

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**Registration No. 2005/019793/06**

**AUDITED ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**AUDITED ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

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**CERTIFICATE BY COMPANY SECRETARY**

GFS Holdings Proprietary Limited, in its capacity as Company Secretary of Grindrod Financial Holdings Limited, hereby certifies that, in terms of section 88(2) of the Companies Act No.71 of 2008, as amended, the company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2018 .



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GFS Holdings Proprietary Limited  
(Company Secretary)  
12 June 2019

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

**DIRECTORS' RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risks cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

A sound corporate governance framework commits the Company to high standards of business ethics. The framework guides the board, as the custodian of responsible corporate governance, in the formulation and implementation of the Company strategy to achieve targeted performance and create sustainable value to the benefit of all stakeholders. The framework comprises appropriate policies, procedures and power of execution to ensure that governance objectives are properly implemented, managed, reviewed and adjusted. This ensures responsible corporate citizenship through regulatory and best-practice adherence, effective and ethical leadership and sustainable value creation. Additional disclosure in this regard, including disclosures relating to the King IV report, can be found in the Grindrod Limited Integrated Annual Report, published on their website [www.grindrod.co.za](http://www.grindrod.co.za).

The financial statements set out on pages 12 to 19, which have been prepared on the going concern basis, were approved by the directors on 12 June 2019 and are signed on their behalf by:-



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D A Polkinghorne  
DIRECTOR

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GRINDROD FINANCIAL HOLDINGS LIMITED

### Opinion

We have audited the financial statements of Grindrod Financial Holdings Limited set out on pages 12 to 19, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grindrod Financial Holdings Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**TO THE SHAREHOLDERS OF GRINDROD FINANCIAL HOLDINGS LIMITED**

**Other Information**

The directors are responsible for the other information. The other information comprises the Certificate by Company Secretary, the Statement of Directors' Responsibility and Approval, the Audit and Compliance Committee Report and the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 the Directors for the Financial Statements**

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

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

**Auditor's Responsibilities 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

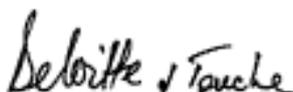
**INDEPENDENT AUDITOR'S REPORT (continued)**  
**TO THE SHAREHOLDERS OF GRINDROD FINANCIAL HOLDINGS LIMITED**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- 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.

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.



**Deloitte & Touche**

Registered Auditor

Per: Gavin Kruger CA (SA), RA

Partner

12 June 2019

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**AUDIT AND COMPLIANCE COMMITTEE REPORT**  
**For the year ended 31 December 2018**

**Role and key functions**

The audit and compliance committee is a statutory board sub-committee that assists the board in its corporate governance supervision responsibilities, appointed by the shareholders in terms of section 94(2) of the Companies Act and section 64A of the Banks Act. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, reviewed and approved annually by the board.

**Role of the committee**

The committee ensures that accurate financial reporting and adequate systems, controls and financial risk-management policies, procedures and standards are in place. The committee is responsible to ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the Company within the framework of a combined assurance model, and for IT governance as related to financial reporting and the going concern of the Company.

The committee composition adheres to the requirements of the Companies Act and Banks Act. Members of the committee are appointed following an assessment, by the directors' affairs committee, of their collective qualifications and experience. The chairman of the board may not serve as chairman or as a member of the committee.

The committee is also, subject to board approval, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance.

**Composition of the committee**

The committee composition adheres to the requirements of the Companies Act and the Banks Act. Members of the committee are appointed following an assessment, by the directors' affairs committee, of their collective qualifications and experience. The chairman of the board may not serve as chairman or as a member of the committee.

Following the issue of directive 4 of 2018 by the Prudential Authority in October 2018 the committee identified that certain directors are not deemed independent as a result of their directorships at a Grindrod Group level. The board has resolved to implement remedial action to ensure compliance with the directive.

The committee consists of three non-executive directors.

The members of the committee during the year were:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
W D Geach	Non Executive Chairman	May 2015	
<i>W D Geach</i>	<i>Non Executive Director</i>	<i>May 2010</i>	
J H Beare	Non Executive Director	December 2010	August 2018 *
R S M Ndlovu	Non Executive Director	May 2016	
Z N Malinga	Non Executive Director	May 2017	

*\* resigned from the committee on appointment as chairman of the Board of Directors*

Two meetings were held during the year and the committee met formally with the Prudential Authority ("PA").

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**AUDIT AND COMPLIANCE COMMITTEE REPORT**  
**For the year ended 31 December 2018**

The committee has decision-making authority regarding its statutory duties and is accountable to the board and the Company's shareholders.

The company secretary serves as secretary to the committee.

The independence of the committee and performance of its members were evaluated by the directors' affairs committee during 2018. Based on the recommendation of the committee, the board proposed the re-election of the members to the shareholders at the forthcoming annual general meeting.

The committee invites the managing director, the chief financial officer, head of internal audit, head of risk and representatives of the external auditors and ultimate holding company (where approved by the Prudential Authority) to attend its meetings as required.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2018, the committee met with the internal auditors and with the external auditors without management being present.

The committee has satisfied itself that the chief financial officer has the appropriate expertise and experience and that the finance function is effective. The committee is cognisant of the additional reporting requirements and is in the process of reviewing the resources within the finance function to ensure that it remains effective.

**Key activities**

In terms of its mandate, matters considered by the audit and compliance committee based on its annual work plan for 2018 included:

- reviewing and recommending to the board publicly disclosed financial information;
- reviewing the annual financial statements and results for the year ended 31 December 2018 in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board of directors;
- reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial-control and tax and fraud risks as related to financial reporting and reporting to the risk and capital management committee on its performance in this regard;
- reviewing implementation of the Company's tax strategy;
- assessing the suitability, expertise and experience of the chief financial officer and the expertise, experience and resources of the Company's finance function;
- evaluation and appointment of the new internal audit manager;
- evaluation of the independence, effectiveness and performance of the internal audit manager;
- reviewing and approving the internal audit plan;
- recommending the independent external auditor and designated audit partner and the approval of their terms of engagement and fees for audit services, for approval by shareholders at the annual general meeting;
- reviewing the extent of non-audit services provided by the independent external auditor and other auditors and the approval of the related terms of engagement and fees;
- reviewing the external auditors' work plan, staffing, independence, effectiveness, audit findings, key audit risks and external audit report;
- reviewing legislative and statutory compliance within the scope of its mandate;
- reviewing compliance with the Company's code of ethics and conduct;

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**AUDIT AND COMPLIANCE COMMITTEE REPORT**  
**For the year ended 31 December 2018**

- reviewing IT risks, and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the risk and capital management committee;
- reviewing and confirming the going concern status;
- evaluating the performance of the audit committee;
- approving its annual work plan for 2019; and
- approving this committee report for presentation to the shareholders.

**External audit**

Deloitte & Touche served as the Company's registered external auditors for the 2018 financial year. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of rotation of key partners in Deloitte & Touche as the external auditor are appraised by the audit and compliance committee, which includes an annual evaluation. The Deloitte & Touche audit team includes relevant financial services experts and Deloitte & Touche has committed to involving a specialist financial services partner on the audit.

In assessing the auditor's independence, the committee considered guidance contained in King IV as well as IRBA publications and the related commentary thereon. Deloitte & Touche have been auditors of the Group for 24 years and have demonstrated an institutional knowledge, deep expertise and experience of the Group in all the related areas in which the Group operates.

The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal Deloitte independence processes that Deloitte & Touche's independence is maintained and has not been impacted by tenure.

The Deloitte & Touche internal independence processes include periodic internal quality reviews as well as those conducted by IRBA, the rotation of the audit partner at least every five years, independence audits on all partners, established safeguards and procedures and independence training and monitoring of non-audit services. The committee is satisfied that adequate steps have been taken by Deloitte & Touche and management to ensure independence is maintained.

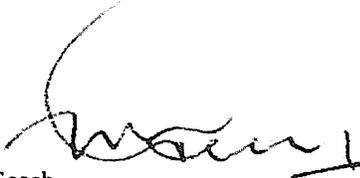
The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company. External audit fees approved for the 2018 financial year to Deloitte & Touche amounted to R3.2m (2017: R2.8m). No non-audit services were performed.

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

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**AUDIT AND COMPLIANCE COMMITTEE REPORT**  
**For the year ended 31 December 2018**

**Annual financial statements**

Following the committee's review of the annual financial statements for the year ended 31 December 2018, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act, Banks Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flows and the financial position of the Company. On this basis, the committee recommended that the board of directors approve the annual financial statements of the Company for the year ended 31 December 2018.



WD Geach  
Audit And Compliance Committee Chairman  
12 June 2019

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2018**

The directors have pleasure in presenting their report which forms part of the financial statements of the Company for the year ended 31 December 2018.

**NATURE OF OPERATIONS**

The Company operates as an investment holding and operating company in the financial services sector. The Company is a registered bank controlling company in terms of the Banks Act.

The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not in our opinion require any further comment.

**AUTHORISED AND ISSUED SHARE CAPITAL**

Details of the authorised and issued ordinary share capital are shown in note 4.

**DIVIDENDS**

The directors have declared ordinary dividends of RNil (2017: R2,295.07) per ordinary share during the year. Details of dividends declared are shown in note 6.

**DIRECTORS**

At 31 December 2018, and the date of this report, the board of directors comprised the following:

<b>Name</b>	<b>Gender</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
J H Beare	M	Non Executive Chairman *	December 2010	
D A Polkinghorne	M	Managing Director	January 2006	
S A Blades	M	Executive Director	May 2008	
J H Beare	M	Non Executive Director	December 2010	
A S P Dambuza	F	Non Executive Director	August 2018	
W D Geach	M	Non Executive Director	August 2010	
M J Hankinson	M	Non Executive Director *	September 2017	
Z N Malinga	F	Non Executive Director	April 2017	
M S Mbatha	F	Non Executive Director	June 2018	
R S M Ndlovu	M	Non Executive Director	May 2016	
B Ntuli	F	Non Executive Director		August 2018
S P Scott	F	Chief Financial Officer	June 2016	
P J Uys	M	Non Executive Director	January 2014	
<i>Changes to Directors subsequent to 31 December 2018</i>				
S P Scott	F	Chief Financial Officer		February 2019
P J Uys	M	Non Executive Director		February 2019
M J Hankinson	M	Non Executive Director		March 2019
A Waller	M	Non Executive Director	March 2019	

\* substitution of Chairman in August 2018

**COMPANY SECRETARY**

GFS Holdings Proprietary Limited

**COUNTRY OF INCORPORATION**

South Africa

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 31 December 2018**

DIRECTORS' REPORT (continued)

HOLDING COMPANY, SHAREHOLDERS AND SUBSIDIARIES

IMMEDIATE HOLDING COMPANY

Grindrod Limited - 96.55% (13,517 shares)  
(a company listed on the Johannesburg Stock Exchange)

MINORITY SHAREHOLDERS

Amber Bay Investments 3 Proprietary Limited - 3.45% (483 shares)  
(shareholders include members of management)

SUBSIDIARY COMPANIES

*Governed by the Banks Act and regulations relating to banks*  
Grindrod Bank Limited

AUDITORS

Deloitte & Touche

PREPARER OF ANNUAL FINANCIAL STATEMENTS

Susan Scott, Chief Financial Officer

REGISTERED OFFICE OF THE COMPANY AND ITS SUBSIDIARY

5 Arundel Close, Kingsmead Office Park, Durban, 4001

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

	<u>Notes</u>	31 December <u>2018</u> <u>R</u>	31 December <u>2017</u> <u>R</u>
Dividend income	1	-	32,131,000
NET PROFIT BEFORE TAXATION		-	32,131,000
Taxation		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	32,131,000

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

	<u>Notes</u>	31 December <u>2018</u> <u>R</u>	31 December <u>2017</u> <u>R</u>
<b>ASSETS</b>			
INVESTMENT IN SUBSIDIARIES	2	280,278,217	280,278,217
LOAN TO SHAREHOLDERS	3	70	70
<b>TOTAL ASSETS</b>		<u>280,278,287</u>	<u>280,278,287</u>
<b>EQUITY AND LIABILITIES</b>			
Ordinary share capital	4	140	140
Ordinary share premium	5	280,278,147	280,278,147
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>280,278,287</u>	<u>280,278,287</u>

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	<u>Notes</u>	Ordinary Share <u>Capital</u> <u>R</u>	Ordinary Share <u>Premium</u> <u>R</u>	Retained <u>Earnings</u> <u>R</u>	<u>Total</u> <u>R</u>
Balance at 31 December 2016		140	280,278,147	-	280,278,287
Total comprehensive income for the year		-	-	32,131,000	32,131,000
Ordinary dividends	6	-	-	(32,131,000)	(32,131,000)
Balance at 31 December 2017		140	280,278,147	-	280,278,287
Total comprehensive income for the year		-	-	-	-
Ordinary dividends	6	-	-	-	-
Balance at 31 December 2018		140	280,278,147	-	280,278,287

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**ACCOUNTING POLICIES**  
**For the year ended 31 December 2018**

**BASIS OF PREPARATION**

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the Companies Act of South Africa and have been prepared using the going concern principle and on the historical cost basis except for the revaluation of certain financial instruments.

These financial statements are separate financial statements prepared in accordance with IAS27: 'Separate Financial Statements.' These separate financial statements have been prepared to enable the Company to comply with statutory and regulatory reporting applicable to banks and bank holding companies. The Company has also prepared consolidated financial statements in accordance with IFRS 10: 'Consolidated Financial Statements.' Those consolidated financial statements are obtainable from the Company's registered office.

**RECENT ACCOUNTING DEVELOPMENTS**

At the date of authorisation of the financial statements the following applicable standards were in issue but not yet effective. The Company will apply such IFRS standards from their respective effective dates.

*IFRS 9 (Amendments) - Prepayment Features with Negative Compensation - Applies to annual periods beginning on or after 1 January 2019*

The amendments are expected to have a limited impact on the recognition and measurement of financial assets.

*IFRS 16 - Leases - Applies to annual periods beginning on or after 1 January 2019*

The amendments are expected to have a limited impact on the financial statements in future periods.

*IFRIC 23 Uncertainty over Income Tax Treatments - Applies to annual periods beginning on or after 1 January 2019*

The standard provides clarity on how to incorporate and disclose taxation where there is uncertainty regarding treatment by tax authorities.

The amendments are expected to have a limited impact on the measurement and disclosure of taxation.

After due consideration to all known and reasonably estimable information, forthcoming IFRS standards (including changes to existing IFRS standards) that are not yet effective are not expected to have a material impact on the Company in their respective periods of initial application.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods or on any foreseeable future transactions.

The directors do not anticipate early adoption of applicable standards and interpretations.

All monetary information and figures in the annual financial statements are presented in Rands.

**APPLICATION OF NEW IFRS STANDARDS**

In the current year, the Company has, where applicable, applied a number of new and/or revised IFRS standards issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The new standards had no impact on the Company.

*IFRS 9 - Financial Instruments - Applies to annual periods beginning on or after 1 January 2018*

IFRS 9 replaces the provisions of IAS 39: Financial Instruments that relate to the recognition, classification, measurement and de-recognition of financial assets and financial liabilities, and the impairment of financial assets.

*IFRS 15 - Revenue from contracts with customers - Applies to annual periods beginning on or after 1 January 2018*

The recognition of revenue from contracts with customers.

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**ACCOUNTING POLICIES**  
**For the year ended 31 December 2018**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. Revenue recognition

Dividend income from investments is recognised when the shareholder has a right to receive payment.

2. Investment in subsidiaries

A subsidiary is a company or entity controlled by the Company.

Control is achieved when the Company meets all three of the below criteria:

has 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 affect its returns

Investments in subsidiaries are recorded at cost. Provision is made where, in the opinion of the directors, a permanent diminution in the value of an investment has occurred.

3. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. The Company enters into various related party transactions in the ordinary course of business. The terms and conditions of related party transactions are no more favourable than those granted to third parties in arm's length transactions.

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

	31 December <u>2018</u> R	31 December <u>2017</u> R
<b>1. DIVIDEND INCOME</b>		
Related party dividend income: Grindrod Bank Limited	-	32,131,000
<b>2. INVESTMENT IN SUBSIDIARIES</b>		
Grindrod Bank Limited (100%) 65,000,002 (2017: 65,000,002) ordinary shares of 1 cent each, at cost	<u>280,278,217</u>	<u>280,278,217</u>
The principal place of business of these subsidiaries is 5 Arundel Close, Kingsmead Office Park, Durban, 4001.		
<b>3. LOAN TO SHAREHOLDERS</b>		
Loan to shareholders	<u>70</u>	<u>70</u>
The loan has no fixed repayment terms, is interest free and is unsecured.		
<b>4. ORDINARY SHARE CAPITAL</b>		
Authorised 10,000,000 ordinary shares of 1 cent each (2017: 10,000,000 ordinary shares of 1 cent each)	<u>100,000</u>	<u>100,000</u>
Issued 14,000 ordinary shares of 1 cent each (2017: 14,000 ordinary shares of 1 cent each)	<u>140</u>	<u>140</u>
<b>5. ORDINARY SHARE PREMIUM</b>		
Arising on the issue of 14,000 ordinary shares of 1 cent each (2017: 14,000 ordinary shares of 1 cent each)	<u>280,278,147</u>	<u>280,278,147</u>
<b>6. ORDINARY DIVIDENDS</b>		
Dividends declared of RNil (2017: R2,295.07) per ordinary share	-	32,131,000

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

31 December  
2018  
R

31 December  
2017  
R

7. DIRECTORS EMOLUMENTS

No remuneration has been paid by the Company to directors as they are remunerated by Grindrod Bank Limited and Grindrod Limited. Remuneration as disclosed by Grindrod Bank Limited is:

Executive director remuneration	Salary	Post retirement benefits	Sign-on, retention* and severance payments	Bonus & Incentive Schemes
<i>Current year</i>				
D A Polkinghorne	4,953,345	296,655	2,703,000	4,814,635
S A Blades	3,015,221	315,958	-	3,527,037
S P Scott	2,064,177	247,490	-	2,297,968
	<u>10,032,743</u>	<u>860,103</u>	<u>2,703,000</u>	<u>10,639,640</u>
<i>Prior year</i>				
D A Polkinghorne	3,831,035	314,473	1,441,600	4,962,170
S A Blades	2,800,298	323,458	-	5,203,215
S P Scott	1,872,725	227,275	-	3,516,088
	<u>8,504,058</u>	<u>865,206</u>	<u>1,441,600</u>	<u>13,681,473</u>

\* The retention amount was paid in June 2017 and expensed over the period to December 2018.  
The managing director has a service contract with a six month notice period and no predetermined compensation on termination.

Non-executive - directors emoluments paid by Grindrod Bank Limited:

J H Beare	531,833	332,583
A S P Dambuza	95,833	-
W D Geach	349,999	258,997
Z N Malinga	364,405	130,373
M S Mbatha	112,500	-
R S M Ndlovu *	485,242	310,500
P J Uys *	225,225	124,000
	<u>2,165,037</u>	<u>1,156,453</u>

Director emoluments paid by the Grindrod Group to Grindrod Bank directors, excluding payments by Grindrod Bank:

*Executive directors of Grindrod Limited*

M J Hankinson	20,149,040	9,790,000
A K Olivier	-	5,108,000
B Ntuli	14,585,408	7,011,000

*Non-executive directors*

W D Geach	412,001	407,003
Z N Malinga	474,404	346,627
R S M Ndlovu *	359,704	282,500
P J Uys *	812,418	700,000
	<u>36,792,975</u>	<u>23,645,130</u>

\* Fees ceded to Remgro Limited

Refer to Grindrod Limited annual financial statements for full disclosure on total remuneration paid by all Group companies to directors.

**GRINDROD FINANCIAL HOLDINGS LIMITED**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

8. STATEMENT OF CASH FLOWS

No statement of cash flows has been presented as the company has no cash balances and no cash transactions were concluded during the period.

9. FINANCIAL RISK MANAGEMENT

In common with all other businesses, the Company is exposed to financial risks. These risks are managed as part of the normal operations of the Company. The more important financial risks to which the Company is exposed are described below:

CREDIT RISK

The risk of financial loss resulting from failure of a counterparty to an asset, for any reason, to fully honour its financial and contractual obligations.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security.

The Company is exposed to credit risk indirectly through its investment in its subsidiary.

CAPITAL MANAGEMENT

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