<b>(36,532)</b>	<b>(8,724)</b>	<b>(45,256)</b>
Interest income	2,052	2,048	1,562	5,662	320	215	376	911	-	6,573	591	7,164
Interest expense	(5,158)	(2,218)	(53)	(7,429)	(2,583)	(600)	(1,361)	(4,544)	-	(11,973)	5,425	(6,548)
Share of losses of joint ventures	-	-	-	-	-	-	-	-	-	-	(12,946)	(12,946)
Taxation	(250)	(240)	(2,410)	(2,900)	316	510	(1,693)	(867)	-	(3,767)	541	(3,226)
(Loss) profit for the year	(23,395)	(3,519)	15,047	(11,867)	(24,150)	(9,247)	4,046	(29,351)	(4,481)	(45,699)	(15,113)	(60,812)
Impairment loss on net assets of disposal group	-	-	5,092	5,092	-	-	-	-	-	5,092	-	5,092
Impairment loss on goodwill and intangible assets	-	-	-	-	3,902	5,853	-	9,755	2,364	12,119	-	12,119
Impairment loss on ships	14,174	-	-	14,174	13,149	4,857	-	18,006	-	32,180	(15,677)	16,503
Capital expenditure	4,148	4,574	1,172	9,894	2,287	20	985	3,292	-	13,186	(6,756)	6,430

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

32 OTHER OPERATING (EXPENSE) INCOME

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Impairment loss on ships (Note 14)	(16,995)	-	(16,503)
Impairment loss on right-of-use ships (Note 15)	(2,250)	-	-
Impairment loss on goodwill and intangibles	(3,179)	-	(12,119)
Impairment loss on assets of disposal group (Note 40)	-	-	(5,092)
Foreign exchange (loss) gain	(330)	4,261	(507)
Gain on deemed disposal of previously held joint venture interest	-	213	-
Gain on disposal of business	-	3,255	-
Other operating (expense) income	(805)	(1,707)	(281)
	<u>(23,559)</u>	<u>6,022</u>	<u>(34,502)</u>

33 INTEREST INCOME

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Interest on loans to joint ventures (Note 5)	983	2,573	4,346
Guarantee fees from related parties (Note 5)	-	-	325
Bank interests	996	1,214	1,294
Other interests	-	-	1,199
	<u>1,979</u>	<u>3,787</u>	<u>7,164</u>

34 INTEREST EXPENSE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Interest on bank loans	7,832	6,139	5,300
Interest on loans from related parties (Note 5)	-	-	629
Amortisation of upfront fees on bank loans	448	220	-
Guarantee fees to related parties (Note 5)	-	54	451
Other finance cost	194	104	168
Interest on lease liabilities	3,442	-	-
	<u>11,916</u>	<u>6,517</u>	<u>6,548</u>

**GRINDROD SHIPPING HOLDINGS LTD.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

35 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Depreciation of ships, drydocking and plant and equipment (Note 14)	17,529	14,095	17,975
Depreciation of other property, plant and equipment *	155	179	797
Amortisation of intangible assets *	29	17	908
Total depreciation and amortisation – owned assets	<u>17,713</u>	<u>14,291</u>	<u>19,680</u>
Depreciation of ships and ship equipment – right-of-use assets	30,449	-	-
Depreciation of property – right-of-use assets *	601	-	-
Total depreciation and amortisation – right-of-use assets	<u>31,050</u>	<u>-</u>	<u>-</u>
Total depreciation and amortisation	<u>48,763</u>	<u>14,291</u>	<u>19,680</u>
Impairment loss net of reversals recognised on financial assets	-	1,583	18
Net gain on disposal of businesses	-	(3,255)	-
Gain on deemed disposal of previously held joint venture interest	-	(213)	-
Cost of inventories recognised as expense (included in voyage expenses)	51,327	43,119	55,347
Expense recognised in respect of equity-settled share-based payments	3,156	2,297	472
Employee benefits expenses (including directors' remuneration and share based payments)	19,336	20,283	19,349
Cost of defined benefit plan and defined contribution plans included in employee benefits expenses	<u>1,245</u>	<u>1,381</u>	<u>1,350</u>

\* Included in administrative expenses



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 36 INCOME TAX

In December 2004, Grindrod Shipping Pte. Ltd. was granted incentives under the Approved International Shipping Enterprise Incentive (“AIS”) Scheme, with effect from 10 June 2004. The incentives to the company were extended in October 2014, with effect from 10 June 2014. As such, the shipping profits of Grindrod Shipping Pte. Ltd. are exempted from income tax under Section 13F of the Singapore Income Tax Act. The shipping profits of the subsidiaries incorporated in Singapore are exempted from income tax under Section 13A of the Singapore Income Tax Act.

The tax rate used for the 2019, 2018 and 2017 reconciliations below is the corporate tax rate of 17% payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction. The corporate taxation rates payable by the South African entities in terms of the tax law in South Africa is 28% (2018: 28% and 2017: 28%).

	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Current tax			
In respect of the current year	569	467	3,694
Capital gains taxation	-	1,797	-
In respect of prior years	8	(364)	15
	<u>577</u>	<u>1,900</u>	<u>3,709</u>
Deferred tax			
In respect of the current year	108	(505)	(421)
In respect of prior years	-	(6)	(62)
	<u>108</u>	<u>(511)</u>	<u>(483)</u>
	<u>685</u>	<u>1,389</u>	<u>3,226</u>

The total charge for the year can be reconciled to the accounting loss as follows:

	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Loss before tax	<u>(42,802)</u>	<u>(19,251)</u>	<u>(57,586)</u>
Income tax benefit calculated at corporate rate	(7,264)	(3,273)	(9,790)
Adjusted for:			
Effect of income that is exempted from tax	-	1,619	-
Effect of expenses that are not deductible in determining taxable profit	13,469	2,057	9,632
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,118)	(107)	(851)
Effect of income not taxable in determining taxable profit	(4,409)	-	-
Effect of tax losses disallowed to be brought forward	-	1,494	4,277
(Over) under provision of tax in prior year	7	(128)	(47)
Effect of different tax rate applied for capital gains	-	(273)	-
Withholding tax	-	-	5
	<u>685</u>	<u>1,389</u>	<u>3,226</u>

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 37 DIVIDENDS

On 31 March 2017, an interim dividend of \$334.60 per share, amounting to \$1,674,000 was declared and paid from Grindrod Shipping (South Africa) Pty Ltd to the ultimate holding company at that time, Grindrod Limited.

#### 38 CONTINGENT LIABILITIES

(a) Guarantee from the Group for a joint venture loan from a financial institution:

Tri-View Shipping Pte. Ltd. (“TVS”), entered into a facility agreement with TVS’ related party, Mitsui & Co. Financial Services (Asia) Ltd (“Lender”) on 15 August 2019 for a credit facility of \$2,069,000.

Mitsui & Co., Ltd (“Mitsui”), the joint venture partner holding 49% of the shares in TVS, provided a guarantee to the Lender for 100% of the loan amount (“Mitsui’s Guarantee”). In consideration of Mitsui providing Mitsui’s Guarantee, a guarantee facility agreement between Mitsui and the Group was signed on 15 August 2019. The Group shall provide a guarantee fee to Mitsui for 51% of any amounts to be paid by Mitsui under the Mitsui Guarantee.

At 31 December 2019, the outstanding amount relating to the above loan facility was \$1,841,000 (2018: \$2,819,000 and 2017: \$4,099,000).

(b) Financial support from the Group to its joint ventures:

At 31 December 2019, the Group has provided financial support to joint ventures of \$20,804,000 (2018: \$59,613,000), to enable the companies to meet their obligations as and when they fall due for at least 12 months from the date of signing of their respective financial statements for the financial year ended 31 December 2019 and 2018.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 39 LEASES AND SHIP CHARTERS

##### a) As Lessor

###### *Disclosure required by IFRS 16*

Operating leases, in which the Group is the lessor, relate to a ship owned by the Group chartered out under bareboat charter party agreement with a lease term of 4 years, with 2 years extension option. The lease does not have an option to purchase the ship at the expiry of the lease period.

Maturity analysis of operating lease payments:

	<u>2019</u> US\$'000
Year 1	5,241
Year 2	5,256
Year 3	<u>2,081</u>
Total	<u><u>12,578</u></u>

###### *Disclosure required by IAS 17*

The Group has chartered out a number of ships under time charter party agreements which are classified as operating leases. These charters have an average term of one to seven years. Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Note 30 provides details of charter hire revenue earned during the year.

Future minimum charter receipts receivable under non-cancellable operating leases as at 31 December 2018 are as follows:

Chartered to third parties

	<u>2018</u> US\$'000
Within 1 year	5,183
Within 2 to 5 years	<u>2,067</u>
	<u><u>7,250</u></u>

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 39 LEASES AND SHIP CHARTERS (cont'd)

##### b) As Lessee

###### *Disclosure required by IFRS 16*

At December 31, 2019, the group is committed to \$9,623,000 and \$193,000 for short-term leases of ships and office and residential property respectively.

###### *Disclosure required by IAS 17*

The Group has entered into time charter party agreements, classified as operating leases, to charter ships. These charters have terms of less than 12 months. Operating lease payments are recognised in profit or loss during the year as part of voyage expenses (classified into 'cost of sales').

At December 31, 2018, the Group has entered into 6 office leases which have a remaining non-cancellable lease term ranging from 3 to 21 months. The Group has entered into 8 residential property leases which have a remaining non-cancellable lease term ranging from 12 to 20 months respectively. 3 of the residential leases are for directors' accommodation (Note 5).

Future minimum lease payments payable under the non-cancellable operating leases as at 31 December are as follows:

	2018 US\$'000
Minimum lease payments under operating leases recognised as an expense in the year	107,251
<u>Charter of ships</u>	
Within 1 year	50,564
Within 2 to 5 years	73,316
	123,880
<u>Office leases</u>	
Within 1 year	671
Within 2 to 5 years	116
	787
<u>Residential property leases</u>	
Within 1 year	338
Within 2 to 5 years	132
	470
Total	125,137

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 40 ASSETS CLASSIFIED AS HELD FOR SALE

	2019 US\$'000	2018 US\$'000
Investment in joint ventures <sup>(i) (ii)</sup>	83	7,258
Assets of disposal group <sup>(iii)</sup>	4,594	-
	4,677	7,258
Liabilities of disposal group <sup>(iii)</sup>	(538)	-
	4,139	7,258

<sup>(i)</sup> In 2018, the Group agreed to sell the vessel in Petrochemical Shipping Limited, a joint venture of the Group, and to wind up the joint venture arrangement. The joint venture arrangement is expected to be dissolved during 2020. The proceeds from the dissolution is expected to exceed the carrying amount of \$83,000 (2018: \$7,258,000) and, accordingly no impairment loss has been recognised on the classification to assets classified as held for sale.

<sup>(ii)</sup> In 2018, the Group agreed to wind up Leopard Tankers Pte. Ltd., a joint venture of the Group, in such a manner that the Group purchased two vessels, the Leopard Sun and Leopard Moon in January 2019 and February 2019 respectively. At 31 December 2019, the carrying amount of the investment is \$Nil (2018:\$ Nil) and hence no further impairment loss was recognised on the classification to assets classified as held for sale.

<sup>(iii)</sup> In 2019, the Group agreed to dispose of one of GSSA's businesses to a third party. Management assessed the fair value less cost to sell of the assets and liabilities of the disposal group on the date that they were classified as held for sale and recorded an impairment loss of \$3,179,000. The classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2019 US\$'000
<b>Assets</b>	
Cash and bank balances	141
Trade receivables	704
Other receivables and prepayments	92
Contract assets	16
Inventories	255
Ships, property, plant and equipment	2
Goodwill	3,349
Right-of-use assets	35
Assets classified as held for sale	4,594
<b>Liabilities</b>	
Trade and other payables	498
Contract liabilities	2
Lease liabilities	38
Liabilities directly associated with assets classified as held for sale	538
Net assets of disposal group	4,056

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 41 DISPOSALS OF BUSINESSES AND ASSET ACQUISITION

##### 41.1 DISPOSALS OF BUSINESSES

In connection with the Spin-Off (Note 1), the Group sold two of its businesses to then related companies within Grindrod Limited. The two businesses are namely, Ocean Africa Container Lines division (“OACL”), a division of GSSA and Unicorn Bunker Services (Pty) Ltd (“Unicorn Bunker”), a subsidiary of GSSA. The sale and purchase agreements were signed on 1 January 2018 and the consideration of the sales was \$20,985,000 (South African Rands 260 million) for OACL and \$15,496,000 (South African Rands 192 million) for UBS, respectively.

Details of the sale of businesses as follows:

	<u>2018</u> <u>US\$'000</u>
Total sales consideration	36,481
Carrying amount of net assets sold	(34,289)
Reclassification of translation reserve to profit or loss	<u>1,063</u>
Gain on sale before income tax	<u><u>3,255</u></u>
 <u>Net cash inflow arising on disposal</u>	
Total sales consideration	36,481
Less: Net settlement of amount due to related parties	<u>3,229</u>
Cash consideration received	33,252
Cash and cash equivalents disposed of	<u>(7,934)</u>
	<u><u>25,318</u></u>

##### 41.2 ACQUISITION OF ASSETS

During the year ended 31 December 2018, the Group acquired additional equity interest in IM Shipping Pte. Ltd. from its joint venture partner which increased its ownership interest from 51% to 100%. IM Shipping Pte Ltd is a vessel owning entity with no process and workforce. The transaction was determined by management to be in substance, an asset acquisition, and not a business combination as defined in IFRS 3 *Business Combinations*. As part of the transaction, the Group recognised a gain of \$213,000 on the deemed disposal of its previously held joint venture interest in profit or loss. The ship acquired and cash and cash equivalents assumed as part of the transaction amounted to \$11,000,000 and \$952,000 respectively.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 42 EARNINGS PER SHARE

	2019 US\$'000	2018 US\$'000	2017 US\$'000
Loss for the purpose of basic earnings per share			
Net loss attributable to the shareholders of the Group	(43,487)	(20,640)	(60,812)
Effect of dilutive potential on ordinary share	-	-	-
Earnings for the purposes of diluted earnings per share	<u>(43,487)</u>	<u>(20,640)</u>	<u>(60,812)</u>

Number of shares for the purpose of calculating basic and diluted earnings per share

	2019	2018	2017
Issued ordinary shares as at 1 January <sup>(i)</sup>	19,063,833	19,063,833	19,063,833
Effect of treasury shares held	41,168	-	-
Weighted average number of ordinary shares as at 31 December	<u>19,022,665</u>	<u>19,063,833</u>	<u>19,063,833</u>
	US\$	US\$	US\$
Basic and diluted loss per share	<u>(2.29)</u>	<u>(1.08)</u>	<u>(3.19)</u>

<sup>(i)</sup> Basic and diluted loss per share for the year ended December 30, 2017 were calculated assuming the number of shares issued as at June 18, 2018 (the date of the Spin-off) to provide comparative figures to the 2018 results.

The shares granted under 2018 FSP in 2018 (Note 29) are not included in the calculation of diluted loss per share because they are antidilutive for the year ended 31 December 2019 and 31 December 2018. These shares granted under 2018 FSP could potentially dilute basic earnings per share in the future.

#### **Impact of changes in accounting policies**

The following table summarises that effect on both basic and diluted earnings per share, arising from changes in accounting policies:

	Impact on profit for the year from continuing operations US\$'000	Impact on basic loss per share US\$'000	Impact on diluted loss per share US\$'000
<u>31 December 2019</u>			
Impact of the adoption of IFRS 16	<u>1,144</u>	<u>(0.06)</u>	<u>(0.06)</u>
<u>31 December 2018</u>			
Impact of the adoption of IFRS 15	(423)	(0.02)	(0.02)
Impact of the adoption of IFRS 9	(51)	*	*
	<u>(474)</u>	<u>(0.02)</u>	<u>(0.02)</u>

\* Amount is less than US\$0.01

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 43 COMMITMENTS

During 2018, the Group entered into shipbuilding contracts for the construction of a two bulk carriers. Under the terms of the agreements, the subsidiary was committed to payments for these ships under construction. The following has been authorised:

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Due within 1 year	2,510	47,498
Due within 2 to 5 years	-	-
	<u>2,510</u>	<u>47,498</u>

The expenditure will be financed out of cash resources from operations and bank loans.

#### 44 GOING CONCERN

The historical consolidated and combined financial information presented has been prepared on the assumption that the Group as a whole will continue to operate as going concerns. The Board of Directors has no reason to believe that the Group will not continue to operate as a going concern as disclosed in Note 4 to the financial statements.

#### 45 EVENTS AFTER THE REPORTING PERIOD

- (a) On 29 January 2020, the ship, Kowie was contracted for sale for US\$9,150,000. The vessel has been delivered to the new owners on 28 February 2020.
- (b) On 14 February, 2020, the Group acquired an additional 33.25% ordinary and preferred equity interest in IVS Bulk Pte. Ltd from Regiment Capital Ltd., one of the partners in the joint venture, for a combined amount of \$44.1 million, taking the Group's ownership interest to 66.75%. The Group entered into a new shareholders' agreement with Sankaty, the remaining partner, that grants the Group control of key aspects of the corporate governance of the joint venture and, as a result, the financials of the IVS Bulk group will be consolidated into the financial statements following the acquisition of the additional 33.25% rather than being accounted for under the equity accounting method. The acquisition was financed from cash on hand and a facility agreement of \$35,833,000 (subject to \$1,433,000 facility fees) representing net proceeds received of \$34,400,000. The Sankaty facility bears fixed interest at 7.5% per annum and is repayable on the maturity date on 6 June 2021. In connection with this acquisition, the Company and IVS Bulk as joint and several borrowers, entered into \$114.1 million senior secured term loan facility to refinance the existing loans of IVS Bulk's subsidiaries. The facility bears interest at LIBOR plus a margin of 3.10% per annum and matures on February 13, 2025. The acquisition shall be accounted for as an asset acquisition.



## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 45 EVENTS AFTER THE REPORTING PERIOD (Cont'd)

- (c) On 11 March, 2020, the World Health Organization declared the recent novel coronavirus (“COVID-19”) outbreak a pandemic. In response to the outbreak, many countries, ports and organizations, including those where the Group conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have and will likely continue to cause severe trade disruptions. Management considers the outbreak to be a non-adjusting event for the financial year ended 31 December 2019. The extent to which COVID-19 will impact the Group’s subsequent results of operations and financial condition, including possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at this time.

The lenders of the Group’s senior secured credit facilities as described in Note 25 agreed to an amendment of the definitions of current asset and current liabilities to exclude the adjustments made for the implementation of IFRS 16. In addition, the lenders approved a temporary reduction of the cash covenant from \$30 million to \$20 million and an amendment to the calculation of the working capital covenant to exclude the Sankaty facility described in Note 40 (b) to be tested as at 30 June 2020 and 30 September 2020.

- (d) On 8 April 2020, the ship, Inyala was contracted for sale for US\$14,100,000. The vessel has been delivered to the new owners on 4 June 2020.
- (e) On 4 May 2020, the ship, Rhino was contracted for sale for US\$15,300,000. The vessel is expected to be delivered to the new owners in the first half of 2020.

**GRINDROD SHIPPING HOLDINGS LTD.****STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

As at 31 December

	Notes	2019 US\$'000	2018 US\$'000
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and bank balances	46.3.1	28	-
Other receivables		<u>1</u>	<u>1</u>
Total current assets		<u>29</u>	<u>1</u>
<b>Non-current asset</b>			
Investments in subsidiaries	46.3.2	<u>319,819</u>	<u>321,304</u>
<b>Total assets</b>		<u><u>319,227</u></u>	<u><u>321,305</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Other payables		320	312
Due to a subsidiary	46.3.3	<u>6,057</u>	<u>1,794</u>
Total current liabilities		<u>6,377</u>	<u>2,106</u>
<b>Capital and reserves</b>			
Share capital	46.3.4	320,683	320,683
Treasury shares	46.3.4	(1,993)	-
Accumulated losses		<u>(5,219)</u>	<u>(1,484)</u>
Total equity		<u>312,850</u>	<u>319,199</u>
<b>Total equity and liabilities</b>		<u><u>319,227</u></u>	<u><u>321,305</u></u>

See accompanying notes to consolidated and combined financial statements.

## **GRINDROD SHIPPING HOLDINGS LTD.**

### **NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

#### **46.1 Statement of compliance**

The Company's statement of financial position have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Singapore Financial Reporting Standards (International) ("SFRS(I)"). IFRS is identical to SFRS(I).

#### **46.2 Basis of preparation**

The financial statements for 2018 covered the financial year from 2 November 2017 (date of incorporation) to 31 December 2018 ("financial year"). The financial statements for 2019 covered the financial year from 1 January 2019 to 31 December 2019 ("financial year").

The financial statements are prepared in accordance with the historical cost basis except as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### **46.3 Significant accounting policies**

The accounting policies set out in Note 2 to the consolidated and combined financial statements and as set out below have been applied consistently to the company's statement of financial position.

##### 46.3.1 Cash and bank balances

Cash and bank balances comprise demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

See Note 6 of the consolidated and combined financial statements for details of the cash and bank balances.

##### 46.3.2 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. The recoverable amount has been determined based on the higher of fair value less costs to sell and value in use. During the year, the Company carried out a review of the recoverable amount of its investments in subsidiaries. The review led to an impairment loss in 2019 of \$1,485,000 (2018: \$nil) recognised in profit or loss. The impairment was largely due to past performance of a subsidiary. The recoverable amount of the investments has been determined based on the estimated net asset value of the subsidiaries, which approximates their recoverable amount.

See Note 16 of the consolidated and combined financial statements for details of the subsidiaries.

##### 46.3.3 Due to a subsidiary

Amounts due to a subsidiary is non-trade in nature. It is measured at amortised cost and its carrying value approximate the fair value. It is non-interest bearing and repayable on demand.

##### 46.3.4 Share capital and treasury shares

The capital structure of the Company comprises issued share capital, treasury shares and accumulated losses. The company manages its capital to ensure that the company will be able to continue as a going concern.

See Notes 28 and 29 of the consolidated and combined financial statements for details of the share capital and treasury shares.

## GRINDROD SHIPPING HOLDINGS LTD.

### NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

#### 46.4 Financial instruments, financial risks and capital management

The following table sets out the financial instruments as at the end of the reporting period:

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
<b>Financial assets</b>		
Loans and receivables	<u>29</u>	<u>1</u>
<b>Financial liabilities</b>		
Amortised cost	<u>6,377</u>	<u>2,106</u>

The carrying amounts of other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

#### Liquidity risk management

The Company manages liquidity by monitoring forecast cash flows. As at December 31, 2019, the Company's total current liabilities exceeded its total current asset by US\$6,348,000 (2018 : US\$2,105,000). The Company's operations are financed mainly through equity and advances from its subsidiaries. All financial assets and liabilities are either repayable on demand or due within 1 year from the end of the reporting period, and are non-interest bearing.

See Note 4 (d) of the consolidated and combined financial statements for details on how the Group manages its liquidity risk.

#### 46.5 Contingent liabilities

(a) Security for bank loans and facilities:

The company has provided guarantees for the subsidiaries' performance of liabilities and obligations under the facility agreements, amounting to US\$194,470,000, of which US\$191,620,000 has been utilised at year end.

(b) Guarantees for a subsidiary's obligations under a joint venture agreement:

The company has provided guarantees for the performance of a subsidiary's obligations under the joint venture agreement with Mitsui & Co., Ltd.