ANNUAL
FINANCIAL STATEMENTS 2021

LAND BANK
We stand by you

Contents

General Information

Shareholder	National Treasury, Government Department
Public entity	Governed by the Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002) and is a schedule 2 Public Entity in terms of the Public Finance Management Act (PFMA).
Country of incorporation and domicile	The Republic of South Africa
Nature of business and principal activities	The Land Bank provides retail and wholesale finance to emerging, commercial farmers and agri-businesses. In addition to its banking operations, the Land Bank extends its services to the insurance sector through its subsidiaries.
Head office physical address	Eco Glades 2, Block D 420 Witch Hazel Avenue Eco Park Centurion 0046
Postal address	P. O. Box 375 Tshwane 0001
Bankers	First National Bank Limited, a division of First Rand Limited ABSA Limited, Nedbank Limited, The Standard Bank of South Africa Limited
Funding sponsors	The Standard Bank of South Africa Limited
Auditors	The Auditor-General of South Africa
Company Secretary	Mashumi Mzaidume (appointed 9 October 2017)
Land bank subsidiaries	Land Bank Life Insurance Company (SOC) Limited (LBLIC) 1954/003095/06 Land Bank Insurance Company (SOC) Limited (LBIC) 2012/115426/30 All of the above entities are incorporated in the Republic of South Africa
Holding company	Land and Agricultural Development Bank of South Africa (the Land Bank or the Bank)
Nature of business and principal activities	Land Bank Life Insurance Company (LBLIC) and Land Bank Insurance Company (LBIC) operate in the insurance sector. LBLIC offers credit life insurance products and LBIC offers primarily crop insurance products to the wider agricultural sector. LBLIC and LBIC are incorporated in terms of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and are schedule 2 Public Entities in terms of the PFMA.

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
Audited consolidated and separate Annual Financial Statements for the year ended 31 March 2021

General Information

Head office physical address	Block D Eco Glades 2 Witch Hazel Avenue Ecopark Centurion 0046
Postal address	P. O. Box 375 Tshwane 0001
Bankers	LBLIC: ABSA Bank Limited LBIC: RMB Private Bank, division of First Rand Limited
Auditors	The Auditor-General of South Africa
Company Secretary	Mashumi Mzaidume

Directors' Responsibilities and Approval

The Directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate Annual Financial Statements satisfy the financial reporting standards as to form and content and present fairly the consolidated and separate Statements of Financial Position, results of operations and business of the Group, and explain the transactions and financial position of the business of the Group at the end of the financial year. The consolidated and separate Annual Financial Statements are based upon appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee and various other risk-monitoring Committees. Management enables the Directors to meet these responsibilities.

Post the 2020 financial audit where Land Bank received a Disclaimer of Opinion audit outcome from the AGSA, the Board approved a remediation plan intended to ensure restoration and improvement of control environment. Management has spent the past 6 months implementing the remediation plan. The Board has through the Audit and Finance Committee been monitoring and guiding this process. It is on this basis as well as information and explanations received from management that the Directors are of the opinion that the system of internal control provides reasonable assurance that the financial records are reliable for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Towards the end of April 2020, the Land Bank experienced a liquidity shortfall, which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in a de-facto standstill on capital and interest payments to its funders. The Bank appointed legal and corporate financial advisors to support the process of turning the organisation around. A solution comprising the emergency liquidity funding solution, liability solution, equity solution as well as the review of the Land Bank's repurposing strategy and operating model were crafted. The Board is pleased to announce that all the solutions with the exception of the liability solution have been successfully concluded since then, and the new operating model implemented. The liability solution is still in progress between Land Bank working with its advisors, and supported by the Shareholder and its funders. Successful implementation of the liability solution will ensure the Land Bank remains a going-concern.

In addition to the R3 billion recapitalisation of the Bank by the Shareholder during September 2020, the Minister of Finance has appropriated R7 billion in his budget speech of the 24 February 2021, for further recapitalisation of the Bank over the medium-term, bringing to R10 billion the total amount appropriated for the recapitalisation of Land Bank in the past year. This is evidence of the Shareholder's support to take Land Bank out of its event of default and to ensure it continues to exist into the future in order to serve the agricultural sector.

The debt restructuring process (liability solution) intended to cure the default by terming out the Bank's lenders is still in progress. Successful closure of this process will result in the Bank transitioning to implementation of the solution as well as the Bank's five-year strategy. It is against this background that the going-concern basis has been adopted in the preparation of the financial statements.

The audit of Land Bank's FY2021 annual financial statements was concluded on the 22nd December 2021 when the audit report was issued. At that stage it was anticipated that the liability solution would have been concluded and the event of default cured by 31 March 2022. This was however not to be. During January 2022, it became clear that an agreement on the liability solution was not going to be reached between Land Bank and its lenders and that the parties needed to negotiate further, which negotiations are still in progress and expected to be concluded during the current financial year. The Bank continues to operate, albeit with limited support to its customers owing to the state of default the Bank is still in.

Directors' Responsibilities and Approval

As part of the Land Bank repurposing strategy that forms part of the restructuring process and supported by the Shareholder, the Bank will be split into two distinct divisions and managed in that manner going forward, the Development and Transformation (D&T) division and the Corporate and Commercial (C&C) division. The operating model in intended to ensure the Bank is able to advance its Development mandate, while at the same time it positions itself to be able to repay its commercial funding liabilities.

The Minister of Finance has in terms of Section 92 of the Public Finance Management Act No. 1 of 1999, exempted Land Bank from submitting the FY2022 Corporate Plan as required by Section 52 of the same Act until Land Bank is cured of its default position and more certainty is gained regarding the future structure of Bank. However, the Land Bank will continue to update Parliament on progress made, as deemed necessary by Parliament.

The agri-food industry is among the few sectors that were classified as essential services under COVID-19 lockdown restrictions and was largely able to operate, even though with some restrictions. Despite such protection, COVID-19 had a direct impact on certain commodities as well as an indirect impact on most sectors within the agricultural industry.

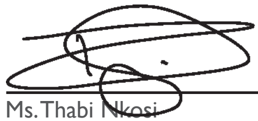
The magnitude of the impact of lockdown restrictions varied between the different lockdown levels and between various commodity Groups. The agricultural industries that have been impacted the most are potatoes, wine grapes, wine cellars, wool, mohair, broilers, flowers, nurseries and tobacco.

The Land Bank book is largely concentrated in grain and has therefore been minimally impacted by the COVID-19 pandemic.

Different types and levels of support may however still be required to assist distressed farmers as a result of COVID-19 in order to improve chances of sustainability. To this effect, in addition to measures implemented by Land Bank to assist its clients, the Bank received R100m COVID-19 relief fund from the Department of Agriculture, Land Reform and Rural Development (DALLRD) in order to support its clients who have been negatively impacted by COVID-19 pandemic. The Bank continues to monitor the impact of COVID-19 in the agricultural sector.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (with consent from the National Treasury for all Schedule 2 public entities) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies. The term of the previous Board of Directors ended on the 30 November 2021. The Minister of Finance has since appointed a new Board effective 8 December 2021.

The financial statements set out on pages' 16 to 182, which have been prepared on the going-concern basis, were approved by the new Board of Directors on 22 December 2021 and were signed on their behalf by:



Ms. Thabi Nkosi
Chairman of the Board

Mr. Ayanda Kanana
Chief Executive Officer

Group Secretary's Certification

In terms of the section 88(2)(e) of the Companies Act 71 of 2008, hereafter referred to as Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2021, the Land and Agricultural Development Bank of South Africa has lodged with the Registrar of Companies all such returns as are required of a State-Owned Company in terms of the Act and that such returns are true, correct and up to date.

Mashumi Mzaidume

Mashumi Mzaidume
Company Secretary

Audit and Finance Committee Report

I herewith present the report of the Land Bank Audit and Finance Committee (the Committee) for the financial year ended 31 March 2021. The Committee acts in consultation with other Committees of the entity in particular the Risk and Governance Committee.

The Committee is responsible for overseeing:

- Quality and integrity of the entity's integrated planning and reporting, including its financial statements and sustainability reporting;
- Appointment, remuneration independence and performance of the external auditor and the integrity of the audit process, including the approval of non-audit services;
- Effectiveness of internal financial controls and systems of internal control and risk management; and
- Effectiveness of the governance and assurance processes within the entity, in particular, that the Internal Audit function is adequately resourced and capacitated.

Statutory duties

The Committee is constituted as a statutory Committee of the Land Bank in line with the Principles of King IV, the Companies Act 71 of 2008 and the Public Finance Management Act.1 of 1999, and is accountable in this regard, to both the Board and the Land Bank representative Shareholder, the Ministry of Finance. It is a Committee of the Board in respect of all the duties that the Board assigns to it and has been delegated extensive powers to perform its functions in accordance with the Companies Act, and the National Treasury Regulations issued in terms of the Public Finance Management Act. The Committee also provides oversight of the entity's information and technology (IT) functions. In this regard, the Committee reviews management's IT reports and IT Governance.

The Committee has a charter, which is reviewed annually and approved by the Board. The functions of the Committee are outlined in its charter, which is available on the Land Bank website.

The Committee, acting in consultation with the Risk and Governance Committee of the Bank, provided significant oversight and monitoring of the following key areas:

- The volatile macro-economic environment and management's responses thereto;
- Internal controls, risk management and compliance processes, delegations of authority, combined assurance and business continuity; and
- Controls to prevent irregular, fruitless and wasteful expenditure.

As a result of the Disclaimer of Opinion audit outcome received by Land Bank from the Auditor-General of South Africa (AGSA) for the 2020 financial year audit, the Audit and Finance Committee had to adjust its audit plan to include oversight and monitoring of the Board approved remediation plan intended to ensure restoration and improvement of the control environment in the Bank, in order to ensure integrity of the Annual Financial Statements. This has been one of the key focus areas for the Committee with regular meetings held with management to track and assess progress on implementation of the remediation plan to ensure adequate resolution of the risks arising from the matters that led to the disclaimed audit opinion and to ensure a favourable outcome for the 2021 financial year, and to ensure embedding of processes of internal controls to avoid a recurrence in future.

Audit & Finance Committee Report

Composition

The Land Bank Audit and Finance Committee comprises independent Non-executive Directors who are elected annually at the company's Annual General Meeting (AGM).

The members are Ms. Mathane Makgatho (Chairman), Ms. SA Lund, Dr. ST Cornelius and Ms. Dudu Hlatshwayo, who are independent Non-executive Directors of Land Bank. The qualifications of the members of the Committee are listed in the Land Bank Governance Report. These members collectively possess the experience and expertise needed to execute their duties in relation to the Committee's mandate.

Executive Directors comprising of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are invitees to the Committee meetings, but are excluded from the Committee's private sessions with the Auditor-General and the Head of Internal Audit.

The Committee has met all legal and regulatory requirements in respect of independence and corporate governance experience.

Annual confirmation of key functions for the year

Financial control, financial reporting and the Integrated Report

The Committee reviews the Interim Results, Annual Financial Statements, and Integrated Report, and recommends these to the Board for approval. This role includes an assessment of the accounting policies and key assumptions applied in the preparation of the financial statements, as well as dealing with technical reporting matters. In doing so, the Committee also confirmed compliance of the Interim Results and Annual Financial Statements with International Financial Reporting Standards (IFRS).

The Committee confirms that it has assessed and confirms the appropriateness of the going-concern basis for the preparation of the Annual Financial Statements. This is based on the on-going discussions that the Bank is having with its lenders to ensure successful conclusion of the Liability solution to take Land Bank out of its event of default and the R10 billion recapitalisation of the Bank by the Shareholder, of which R3 billion was received during September 2020 and the remaining R7 billion to be received over the medium-term. The R10 billion capital injection together with the successful conclusion of the liability solution will ensure that the Land Bank continues to operate as a going-concern.

The Committee considered the maturity of combined assurance in the Group and the specific attestations from Internal Audit, External Audit and Risk in regard to the adequacy and effectiveness of the internal controls within the Group. We are comfortable that these controls are adequately in place, but there is significant room for improvement to strengthen the control environment and to realise the full benefits of combined assurance.

External audit

The Auditor-General of South Africa (AG (SA) is the external auditor for Land Bank. The Committee nominates the external auditor to the Board for appointment by the Shareholder, and the Committee approves the terms of engagement and remuneration for the external audit services. The Committee has assessed the independence of the external auditor and has obtained the assurance that the auditor's independence is not impaired.

Internal Audit

The Head of Internal Audit reports to the chairman of the Committee and the Committee is responsible for the review and approval of the Internal Audit charter, the Internal Audit plan as well as the resources of the Internal Audit department. The Committee evaluated the independence of the Internal Audit function and is satisfied with its independence.

Expertise and experience of the finance function and the Group Chief Financial Officer

The Committee has considered the expertise and experience of the CFO, Ms. Khensani Mukhari, and has concluded that the appropriate requirements have been met.

All critical roles in the finance function have been filled thus bolstering the control environment in the organisation and ensuring adequate skills and focus to supporting and enabling the organisation.

External audit report

External Audit Opinion

Land Bank received a "Qualified Opinion" audit outcome from the Auditor-General of South Africa on the FY2021 audit, sighting that the consolidated and separate financial statements of Land Bank are fairly presented in all material respect, except for her inability to obtain sufficient evidence that the disbursements and repayments for loans and advances were accounted for appropriately, which was as a result of a refusal by a Land Bank service level partner Unigro to provide required evidence / supporting documents for selected transactions. Land Bank has instituted legal action to obtain access to said documents. The Committee will continue to monitor progress regarding this matter. Going forward this is not expected to be a problem as Land Bank has insourced the book previously managed by Unigro with effect from 01 October 2021.

Audit and Finance Committee Report

Other key audit matters as reported by the external auditors

Material uncertainty on going-concern

The AG highlighted that a material uncertainty exists with regards to the ability of the Land Bank to continue as a going-concern, sighting the liquidity challenges, cross default as some of the reasons casting doubt on the entity's ability to continue as a going-concern. Land Bank is undergoing a restructuring process to take it out of its event of default. A liability solution is being negotiated with the lenders in this regard. The Committee will continue to monitor progress of the liability solution.

Late submission of the AFS

And lastly, the AG further highlighted the non-submission of the AFS within the prescribed period after the year end, as required by 55(1)(c)(i) of the PFMA for audit. This was as a result of the delays in the implementation and execution of the remedial plan, which has since been finalised.

In conclusion

Barring the new item where Land Bank was unable to obtain supporting audit evidence on disbursements and repayments, which led to the qualified audit outcome, all material items that were covered by the remedial plan which the Bank instituted post the prior year audit outcome were adequately addressed. It is important to note that the item that led to the qualified audit opinion was not part of the remedial plan. The Committee is satisfied with the audit outcome on the work covered in the remedial plan, although unhappy with the overall audit outcome and the cause thereof. The Committee will continue to ensure there is continuous improvement regarding the controls around overall management of the loan book.

The Committee is satisfied it has fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and governance responsibilities as set out in the Companies Act and Public Finance Management Act.

The term of the previous Board of Directors ended on the 30 November 2021. The new Land Bank Board of Directors were appointed on the 8 December 2021 after the expiry of the term of the previous Board. When the FY2021 AFS were finalised during December 2021, the new Board Committees were still being constituted hence the Chairman of the Board signed off the Audit and Finance Committee report in the AFS.

Ms. Thabi Nkosi
Chairman of the Board

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
Audited consolidated and separate Annual Financial Statements for the year ended 31 March 2021

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Report on the audit of the consolidated and separate financial statements

Qualified of opinion

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa and its subsidiaries (the group) set out on pages 16 to 182, which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Land and Agricultural Development Bank of South Africa (the Bank) and its subsidiaries as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Amendment Act, No. 29 of 1999 (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for qualified opinion

Loans and advances

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for disbursements and repayments for loans and advances that are managed by a Service Level Partner (SLA) which is the Bank's external service provider. This was due to the status of the accounting records and non-submission of information to support these transactions. I was unable to confirm these transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to loans and advances stated at R31 billion in note 11 to the consolidated and separate financial statements.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.

5. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' international code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
Expected Credit Loss of loans and advances	
Loans and advances (note 11), which are a significant portion of total assets and the associated impairment provisions, are significant in the context of the consolidated and separate financial statements. Estimating expected credit losses (ECL) is inherently uncertain and subject to significant judgment. Furthermore, the models used to determine credit impairments are complex, and certain inputs are not fully observable. The assessment process requires detailed knowledge of the borrower. It further requires the use of judgement in determining whether there is an expected credit loss and the amount of the resulting loss. Critical inputs to the ECL model to be given special consideration included the following: • Loan book staging; • Collateral valuations, classification and haircuts; • Risk ratings & watch list maintenance; and • IFRS 9 modifications. The ECL was also one of the areas that formed a basis for a disclaimer of opinion in the prior year audit cycle. Given the combination of the inherent subjectivity in the valuation and the material nature of the balance, I considered the audit of the expected credit loss to be a key audit matter in my audit of the financial statements.	As I have issued a disclaimer of opinion in the prior year due to significant audit findings including internal control deficiencies identified in the expected credit loss (ECL) provisions and related inputs; my audit procedures included assessing the adequacy of the audit action plan developed by the Bank which covered the significant findings from the preceding two years. After evaluation of the audit action plan, I identified areas of improvement which were communicated to the Bank for consideration. Due to the prior year significant audit finding and weak internal controls in the management of loans and advances that led to a disclaimer of opinion and the Bank's process of implementing the audit action plan, I had to follow a fully substantive audit approach in the current audit cycle which also included the preceding two financial years due to restatement of comparatives figures. My substantive audit approach included detailed testing of the data that is used for ECL inputs such as loan staging, risk ratings, collaterals, loan modification and etc. I have critically considered the Bank's policies and their application on collateral, staging and modification when testing the ECL inputs. Due to the disclaimer of opinion in the prior year, the detailed testing also covered corrections made by the Bank to prior-year financial statements. I identified material misstatements on the staging and collaterals on the financial statements that were submitted for audit. The Bank subsequently corrected these material misstatements and I was satisfied that the ECL inputs were accounted for appropriately. I engaged property valuation experts as auditors' experts who assessed the reasonability of assumptions used by the Bank in the valuation of collateral.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
	Before I placed reliance on the work of an auditors' expert, I assessed the independence, objectivity and competency in line with the requirements of ISA 620 and I was satisfied with this. I assessed the expert's work by evaluating significant assumptions and methods as well as the relevance and reasonableness of those assumptions and methods in the circumstances. Based on the work performed by the auditors' experts I found the valuation of collaterals to be reasonable and within the range of my expectations. I have considered the significant increase in credit risk triggers and assumptions applied by the Bank in determining expected credit losses for both performing and non-performing loans, and including the Bank's assessment of the recoverability and supporting collateral. I identified material misstatements relating to the credit risk monitoring. The Bank subsequently corrected these material misstatements. After the corrections, I found the Bank's credit risk monitoring assumptions used to determine the expected credit losses to be reasonable and consistent with my expectations. I engaged an auditor's expert to assess the appropriateness and reasonableness of the ECL model and assumptions used by the Bank in determining the ECL. Before I placed reliance on the work of an auditors' expert, I assessed the independence, objectivity and competency in line with the requirements of ISA 620 and I was satisfied with this.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Key audit matters (continued)

Key audit matter	How the matter was addressed in the audit
	I assessed the expert's work by evaluating significant assumptions and methods as well as the relevance and reasonableness of those assumptions and methods in the circumstances. The expert's conducted the following procedures: • Reviewed the Bank's approved ECL calculation methodology documentation for the probability of default (PD), the loss given default (LGD) and exposure at default (EAD) and reviewed this against the requirements of IFRS 9. • Inspected the Bank's ECL model in light of the requirements of IFRS 9 including key elements such as portfolio segmentation, modelling approach adopted, behavioural life including time on book post default, effective interest rate (EIR) and related discounting of cash flows, the use of forward-looking information, default and significant increase in credit risk (SICR), and other key judgements and assumptions relevant for the models. • Independently calculated the ECL estimate based on the approved methodology and data provided by the Bank. • Independently calculated the model overlays based on the approved methodology and data provided by the Bank. Based on the above mentioned procedures, I identified material misstatements relating to the ECL models. The Bank was able to subsequently correct these material misstatements. After the corrections, I found the Bank's credit risk models and assumptions used to determine the expected credit losses to be reasonable and consistent with my expectations. I have also assessed the IFRS 7 disclosures included in the consolidated and separate financial statements and I am satisfied that these disclosures are consistent with the requirements of IFRS 7.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Material uncertainty relating to going concern

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

   I draw attention to note 3.3 to the consolidated and separate financial statements, which indicates that towards the end of April 2020, the Bank experienced a liquidity shortfall, which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in de-facto stand still on capital and interest payments to its funders. At the date of this report, the liability solution to cure the default was still in progress and is dependent on the signing of the commitment agreements with lenders. The planned date for the signing of the commitment agreements is at the end of January 2022. These events or conditions as set forth in note 3.3 indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

10. As disclosed in note 43 to the consolidated and separate financial statements, the corresponding figures for 31 March 2020 have been restated as a result of errors in the consolidated and separate financial statements of the entity at, and for the year ended, 31 March 2021 and preceding two financial years.

Responsibilities of the board of directors for the consolidated and separate financial statements

11. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

13. My objectives are to obtain reasonable assurance about whether the consolidated and · separate 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

14. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the entity's annual performance report for the year ended 31 March 2021:

Objectives	Pages in the annual performance report
Profit optimisation	31-33

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:

- Profit optimisation

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. Refer to the annual performance report on pages 31 to 33 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

24. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of loans and advances and disclosure items identified by the auditors in the submitted financial statements were corrected. However, the supporting records that could not be provided in respect of these corrections resulted in the financial statements receiving a qualified opinion.

Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

27. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that, there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Internal control deficiencies

30. I considered internal controls relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation.

31. The Bank has improved its audit outcome from a disclaimer opinion in the prior year to a qualified opinion in the current year. In achieving this improvement, management made a concerted effort to address significant findings relating to the Joan book management identified in the prior year. However, due to the magnitude of the prior year audit findings and time pressure to submit the financial statements, the implementation of the audit action plans was not adequate to prevent the re-occurrence of some of the prior year audit findings. This impacted the quality control processes leading to material misstatements not being identified timeously and addressed before the financial statements were submitted for audit. These material findings were identified in the submitted financial statements and were subsequently corrected by management. However, remedial work to address prior year findings was not finalised before 31 May 2021 to allow the submission of financial statements for audit on 31 May 2021 as required by section 55(1) (c) of the PFMA. It is recommended that Land Bank should put preventative controls in place to enhance the control environment in the management of loans and advances. Furthermore, the entity should implement controls to ensure that its financial statements are free of material misstatements.

32. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting. This is due to non-submission of information on disbursements and repayments of the loans and advances managed by Service Level Partner (SLA) which is the Bank's external service provider.

Other reports

33. I draw attention to the following engagement conducted by the auditor general , which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Audit related services and special audits

34. As requested by the Land and Agricultural Development Bank of South Africa (SOC) Ltd , a limited assurance engagement in respect of compliance with the National Credit Act No. 34 of 2005 (the Act) was conducted for the twelve months ended 31 March 2020. The report was submitted to the accounting authority on 13 August 2021.

Auditor-General

Pretoria
22 December 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Auditor-General to Parliament on the Land and Agricultural Development Bank of South Africa

Annexure - Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 my 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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which accounting authority
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Bank and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
Audited consolidated and separate Annual Financial Statements for the year ended 31 March 2021

Statements of Financial Position

	Notes	Group			Company		
		2021 R'000	*2020 R '000	*2019 R '000	2021 R '000	*2020 R '000	*2019 R '000
Assets							
Cash and cash equivalents	4	**5 589 889**	722 711	3 213 121	**5 558 401**	585 008	3 202 569
Trade and other receivables	5	**1 049 425**	1 237 652	829 366	**206 492**	720 780	351 562
Short-term insurance assets	6	**159 014**	169 906	254 017	**-**	-	-
Repurchase agreements	7	**-**	19 495	30 257	**-**	19 495	30 257
Investments	8	**2 318 659**	2 148 223	3 181 534	**1 431 304**	1 418 546	1 988 000
Strategic trading assets	9	**-**	5 153	-	**-**	5 153	-
Derivatives	10	**11 340**	79 064	80 587	**11 340**	79 064	80 587
Loans and advances	11	**30 887 859**	39 470 496	39 825 460	**30 887 859**	39 470 496	39 825 460
Non-current assets held-for-sale and assets of disposal groups	12	**4 058**	105 112	169 295	**4 058**	105 112	169 295
Long-term insurance assets	19	**4 987**	11 786	7 909	**-**	-	-
Investment property	13	**95 100**	15 000	15 250	**95 100**	15 000	15 250
Property, plant and equipment	14	**21 855**	28 971	32 154	**21 755**	28 808	31 992
Right-of-use assets	15.1	**20 746**	47 993	68 093	**20 651**	47 735	67 672
Intangible assets	16	**2 766**	8 043	13 548	**2 766**	8 043	13 548
Total assets		**40 165 698**	44 069 605	47 720 591	**38 239 726**	42 503 240	45 776 192
Equity and liabilities							
Equity							
Accumulated loss	17	**(4 262 853)**	(3 515 375)	(2 610 265)	**(5 245 288)**	(4 289 211)	(3 767 537)
Capital Fund	17	**7 397 655**	4 397 655	4 397 655	**7 397 655**	4 397 655	4 397 655
Revaluation reserve	17	**133 080**	138 472	137 350	**133 080**	138 472	137 350
Fair Value Through Other Comprehensive Income (FVTOCI)	17	**(682 072)**	(723 811)	(43 883)	**(682 072)**	(723 811)	(43 883)
Total equity		**2 585 810**	296 941	1 880 857	**1 603 375**	(476 895)	723 585
Liabilities							
Trade and other payables	18	**770 814**	1 412 033	481 254	**116 695**	902 161	72 645
Short-term insurance liabilities	6	**220 061**	237 227	329 860	**–**	–	–
Long-term policyholders' insurance liabilities	19	**66 589**	44 341	47 124	**–**	–	–
Funding liabilities	20	**36 074 791**	41 352 534	44 304 159	**36 074 791**	41 352 534	44 304 159
Lease liabilities	15.2	**23 176**	50 609	70 518	**23 071**	50 335	70 089
Provisions	21	**140 456**	390 558	305 504	**137 794**	389 742	304 399
Post-retirement obligation	22	**284 000**	285 362	301 316	**284 000**	285 362	301 316
Total Liabilities		**37 579 887**	43 772 664	45 839 735	**36 636 351**	42 980 134	45 052 608
Total equity and liabilities		**40 165 698**	44 069 605	47 720 591	**38 239 726**	42 503 240	45 776 192

* *Restated. Refer to note 43 for details.*

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Statements of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Notes	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Net interest (loss)/income[1]		167 562	387 414	162 570	383 098
Interest income	23	3 234 822	4 465 744	3 229 393	4 459 613
Interest expense	24	(3 067 260)	(4 078 330)	(3 066 823)	(4 076 515)
Net impairment charges, release, claims and recoveries	11	(323 565)	(67 988)	(323 565)	(67 988)
Total loss from lending activities		(156 003)	319 426	(160 995)	315 110
Non-interest expense	25	(301 334)	(361 877)	(297 378)	(357 209)
Non-interest income	26	84 224	99 407	76 226	93 589
Operating (loss)/income from banking activities		(373 113)	56 956	(382 147)	51 490
Net insurance premium income	27	150 785	143 126	–	–
Net insurance claims	27	(75 309)	(131 261)	–	–
Other costs from insurance activities	27	(58 293)	(32 497)	–	–
Investment income and fees	28	69 905	91 138	16 043	314 243
Interest on post-retirement obligation	22	(32 444)	(26 672)	(32 444)	(26 672)
Interest on lease liabilities	15	(3 384)	(5 249)	(3 367)	(5 218)
Losses on financial instruments	29	(18 270)	(47 240)	(18 270)	(47 240)
Fair value gains / (losses)	29	207 895	(142 468)	50 337	(21 714)
Operating (loss)/income		(132 228)	(94 167)	(369 848)	264 889
Operating expenses	30	(593 479)	(704 219)	(564 829)	(679 992)
Net operating loss		(725 707)	(798 386)	(934 677)	(415 103)
Non-trading and capital items	31	30 456	(40 951)	30 456	(40 951)
Loss before taxation		(695 251)	(839 337)	(904 221)	(456 054)
Indirect taxation	32	(52 220)	(65 764)	(51 856)	(65 622)
Loss for the year		(747 471)	(905 101)	(956 077)	(521 676)
Other comprehensive income					
Items that will not be reclassified into profit or loss					
Revaluation of land and buildings		(5 392)	1 122	(5 392)	1 122
Actuarial Gain on the post-retirement obligation	22	16 582	22 800	16 582	22 800
Total items that will not be reclassified to profit or loss		11 190	23 922	11 190	23 922
Items that may be reclassified to profit or loss:					
Net gain / (loss) on financial assets designated at fair value through other comprehensive income		25 157	(702 728)	25 157	(702 728)
Total Items that may be reclassified to profit or (loss):		25 157	(702 728)	25 157	(702 728)
Other comprehensive (loss) / income		36 347	(678 806)	36 347	(678 806)
Total comprehensive loss for the year		(711 124)	(1 583 907)	(919 730)	(1 200 482)

* *Restated. Refer to note 43 for details.*

[1] *The net interest expense position is as a result of the correction of amortisation of funding liabilities retrospectively. Refer to note 43 for details*

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

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Statements of Changes in Equity

	Capital fund R'000	Revaluation reserve R'000	Fair Value through Other Comprehensive Income R'000	Accumulated loss R'000	Total equity R'000
Group					
Opening balance at 01 April 2019	4 397 655	137 350	(43 883)	835 674	5 326 796
Correction of prior period error*	–	–	–	(3 445 939)	(3 445 939)
Restated loss for the year*	–	–	–	(905 101)	(905 101)
Other comprehensive income/(loss) for the year	–	1 122	(679 928)	–	(678 806)
Total comprehensive income/(loss) for the year	–	1 122	(679 928)	(905 101)	(1 583 907)
Opening balance at 01 April 2020	4 397 655	138 472	(723 811)	(3 515 375)	296 941
Loss for the year	–	–	–	(747 471)	(747 471)
Other comprehensive income/(loss) for the year	–	(5 392)	41 739	–	36 347
Total comprehensive income/(loss) for the year	–	(5 392)	41 739	(747 471)	(711 124)
Shareholder Equity Injection	3 000 000				3 000 000
Total contributions by owners of company recognised directly in equity	3 000 000	–	–	–	3 000 000
Balance at 31 March 2021	7 397 655	133 080	(682 072)	(4 262 853)	2 585 810
Company					
Opening balance at 01 April 2019	4 397 655	137 350	(43 883)	(321 597)	4 169 525
Correction of prior period error*	–	–	–	(3 445 939)	(3 445 939)
Restated loss for the year*	–	–	–	(521 676)	(521 676)
Other comprehensive income/(loss) for the year	–	1 122	(679 928)	–	(678 806)
Total comprehensive income/(loss) for the year	–	1 122		(521 676)	(1 200 482)
Opening balance at 01 April 2020	4 397 655	138 472	(723 811)	(4 289 211)	(476 895)
Loss for the year	–	–	–	(956 077)	(956 077)
Other comprehensive income/(loss) for the year	–	(5 392)	41 739	-	36 347
Total comprehensive income/(loss) for the year	–	(5 392)	41 739	(956 077)	(919 730)
Shareholder Equity Injection	3 000 000				3 000 000
Balance at 31 March 2021	7 397 655	133 080	(682 072)	(5 245 288)	1 603 375

* *Restated. Refer to note 43 for details.*

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Statements of Cash Flows

	Group		Company	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Loss for the year	(747 471)	(905 101)	(956 077)	(521 676)
Adjustments to reconcile profit to net cash flows:				
	252 217	556 286	438 016	223 686
Interest expense	3 067 260	4 078 330	3 066 823	4 076 515
Interest income	(3 234 822)	(4 465 744)	(3 229 393)	(4 459 613)
Net impairments raised/ released	285 473	319 685	285 473	319 685
Interest on lease liabilities	3 384	5 249	3 367	5 218
Fair value movement (financial instruments)	(207 895)	142 468	(50 337)	21 714
Losses on financial instruments	18 270	47 240	18 270	47 240
Dividends received	(28 391)	(28 647)	(13 056)	(312 818)
Interest received	(41 514)	(62 491)	(2 987)	(1 425)
Depreciation and amortisation	33 186	37 535	32 966	37 313
Fair value adjustments on properties	8 073	12 149	8 073	12 149
Movement in provisions	(250 102)	94 239	(251 950)	94 527
Movement in post-retirement medical aid liability	32 444	24 377	32 444	24 377
Profit on properties	(1 628)	(12 094)	(1 628)	(12 094)
(Gains)/Losses on foreign exchange	(36 897)	40 904	(36 897)	40 904
Impairment relating to loan commitments and guarantees	576 851	330 001	576 851	330 001
Impairment of other assets	(4)	(8)	(4)	(8)
Movement in policyholders' liabilities	28 528	(6 907)	-	-
Changes in working capital	(430 219)	448 739	(271 178)	489 023
Trade and other receivables	188 227	(408 286)	514 288	(263 108)
Trade and other payables	(641 219)	865 547	(785 466)	752 131
Increase/Decrease in short-term and long-term insurance liability	5 082	(92 633)	-	-
Decrease in short-term and long-term insurance assets	17 691	84 111	-	-
Cash generated from operations	(925 473)	99 924	(789 240)	191 033

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Audited consolidated and separate Annual Financial Statements for the year ended 31 March 2021

Statements of Cash Flows

	Group		Company	
	2021 R'000	2020* R'000	2021 R'000	2020* R'000
Cash flows from operations	8 166 653	371 587	8 161 241	465 486
Interest expense paid	(2 932 794)	(3 962 149)	(2 932 794)	(3 962 149)
Interest income received	2 800 449	4 296 792	2 795 020	4 290 661
Interest on lease liabilities paid	(3 384)	(5 248)	(3 367)	(5 217)
Dividends received	5 218	6 912	5 218	106 912
Decrease in funding to clients	8 297 163	35 279	8 297 163	35 279
Cash inflow from operating activities	7 241 179	471 510	7 372 001	656 518
Cash flow from investing activities				
Purchase of property and equipment	(653)	(1 863)	(653)	(1 863)
Proceeds of property and equipment	-	1 041	-	1 041
Purchase of intangible assets	-	(547)	-	(547)
Proceeds from sale of non-current assets held-for-sale	15 528	63 876	15 528	63 876
Proceeds from sale of financial instruments	539 628	417 394	363 136	98 972
Loan repaid by subsidiary	-	-	-	106 110
Purchase of financial instruments	(351 717)	-	(200 000)	(100 000)
Cash inflow from investing activities	202 786	479 901	178 011	167 589
Cash flow from financing activities				
Decrease in funding received from funders	(5 474 689)	(3 416 614)	(5 474 689)	(3 416 614)
Lease liability repaid	(27 733)	(25 207)	(27 564)	(25 053)
Equity injection[1]	2 925 633	–	2 925 633	–
Cash flows from financing activities	(2 576 789)	(3 441 821)	(2 576 620)	(3 441 667)
Net (decrease)/increase in cash and cash equivalents	4 867 176	(2 490 410)	4 973 392	(2 617 560)
Cash and cash equivalents at beginning of year	722 711	3 213 121	585 008	3 202 568
Cash and cash equivalents at end of year	5 589 888	722 711	5 558 401	585 008

* *Restated. Refer to note 43 for details*

[1] *Cash received for the R3 billion equity injection by the Shareholder was R2.9 billion. The balance was used to repay lenders who instituted claims against government guarantees on their debt.*

Segment reporting business

The Group reports in four distinct segments, grouped according to the nature of products and services provided by the respective business units and divisions. The four segments are:

1. Commercial Development Banking, which consists of 9 Regional Offices and 16 satellite branches spread across the country, and provides finance to developing and commercial farmers;
2. Corporate Banking, which consists of two branches, and provides finance to the corporate agri-related businesses;
3. Group Capital which consists of treasury, finance and other central functions;
4. Insurance Operations consisting of LBLIC and LBIC which provides Life and Short-term- and Crop Insurance respectively.

Reporting to the Board is based on segments which engage in business activities that generate revenues and incur expenditure. None of the operating segments meet the criteria for aggregation.

Quantitative thresholds

The Group reports separate information about an operating segment that meets any of the following quantitative thresholds:

- Its reported revenue, from both external clients and other segments, is 10% or more of the combined revenue of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more of the greater of:
  (i) the combined reported profit of all operating segments that did not report a loss, and
  (ii) the combined reported loss of all operating segments that reported a loss.

- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
Audited consolidated and separate Annual Financial Statements for the year ended 31 March 2021

Segment reporting business (continue)

Group – 2021

Statement of profit or loss and other comprehensive income

	Commercial Development and Business Banking[2] R'000	Corporate Banking and structured Investment[2] R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank R'000	Insurance Operations[3] R'000	Total Group R'000
Net interest income/(expense)	**66 501**	**96 069**	**–**	**162 570**	**4 992**	**167 562**
Interest income	2 427 654	801 738	–	3 229 393	5 429	3 234 822
Interest expense	(2 361 153)	(705 669)	–	(3 066 823)	(437)	(3 067 260)
Impairment releases/(charges) on loans and advances	(79 765)	(243 800)	–	(323 565)	–	(323 565)
Total income/(loss) from lending activities	**(13 264)**	**(147 732)**	**–**	**(160 995)**	**4 992**	**(156 003)**
Non-interest expense	(299 586)	2 208	–	(297 378)	(3 956)	(301 334)
Non-interest income	20 116	25 272	30 838	76 226	7 998	84 224
Operating income/(loss) from banking activities	**(292 734)**	**(120 252)**	**30 838**	**(382 147)**	**9 034**	**(373 114)**
Operating profit from insurance activities	–	–	–	–	17 183	17 183
Investment income	(6)	–	16 049	16 044	53 862	69 906
Interest in Post-retirement Obligation	–	–	(32 444)	(32 444)	–	(32 444)
Interest on Lease Liability	(1 060)	(385)	(1 922)	(3 367)	(17)	(3 384)
Gains and losses on financial instruments	(4 545)	(13 725)	–	(18 270)	–	(18 270)
Fair value loss	–	–	50 338	50 337	157 558	207 894
Operating income/(loss)	**(298 346)**	**(134 359)**	**62 860**	**(369 848)**	**237 621**	**(132 228)**
Operating expenses	(9 954)	(175)	(131 308)	(141 437)	(10 844)	(152 281)
Staff costs	(79 280)	(18 487)	(292 658)	(390 425)	(17 546)	(407 971)
Depreciation and amortisation	(6 173)	(1 830)	(24 963)	(32 966)	(260)	(33 226)
Net operating (loss)/income	**(393 752)**	**(154 852)**	**(386 068)**	**(934 678)**	**208 971**	**(725 708)**
Non-trading and capital items	442	-	30 010	30 456	–	30 456
Net profit/(loss) before indirect taxation	**(393 310)**	**(154 852)**	**(356 059)**	**(904 221)**	**208 971**	**(695 252)**
Indirect taxation	–	–	(51 856)	(51 856)	(364)	(52 220)
Net profit/(loss)	**(393 310)**	**(154 852)**	**(407 915)**	**(956 077)**	**208 607**	**(747 471)**
Other comprehensive income	**–**	**–**	**36 347**	**36 347**	**–**	**36 347**
Actuarial losses on the post-retirement obligation	–	–	16 582	16 582	–	16 582
Revaluation of land and buildings	–	–	(5 392)	(5 392)	–	(5 392)
Profit on financial assets at fair value through other comprehensive income	–	–	25 157	25 157	–	25 157
Total comprehensive income/(loss) for the year	(393 310)	(154 852)	(371 569)	(919 730)	208 607	(711 124)

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Segment reporting business

Statements of Financial Position

Group – 2021	Commercial Development and Business Banking[2] R'000	Corporate Banking and structured Investment[2] R'000	Group Capital and Inter–segment eliminations[1] R'000	Total Bank R'000	Insurance Operations[3] R'000	Total Group R'000
Assets						
Segment assets	**24 658 740**	**66 802 190**	**(53 221 203)**	**38 239 725**	**1 925 972**	**40 165 697**
Working capital (incl. net loans and advances)	24 623 745	66 425 563	(54 385 216)	36 664 092	874 421	37 538 513
Investments	–	373 524	1 057 780	1 431 304	887 355	2 318 659
Investment properties	31 244	–	63 856	95 100		95 100
Property and equipment	3 751	3 104	35 551	42 406	195	42 601
Non-current assets held-for-sale	–	–	4 058	4 058	–	4 058
Intangible assets	–	–	2 767	2 767	–	2 767
Insurance assets	–	–	–	–	164 001	164 001
Liabilities						
Segment liabilities	**27 539 880**	**7 801 407**	**1 295 064**	**36 636 351**	**943 536**	**37 579 887**
Working capital (incl. funding liabilities)	27 522 379	7 794 637	874 470	36 191 486	654 118	36 845 604
Provisions	10 431	3 107	124 255	137 794	2 663	140 457
Post-retirement obligation	–	–	284 000	284 000	–	284 000
Lease liabilities	7 070	3 663	12 338	23 071	105	23 176
Insurance liabilities	–	–	–	–	286 650	286 650

[1] *Includes reconciliation to Group results in terms of IFRS 8.*
[3] *The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short-term asset and Crop Insurance).*

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Segment reporting business (continued)

Group – 2020

Statement of profit or loss and other comprehensive income

	Commercial Development Banking R'000	Corporate Banking R'000	Group Capital and Inter-segment eliminations[1] R'000	Total Bank R'000	Insurance Operations[3] R'000	Total Group R'000
Net interest income (expense)	249 268	133 830	–	**383 098**	4 316	**387 414**
Interest income	3 387 785	1 071 828	–	4 459 613	6 131	4 465 744
Interest expense	(3 138 517)	(937 998)	–	(4 076 515)	(1 815)	(4 078 330)
Impairment releases/(charges) on loans and advances	113 398	(181 386)		**(67 988)**	–	(67 988)
Total income/(loss) from lending activities	**362 666**	**(47 555)**	–	**315 110**	**4 316**	**319 426**
Non-interest (expense)	(359 345)	–	2 136	(357 209)	(4 668)	(361 877)
Non-interest income	26 218	44 477	22 895	93 589	5 818	99 407
Operating income/(loss) from banking activities	**29 538**	**(3 078)**	**25 031**	**51 490**	**5 466**	**56 956**
Operating profit from insurance activities	–	–	–	–	(20 632)	(20 632)
Investment income	–	4 007	310 237	**314 243**	(223 105)	91 138
Interest in Post-retirement Obligation	–	–	(26 672)	**(26 672)**	–	(26 672)
Interest on Lease Liability	(1 639)	(130)	(3 449)	**(5 217)**	(31)	(5 248)
Gains and losses on financial instruments	(24 025)	(23 216)	–	**(47 240)**	–	(47 240)
Fair value loss	(2)	–	(21 712)	**(21 714)**	(120 754)	(142 468)
Operating income/(loss)	**3 873**	**(22 417)**	**283 434**	**264 891**	**(359 056)**	**(94 165)**
Operating expenses	(31 971)	(1 948)	(220 033)	(253 952)	(9 170)	(263 122)
Staff costs	(80 394)	(24 120)	(284 214)	(388 729)	(14 838)	(403 567)
Depreciation and amortisation	(7 206)	(1 526)	(28 580)	(37 312)	(220)	(37 532)
Net operating (loss)/income	**(115 699)**	**(50 011)**	**(249 393)**	**(415 102)**	(383 **284)**	**(798 387)**
Non-trading and capital items	(1)	(10)	(40 940)	(40 951)	–	(40 951)
Net profit/(loss) before indirect taxation	**(115 700)**	**(50 021)**	**(290 333)**	**(456 053)**	**(383 284)**	**(839 337)**
Indirect taxation	–	–	(65 622)	(65 622)	(142)	(65 764)
Net profit/(loss)	**(115 700)**	**(50 021)**	**(355 956)**	**(521 676)**	(383 **426)**	**(905 101)**
Other comprehensive income						
Actuarial losses on the post-retirement obligation	–	–	22 800	22 800	–	22 800
Revaluation of land and buildings	–	–	1 122	1 122	–	1 122
Cash flow hedges: gains on cash flow hedging instruments	–	–	–	–	–	–
Profit on financial assets at fair value through other comprehensive income	–	–	(702 728)	(702 728)	–	(702 728)
Total comprehensive income/(loss) for the year	**(115 700)**	**(50 021)**	**(1 034 761)**	**(1 200 482)**	(383 **426)**	**(1 583 907)**

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Segment reporting business (continued)

Group – 2020

Statements of Financial Position

	Commercial Development and Business Banking[2] R'000	Corporate Banking and structured Investment[2] R'000	Group Capital and Inter–segment eliminations[1] R'000	Total Bank R'000	Insurance Operations[3] R'000	Total Group R'000
Assets						
Segment assets	**9 236 217**	**45 855 746**	**(12 588 726)**	**42 503 240**	**1 566 363**	**44 069 605**
Working capital (incl. net loans and advances)	9 193 201	45 312 436	(13 625 649)	40 879 992	824 479	41 704 471
Investments	-	538 524	880 022	1 418 546	729 677	2 148 223
Investment properties	31 244	-	(16 244)	15 000	-	15 000
Property and equipment	11 772	4 786	59 989	76 546	421	76 967
Non-current assets held-for-sale	-	-	105 112	105 112	–	105 112
Intangible assets	-	-	8 044	8 044	–	8 044
Insurance assets	-	-	-	-	11 786	11 786
Liabilities						
Segment liabilities	**31 691 805**	**9 717 075**	**1 571 257**	**42 980 134**	**792 532**	**43 772 664**
Working capital (incl. funding liabilities)	31 670 702	9 710 285	873 709	42 254 692	509 874	42 764 566
Provisions	5 530	1 721	382 494	389 744	815	390 559
Post-retirement obligation	-	-	285 362	285 362	-	285 362
Lease liabilities	15 573	5 069	29 692	50 335	274.61	50 609
Insurance liabilities	-	-	-	-	281 568	281 568

[1] *Includes reconciliation to Group results in terms of IFRS 8.*
[3] *The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short-term asset and Crop Insurance).*

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Segment reporting business (continued)

Segmental information

The Group's reportable operating segments are strategic business units that offer products to various classes of clients. These are managed separately since each segment requires different marketing and technical strategies to service a client base with unique needs. The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies. Cost of funding is allocated based on the monthly average cost of funding for Land Bank and the segment's loan book net of non-performing loan balances as at 31 March 2021. The identified reportable segments are in a manner in which the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

Segmental reporting geographic

The geographical segments consist of 9 provincial offices and 14 satellite offices within the boundaries of the respective provinces of the Republic of South Africa according to the client's location. Group Capital and Insurance Operations is included in the Northern segment, as the head office is situated in Pretoria. All revenue per geographical segment is attributable to the Republic of South Africa. All non-current assets are located in the Republic of South Africa.

Group – 2021 **Statement of profit or loss and other comprehensive income**	Interest income R'000	Interest expense R'000	Net interest income R'000	Impairment (charges)/ releases, claims and recoveries R'000	Non-interest income/ (expense) R'000	Operating income from insurance activities R'000
Northern region	2 765 481	(2 497 233)	268 248	(9 287)	(245 885)	17 183
Southern region	469 341	(570 026)	(100 685)	(314 278)	28 775	–
Continuing operations	**3 234 822**	**(3 067 260)**	**(167 562)**	**(323 565)**	**(217 110)**	**17 183**
Discontinued operation – LDFU	–	–	–	–	–	–
	3 234 822	**(3 067 260)**	**(167 562)**	**(323 565)**	**(217 110)**	**17 183**

[1] *Details on Other Comprehensive Income are disclosed under the Business Segment*

Fair value gains, investment income and non-trading and capital items R'000	Operating expenses and indirect taxes excluding depreciation and amortisation R'000	Interest on Post Retirement Medical Aid and Lease Liability	Depreciation and amortisation R'000	Staff costs R'000	Net profit/ (loss) R'000	Other Comprehensive Income	Total comprehensive income R'000
304 145	(199 514)	(34 722)	(27 734)	(357 306)	(284 872)	36 347	(248 526)
(14 157)	(4 993)	(1 102)	(5 493)	(50 665)	(462 599)	–	(462 599)
289 985	**(204 508)**	**(35 825)**	**(33 226)**	**(407 971)**	**(747 471)**	**36 347**	**(711 124)**
–	–	–	–	–	–	–	–
289 985	**(204 508)**	**(35 825)**	**(33 226)**	**(407 971)**	**(747 471)**	**36 347**	**(711 124)**

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Segment reporting business (continued)

Statements of Financial Position	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working Capital (incl. loans and advances R'000	Total assets R'000
Assets			
Northern region	2 613 816	30 969 344	33 583 160
Southern region	13 368	6 569 170	6 582 538
Continuing operations	**2 627 186**	**37 538 515**	**40 165 698**
Discontinued operation – LDFU	–	–	–
	2 627 186	**37 538 515**	**40 165 698**

Segment reporting business

	Working Capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Liabilities			
Northern region	28 530 010	718 999	29 249 008
Southern region	8 315 594	15 285	8 330 878
Insurance operations	-	-	-
Continuing operations	**36 845 604**	**734 283**	**37 579 887**
Discontinued operation – LDFU	-	-	-
	36 845 604	**734 283**	**37 579 887**

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Segment reporting geographic

Group – 2020

Statement of profit or loss and other comprehensive income

	Interest income R'000	Interest expense R'000	Net interest income R'000	Impairment (charges)/ releases, claims and recoveries R'000	Non-interest income/ (expense) R'000	Operating income from insurance activities R'000
Northern region	3 774 809	(3 496 096)	278 713	179 197	(287 595)	(20 632)
Southern region	690 936	(582 235)	108 701	(247 187)	25 125	–
Total operations	**4 465 744**	**(4 078 330)**	**387 414**	**(67 988)**	**(262 470)**	**(20 632)**

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Segment Reporting Geographic (continued)

Fair value gains, investment income and non-trading and capital items R'000	Operating expenses and indirect taxes excluding depreciation and amortisation R'000	Interest on post-retirement Medical Aid and Lease Liability	Depreciation and amortisation R'000	Staff costs R'000	Net profit/ (loss) R'000	Other Comprehensive Income	Total comprehensive income R'000
(139 521)	(319 105)	(30 790)	(31 902)	(351 839)	(723 471)	(678 806)	(1 402 277)
0.02	(9 782)	(1 131)	(5 631)	(51 726)	(181 630)	–	(181 630)
(139 522)	**(328 887)**	**(31 920)**	**(37 532)**	**(403 566)**	**(905 102)**	**(678 806)**	**(1 583 907)**

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA
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Segment Reporting Geographic (continued)

Group – 2020

Statements of Financial Position

Assets	Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment R'000	Working Capital (incl. loans and advances R'000	Total assets R'000
Northern region	2 346 554	42 952 761	45 299 315
Southern region	18 579	(1 248 288)	(1 229 710)
Total operations	**2 365 131**	**41 704 472**	**44 069 605**

Liabilities	Working Capital (incl. funding) R'000	Other liabilities R'000	Total liabilities R'000
Northern region	33 157 597	991 290	34 148 888
Southern region	9 606 969	16 808	9 623 777
Total operations	**42 764 566**	**1 008 098**	**43 772 664**

Accounting Policies

Corporate information

1. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with IFRS (with consent from the National Treasury for all Schedule 2 public entities) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), applying the accrual basis of accounting, the going-concern principle, and using the historical-cost basis, except where specifically indicated otherwise in the accounting policies. A summary of significant accounting policies is set out in note 3.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Group and bank financial statements.These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared on the basis of the accounting policies applicable to a going-concern. This basis presumes that the Land Bank will continue to receive the support of its Shareholder and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. Full disclosure relating to the Directors' going-concern assessment can be found in Note 3.3.

The Annual Financial Statements have been prepared on the historical cost basis, except for the following items, which were measured at fair value:

- Financial instruments held at fair value through profit or loss;
- Financial instruments designated at fair value through profit or loss;
- Derivative financial instruments;
- Equity investments;
- Land and buildings;
- Post-retirement medical aid benefit investment; and
- Funeral benefit and post-retirement medical aid liability.

The methods used to measure fair values are detailed in notes

2.1 Functional and presentation currency

The consolidated and separate financial statements are presented in South African Rand, which is the Group's functional currency. All financial information presented in Rand are rounded to the nearest thousand (R'000), unless otherwise stated.

2.2 Distinction between current and non-current

The Group presents the assets and liabilities in decreasing order of liquidity as it provides information that is more reliable and relevant than a current/non-current presentation because the Group does not supply goods or services within a clearly identifiable operating cycle. In addition, other similar financial institutions also provide the information in this manner, and hence it is more comparable.

3. Summary of significant accounting policies

The Group has not applied the following new, revised or amended pronouncements that have been issued by the International Accounting Standard Board (IASB) as they are not yet effective for the financial year beginning 1 April 2020.

The Board anticipates that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

3.1 New standards and interpretations not yet adopted

The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

IAS 1 amendments on classification	01-Jan-22
IFRS 17 Insurance Contracts	01-Jan-23
Interest Rate Benchmark Reform Phase 1	01-Jan-21
IFRS 16 amendment	01-Apr-21
2018-2020 annual improvements cycle	01-Jan-22
IAS 8 amendments on accounting estimates	01-Jan-23
IAS 1 Disclosure of accounting policies	01-Jan-23
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	01-Jan-23

IAS 1 amendments on classification

The International Accounting Standards Board (IASB) has issued 'Classification of Liabilities as Current or Non-current

(Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current

(Amendments to IAS 1) affect only the presentation of liabilities in the Statements of Financial Position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

Accounting Policies

3.1 New standards and interpretations not yet adopted (continued)

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the ""right"" to defer settlement by at least twelve months and make explicit that only rights in place ""at the end of the reporting period"" should affect the classification of a liability;

- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment is not expected to have a material impact on the Group.

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective for annual periods beginning on or after 1 January 2023. The previous IFRS Standard on insurance contracts, IFRS 4, was an interim standard that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct and reinsurance), regardless of the type of entity that issue these contracts. The General Model (also referred to as building block approach) forms the core of IFRS 17. It is supplemented by:

- A specific adaption for contracts with direct participation features ("the variable fee approach"); and
- A simplified approach ("the premium allocation approach") mainly for short-duration contracts.

The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement
- Data requirements
- Operations and the underlying systems
- Management reporting

The standard will be applied retrospectively. The impact on the Annual Financial Statements has not yet been fully determined. The Group will commence assessing the impact of IFRS 17 in 2022 financial year.

Interest Rate Benchmark Reform Phase 2 amendments

On 27 August 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021. The amendments are not expected to have a material impact on the Group.

FRS 16 amendment

On 27 August 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021. The amendments are not expected to have a material impact on the Group.

2018-2020 annual improvements cycle

On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9, Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16, Leases

Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Accounting Policies

IAS 8 amendments on accounting estimates

On 12 February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The impact on the Annual Financial Statements has not yet been fully determined. The Group will commence assessing the impact in 2022 financial year.

IAS 1 Disclosure of accounting policies

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help prepares in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.The Group will commence assessing the impact in 2022 financial year.

IAS 12 Deferred tax related to assets and liabilities arising from a single transaction

On 7 May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023.The Group will commence assessing the impact in 2022 financial year.

3.2 New standards and interpretations adopted

Interest Rate Benchmark Reform Phase 1

The impact that this standard has on the Group in the current year is minimal. This amendment is meant to provide relief in connection with IBOR(Interbank offered rates). Phase 1 considers reliefs to hedge accounting in the period before the reform. These amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

This amendment will benefit the Group by allowing hedging relationships to continue upon the replacement of an existing interest rate benchmark with a Risk Free Rate (RFR). These amendments had no impact on the consolidated financial statements of the Group.

IFRS 3 Business Combinations (amendment)

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

There were no business combinations that took place during the current financial year. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations as the amendment is applied prospectively.

3.3 Going-concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Towards the end of April 2020, the Land Bank experienced a liquidity shortfall, which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in de-facto standstill on capital and interest payments to its funders. The Bank appointed legal and corporate finance advisors to support the process of turning the organisation around. Solutions comprising the emergency liquidity funding solution, liability solution, equity solution as well as the review of the Land Bank's repurposing strategy and the operating model were undertaken. With the exception of the liability solution which is still in progress, the other solutions have been concluded and implemented or being implemented in the case of Land Bank repurposing strategy.

As with the previous years, Land Bank has remained under capitalised. The Bank, as a specialist Development Finance Institution whose business is concentrated in the agricultural sector and acknowledges the challenging operating conditions that were faced by the agricultural sector over a period of years. Sustained droughts, uncharacteristic hail in usually hail-free areas, and increased frequency of disease outbursts has disrupted the ability of the Bank's customers to repay their loans. In addition, declining capital buffers that challenged its ability to meet some loan covenants while fulfilling its developmental mandate and related loan growth targets. The sovereign downgrade downgrades of South Africa. All these challenges weakened the Land Bank's standalone credit profile.This hampered Land Bank's ability to raise funding in the market and this combines with the funding structure of the Bank which was around 40% short-term at the time and therefore requiring constant refinancing resulted in the Bank defaulting on its obligations.

Accounting Policies

3.3 Going-concern (continued)

Since the default Land Bank with its advisors and supported by the Shareholder has been working together with the lenders towards the implementation of the liability solution which requires lenders to commit to this solution which is a prerequisite to the Shareholder for the injection of the amount of equity appropriated in the Feb 2021 Budget speech. To the extent that this takes place Land Bank is expected to come out of its event of default situation by 31 March 2022. On the going-concern the most significant factor is that Lenders have not taken any legal action and remain in a de facto standstill in terms of capital repayments due to them, with the exception of one, who was fully settled on the 1 April 2021. The liability solution is planned to be concluded by the end of March 2022. The commitment agreements are planned to be signed by the end of January 2022 with the lenders. The Bank continues to work with all lenders to negotiate the terms of the commitment agreement, and reach an amicable solution to cure the default..

Land Bank resumed servicing of interest on funding liabilities during August 2020. The de-facto standstill on capital repayments however still ensues.

Land Bank received a Disclaimer of Opinion audit outcome from the AGSA on the 2020 Financial Year Audit. The Group recorded a net loss of R0,7 billion (2020: R0,9 billion) for the year ended 31 March 2021.

Despite the above challenges, the Bank's business and operational fundamentals remain strong, and further measures have been adopted to manage the Bank's financial sustainability and credit worthiness. In the last number of months since the default the Bank has achieved and the following:

- The Board-led Restructuring Committee that was established when the restructuring process started continues to provide guidance and support to the executive management's efforts to address the liquidity challenges, and monitors implementation of crafted solutions to take Land Bank out of its event of default and to reposition the organisation.
- Critical vacancies have been filled.
- The Bank collected over R20 billion from own customers.
- At 31 March, Land Bank Group had a cash balance of R5.8 billion, compared to R0.5 billion at 31 March 2020.
- The Bank continues to operate.
- Interest on funding liabilities continues to be serviced.
- Capital repayments totalling R4.1 billion have been made towards reduction of funding liabilities.
- Successful completion of the independent review of the Land Bank credit models by EY commissioned by the lenders. No material misstatements were identified by the independent reviewer.
- The repurposing of the Bank in line with its mandate is being implemented.
- In addition to the R3 billion equity injection during September 2020, the Shareholder has appropriated R7 billion over the FY2022 medium-term period, to recapitalise the Bank. The next anticipated capital injection has certain equity conditions attached to it as follows:
  - The Land Bank must enter into commitment agreements with its funders, supporting the implementation of the Liability Solution, by end of November 2021. Such agreements must be on terms acceptable to National Treasury and must give effect to Liability Solution 3 as set out in the presentations made to lenders and must be signed by no later than 30 November 2021. Land Bank has since requested an extension from The Minister of Finance for the commitment agreements to be finalised by 31 January 2021.
  - The split of the Land Bank in to the Corporate and Commercial ("C&C") and Developmental and Transformation ("D&T") divisions should be executed in a holistic manner such that all the assets and liabilities are transferred during the split. A security SPV structure is being put in place to facilitate the separation of assets and liabilities to support the C&C book.
  - Land Bank must provide National Treasury with the anticipated report from the independent review work which confirms that an appropriate split of the C&C and D&T net assets and liabilities as at 31 March 2021, has been carried out. This will include the review of both the C&C and D&T models as per the four work-streams stated in the approved and published tender document. The Independent Review report has been provided to National Treasury.
  - Land Bank must furnish an independent confirmation from the Auditor-General as part of their audit report for 31 March 2021, that Land Bank is in compliance with Section 38(1)(j) of the PFMA. The FY2021 Audit is being concluded by the AGSA. The audit report will be provided to National Treasury.
  - The R5 billion equity transfer must be used to support current and future D&T activities of Land Bank with R500 million being set aside upfront for use in Land Bank's approach to funding new developmental farming activities. The R5 billion is being utilised to facilitate the separation of the Land Bank into the C&C and D&T divisions on a basis that will allow Land Bank to continue to operate the D&T division. Liability Solution Three contemplates funding being set aside to facilitate new disbursements to D&T customers.

Accounting Policies

- – The R1 billion equity transfer expected in FY 2023 and FY 2024, respectively, must be used to repay all government guarantee debt, that is debt guaranteed by the Republic of South Africa. The creditors holding the guaranteed debt will be part of the D&T Division, and they will be repaid out of the equity transfers expected in 2023 and 2024.

- – Given that approval was granted that South African funders could have recourse, on a limited basis, back to the D&T assets of Land Bank should a shortfall occur on repaying debt from winding down and selling-off the C&C loan book (what is termed as "tail risk"), provision must be made for an upfront agreed amount to be made available for this purpose and the additional conditions included in the letter dated 14 June 2021 from the Minister of Finance need to be complied with, namely:

- Any such claim may only be brought once all the current D&T lenders have been repaid in full;
- The quantum of assets that can be claimed from the D&T division following the materialisation of the tail risk must be limited so as not to threaten the future sustainability of the D&T division;
  - No interference from funders in the operations and decision making of the D&T division; and
  - Any other risk that could materialise under this option that threatens the future sustainability of the D&T division must be limited.

Liability Solution Three has been structured specifically to address each of these items. Any additional tail risk support will be provided only to the extent that the D&T book continues and only to the extent that Land Bank remains viable post the granting of such support.

- – In consideration of the above, kindly ensure that there is no section in the legal agreements to be entered into with Land Bank's funders that seeks to contradict the above-mentioned equity conditions.

- – All agreements will be reviewed for contradictions and National Treasury will review the agreement suite.

- A remedial plan to address deficiencies identified by the Auditor-General of South Africa, has been implemented and concluded. The remedial process was overseen by the Audit and Finance Committee of the Board.

The Directors are of the view that the initiatives reflected above will ensure Land Bank meets the going-concern requirement in the foreseeable future, being 12 months from the approval of these Annual Financial Statements. Given already received and expected capital injections from National Treasury as well as current cash sources available, Land Bank is expected to have a surplus of available cash resources to be able to meet its liquidity requirements.

3.4 Business combinations

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their value at the acquisition date.

The Group recognise any non-controlling interest in the acquirer on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest proportionate share of the recognised amounts of acquiree identifiable net assets.

Consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC and LBIC as at 31 March 2021.

The financial statements of LBLIC and LBIC are prepared for the same reporting year as Land Bank, using consistent accounting policies. Furthermore, the Annual Financial Statements have been prepared in accordance with the requirements of both the Short- and Long-term Insurance Acts respectively.

Accounting Policies

3.5 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgements and estimates are summarised below:

(1) Impairment losses on loans and advances

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting Date 31 March 2021 and the of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. Please refer to note 38 for more details.

(2) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, the valuation models are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(i) Unlisted investments

The valuation of unlisted shares, as applied by the company's asset managers, comply with International Private Equity and Venture Capital Valuation guidelines. Various valuation techniques are used to arrive at the fair value of investments, including:

- Price of recent investment;
- Earnings multiple;
- Net assets;
- Discounted cash flows;
- Industry benchmarks; and
- Available market prices.

(ii) Policy liabilities in respect of long-term insurance contracts

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption;
- Prescribed margins are then applied; and
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and charges for investment guarantees are taken into account.

Decrements

Assumptions with regard to future mortality and lapse rates are consistent with the experience for the five years up to the current financial year-end. Mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS.

(iii) Policy liabilities in respect of short-term insurance contracts

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the Group, principally in respect of the insurance liabilities of the Group.

Insurance liabilities include the provisions for unearned premiums, unexpired risk, and outstanding claims and incurred but not reported (IBNR) claims. Unearned premiums represent the amount of income set aside by the Group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the Statements of Financial Position date. At each Statements of Financial Position date, an assessment is made of whether the provisions for unearned premiums are adequate. When it is anticipated that unearned premiums will be insufficient to cover anticipated costs and fees, unexpired risk is also set aside.

Outstanding claims represent the Group's estimate of the cost of settlement of claims that have occurred by the Statements of Financial Position date, but that have not yet been finally settled. In addition to the inherent uncertainty of having to provide for future events, there is also considerable uncertainty concerning the eventual outcome of claims that have occurred but had not yet been reported to the insurer by the Statements of Financial Position date.

Accounting Policies

Process to determine significant assumptions

Insurance risks are unpredictable and the Group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Using historical data, the insurance companies aim to establish provisions that have an above average likelihood of being adequate to settle all contractual insurance obligations.

Outstanding claims

Claim provisions are determined based upon previous claims experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and experience with similar cases. The Group's estimates for outstanding claims are continually reviewed and updated as future developments take place and better information becomes available regarding the current circumstances. The ultimate cost of the claim may therefore vary from this initial estimate. Adjustments resulting through this review are reflected in the Statement of Profit or Loss and Other Comprehensive Income as and when identified.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made as well as the size of the claim, and whether there will be a stop loss recovery based on the overall loss ratio of the portfolio.

Claims incurred but not reported (IBNR)

The policyholders' liabilities include a provision for the expected cost of IBNR claims. This relates to claims expected to be made by policyholders in respect of events that occurred before the financial year end but that have not yet been reported to the Group by year end. The IBNR is not discounted due to the short-term nature of IBNR claims on crop policies. For short-term business, the incurred but not reported reserve (IBNR) is based on the minimum requirements of the Insurance Act of 2017, as required by the Financial Sector Conduct Authority (FSCA) Board, previously FSB Board Notice 169 issued on 28 October 2011 and effective for the year ends after January 1, 2012. In line with this computation, premiums in different classes of business for the last six financial years are multiplied by an industry wide historical claims development factors introduced separately and the outcomes are added up. The Group underwrites crop insurance under the property class as well as agri-asset reinsurance inwards, cover under the motor and property classes. A separate calculation is carried out to calculate the reinsurance portion of the IBNR reserve.

The calculation of insurance liabilities is an inherently uncertain process. The company seeks to provide adequate levels of insurance provisions by taking into account all know facts and experience from a variety of sources as well as statutory requirements.

Premium provisions – short-term

The Group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires according to the remaining days method for the assets and winter crop policies. In the current reporting period, for the new crop policies written through the underwriting management agreement, the unearned premium for "summer hail", "summer multi-peril" and "horticulture" is calculated according to the claims occurring patterns based on an historic claims analysis of claims incurred. In the prior reporting period, crops written through the reinsurance agreement were released according to the remaining days method over the period of the reinsurance treaty. This is a prospective change with the change in the nature of the underlying transaction from a reinsurance agreement to an underwriting management agreement.

At each Statements of Financial Position date, an assessment is made of whether the provisions for unearned premium are adequate. If the premium level is deemed to be insufficient based on information available at the Statements of Financial Position date, to cover the anticipated claims and operating expenses, a separate provision is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk and performed annually.

The provision for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised based on the relevant reinsurance contract. Deferred acquisition costs and reinsurance commission revenue is recognised on the 365th basis over the term of the policy.

3) Depreciation rates, methods and residual values

Depreciation rates, depreciation methods adopted and residual values of assets requires judgements and estimates to be made. Changes in estimates are disclosed in the relevant notes where applicable.

Accounting Policies

3.5 Critical accounting judgements and key sources of estimation uncertainty (continued)

(4) Post-employment medical benefits

The cost of defined benefit post-employment medical benefits as well as the present value of the post-retirement medical aid obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and medical cost trends. All assumptions are reviewed at each reporting date.

(5) Management expense provisions and accruals

At each Statements of Financial Position date, the Group might be exposed to various liabilities of uncertain timing or amount. Such liabilities are provided for if a present obligation has arisen, payment is probable and the amount can be reliably estimated. Management uses its discretion to estimate the expenditure required to settle the present obligation as at year-end, i.e. the amount that the Group would rationally pay to settle the obligation.

3.6 Revenue recognition

Interest income

In terms of IFRS 9 interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows. The effective-interest method is a method of calculating the amortised cost of a financial asset (or Group of financial assets) and of allocating the interest income over the relevant period. Interest income include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

IFRS 15 Revenue from contracts with customers

The Group is able to identify the contract when both the client and the Group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the Group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The Group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

(i) Fee and commission income

Fees and other income which are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate.

Other fee income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, is recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

(ii) Dividend income

Dividends are recognised in the period when the shareholders' right to receive payment is established.

Dividend income from financial assets classified at fair value through profit or loss is recognised on the last date to register. Preference share dividends are recognised using the effective interest rate method where preference shares as classified as liabilities in accordance with IAS 32.

(iii) Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding dividend and interest income. These surpluses are recognised in the Statement of Profit or Loss and Other Comprehensive Income on the date of sale or upon valuation to fair value.

(iv) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is recorded in the Statement of Profit or Loss and Other Comprehensive Income in 'Non-interest income'.

(v) Realised gains and losses

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate and is recorded in the Statement of Profit or Loss and Other Comprehensive Income.

(vi) Unrealised gains and losses

Unrealised gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(vii) Insurance premium income

Refer to note 3.20.

3.7 Expenses

(i) Administration costs

Administration costs on short-term insurance business consist of directly attributable costs payable to the underwriter and are deferred over the period in which the related premiums are earned.

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Administration costs that are directly attributable to long-term recurring premium insurance policy contracts are recognised directly to the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Commission
Commission is payable to sales staff on long-term and short-term insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. The portion of the commission that is directly attributable to the acquisition of long-term recurring premium insurance policy contracts is recognised directly to the Statement of Profit or Loss and Other Comprehensive Income. Acquisition costs for short-term insurance business is deferred over the period in which the related premiums are earned.

3.8 Fruitless and wasteful and irregular expenditure

Items of expenditure which meet the requirements of the Public Finance Management Act (PFMA) for fruitless and wasteful as well as irregular expenditure are separately disclosed in the notes to the financial statements. "Fruitless and wasteful expenditure" means expenditure which was made in vain and would have been avoided had reasonable care been exercised. "Irregular expenditure" means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation or internal policy.

When discovered, irregular expenditure is recognised as an asset in the Statements of Financial Position until such time as the expenditure is either condoned by the relevant authority, recovered from the responsible person or written off as irrecoverable in the Statement of Profit or Loss and Other Comprehensive Income.

3.9 Property, plant and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the Group and they have a cost that can be measured reliably.

Land and buildings comprise owner occupied property. Land and buildings are shown at fair value, based on valuations by external independent valuators, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as Revaluation Reserves in the Statements of Changes in Equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against Revaluation Reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Depreciation is provided on the straight-line basis, which, it is estimated, will reduce the carrying amount of the property and equipment to their residual values at the end of their useful lives. Items of property and equipment are depreciated from the date that they are installed and available for use. Land is not depreciated as it is deemed to have an indefinite life. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

The major categories of property and equipment are depreciated at the following rates:

Building	2.5% per annum
Motor vehicles	20% per annum
Computer equipment	33.3% per annum
Leasehold improvements	Equal months in relation to lease period
Furniture and fittings	20% per annum

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the Statements of Changes in Equity.

Accounting Policies

3.10 Investment property

Investment properties (properties that are not owner-occupied), are properties which are held to earn rental income and/ or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Owner occupied property is classified as investment property when the owner occupies less than an insignificant portion of the property (less than 50%). This threshold was set due to the Group's intention to let out any excess office space, which exists at the Group's properties.

3.11 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets that are acquired and have finite useful lives are initially recognised at cost with subsequent measurement at cost less any accumulated amortisation and any impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(i) Computer software

Costs associated with maintaining computer software program are recognised as an expense as incurred. Computer software licence fees are paid for in advance, recognised as a prepayment and expensed to the Statement of Profit or Loss and Other Comprehensive Income over the period of the license agreement. Should the licence agreement extend beyond 12 months, the software licence would be capitalised as an intangible asset and amortised on a straight-line basis over the period of the licence agreement.

(ii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Tier 1 asset - Software relating to core business applications for which any change to a different application suite would require a significant investment in resources and time.

Tier 2 asset - Software that is directly integrated with the core financial systems and additional developments and modules may have be added.

Other - Commodity software.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Item	Depreciation method	Average useful life
Tier 1 asset	Straight line	10 years
Tier 2 asset	Straight line	5 years
Other	Straight line	3 years

Impairment of non-financial assets

Intangible and tangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non- financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value

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of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

3.12 Financial instruments

Classification and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument. Regular way purchase and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(i) Amortised cost and effective-interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

The effective-interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(ii) Fair value

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of instruments that are quoted in an active market is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place. The Group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available.

For a detailed discussion of the fair value of financial instruments, refer to note 38.

Modification

The Group modifies the terms of the loans provided to its clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include changes in payment frequency, payment date, term, interest rate or consolidation of borrower's loan agreements into a single agreement to mitigate credit risk.

The modified asset is assessed to determine whether it constitutes a substantial or non-substantial modification by considering both quantitative and qualitative features. For example, if the present value of the new contractual cash flows discounted using the original effective interest rate, differs by 10% when compared to the original contractual cash flows, the Land Bank deems the modification to be substantial and results in the de-recognition of the original asset. If the present value is below 10% and the qualitative assessment performed does not deem it so, the Land Bank deems the modification to be non-substantial and does not result in de- recognition of the original asset. The modification gain/loss will then be determined.

The gain/loss shall be derived by comparing the present value of the restructured loan (discounted using the original effective interest rate) to the carrying value at time of modification. derecognition.

Financial assets

Debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Accounting Policies

Financial assets (continued)

The Group has classified loans and advances, trade receivables and cash at bank as amortised cost. These debt instruments are initially recognised at fair value plus directly attributable transaction costs.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in "Net interest income" in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Investments in equity instruments

For equity investments that are held neither for trading nor for contingent consideration the Group may irrevocably elect to present subsequent changes in the fair value of these equity investments in OCI. The cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition.
- FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).
- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expenses incurred on the financial liability.
- Financial guarantee contracts and loan commitments.

(iii) Derivative financial instruments, strategic trading asset and hedge accounting

The Group elected an accounting policy choice under IFRS 9 "Financial Instruments" to apply the hedge accounting requirements under IFRS 9 "Financial Instruments: Recognition and Measurement". As part of the requirements to apply hedge accounting, the Group documents, at the inception of the hedge relationship, the relationship between hedging instruments and hedged items, the risk being hedged, the Group's risk management objective and strategy for undertaking hedge transactions, and how effectiveness will be measured throughout the life of the hedge relationship.

All derivatives are recognised in the Statements of Financial Position at fair value and are classified as trading except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is measured at fair value throughout the life of the contract. Derivatives are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative assets and derivative liabilities are offset and the net position is presented in the Statements of Financial Position as the Group has a legal right to offset the amounts and intends to settle on a net basis. Each swap has the same counterparty and the "net asset/ liability" is as a result of FVTOCI.

All strategic trading asset and repurchase agreements are recognised in the Statements of Financial Position at fair value and are classified as trading. The carrying value of an asset is measured at fair value and are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

(iv) Cash held under investments

The "Cash" held under investments is held with the Asset Managers (external party) to invest on the Group's behalf. At various stages as the markets move, the Asset Managers may buy and sell shares and bonds, and would invariably have cash on hand at certain points in time. This cash is held in the possession of the Asset Managers and is intended to be used for the purpose of purchasing new financial instruments. The cash is not necessarily available to be used as working capital by the Group and therefore is not disclosed as "Cash and cash equivalents". Please refer to note 7.

(v) Derecognition of financial asset

A financial asset or a portion of a financial asset will be derecognised and a gain or loss recognised when the Group's contractual rights expire, financial assets are transferred or financial liabilities are extinguished. On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year.

The Group's contractual rights expire, when the financial assets are transferred or financial liabilities are extinguished. On derecognition of a financial asset or liability, the difference

Accounting Policies

Financial liabilities (continued)

between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year.

Upon derecognition of equity instruments designated at fair value through other comprehensive income, the cumulative fair value gains/ (losses) recognised in other comprehensive income is not subsequently recycled to profit or loss.

Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass– through' arrangement; and either:

(i) The Group has transferred substantially all the risks and rewards of the asset, or

(ii) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial instruments Impairment of financial assets

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the initial recognition. In determining whether credit risk has increased significantly since initial recognisation, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset.

The amount of Expected Credit Loss (ECL) is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using a provision for "Expected Credit Loss account".

Key principles of the Group's accounting policy for impairment of financial assets are listed below.

The Group assesses at initial recognition of financial assets whether to use a 12-month expected loss approach or a lifetime expected loss approach in order to calculate its impairment provision.

A 12-month expected loss approach is used for the following instruments:

- Purchased or newly originated financial assets that are not credit impaired.
- A lifetime expected loss approach is used for the following instruments:
- Purchased or newly originated credit impaired financial assets.

Although some financial assets within the Bank's portfolio might meet the definition of low credit risk, the Bank opted not to apply this in application of its ECL methodology as given the nature of the Bank's business it is deemed not to be prudent not to consider whether a significant increase in credit risk exits.

For subsequent measurement, the Group applies a three-stage approach to measuring expected credit loss (ECL) on debt instruments accounted for at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associate with the probability of default events occurring within the next 12 months is recognised.

Accounting Policies

Impairment of financial instruments Impairment of financial assets (continued)

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
If the loan's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are Grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using a provision for "Expected Credit Loss account".

The Group considers its historical loss experience and adjusts this for current observable data. In additional, the Group uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macro-economic factors that which include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses the previously assessed significant increase in credit risk since origination, then the ECL reverts from lifetime ECL to 12-months ECL.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Day 1 profit

Where the transaction price in a non-active market is different from other observable current market transactions in the same instrument or based on a valuation technique whose variables include data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the Statement of Profit or Loss and Other Comprehensive Income under fair value gains and losses. In cases where use is made of data, which is not observable, the difference between the transaction price and model value is only recognised in the Statement of Profit or Loss and Other Comprehensive Income when the inputs become observable, or when the instrument is derecognised.

Collateral

Collateral refers to an asset bonded or pledged under a security document to the Bank by a borrower or surety in support of a loan granted. In the event of a default by a client or surety, collateral is a secondary source of repayment.

All collateral items ceded to the Land Bank shall be valued or revalued within the frequency timelines, failing which will be regarded as stale and in non-compliance to the Collateral Management Policy.

Market values for properties (and ultimately fair value) must be conducted in line with industry standards as determined by the South African Council for the Property Valuers Profession (SACPVP), as amended from time to time. This involves the use of comparable sales of similar properties (for Land Bank ,it's three recent comparable sales).

Fair value is determined by limiting collateral reporting to the lower of registered bond/ cession amount or forced sale value (FSV).

The collateral valuation must take into account the forced sale margins (or liquidation cost provision) based on historical recovery and liquidation costs incurred by Land Bank to determine security value and /or forced sale value. These liquidations cost margins must be re-assessed annually.

Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at carrying amount which is deemed fair value.

Accounting Policies

Trade and other receivables

Trade and other receivables, which include accrued income, prepaid expenses, intercompany loans and loans to employees, are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and receivables. To measure the expected credit losses, trade and other receivables have been Grouped based on shared credit risk characteristics and the days past due.

Funds administered on behalf of related parties

The Group manages funds on behalf of related parties. The net position in terms of legal right to offset of these funds administered on behalf of related parties are separately disclosed in the notes to the Annual Financial Statements. These funds are not carried on the Statements of Financial Position of the Group.

Trade and other payables

Trade and other payables, including accruals, are recognised when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Group.

Funding liabilities

The carrying values of all funding liabilities are measured at amortised cost in alignment with IFRS 9 requirements.

The arranging fees that are paid upon acquisition of the liability are deferred to the Statement of Other Comprehensive Income over the term of the loan facility and included in the interest expense line as these arranging fees form part of the "Effective Interest Rate" of funding instruments. The prepaid arranging fee is carried as part of the funding liabilities.

Derivative financial instruments and hedge accounting

All derivatives are recognised in the Statements of Financial Position at fair value and are classified as trading except where they are designated as part of an effective hedge relationship and classified as hedging derivatives. The carrying value of a derivative is measured at fair value throughout the life of the contract. Derivatives are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

3.13 Tax

Income tax

The Land Bank is exempt from income tax in terms of sections 10(1) (cA) (ii) of the Income Tax Act, 58 of 1962.

The direct subsidiaries of the Land Bank are also exempt from income tax in terms of sections 10(1) (cA) (ii) of the Income Tax Act, 58 of 1962.

As part of the restructuring of the operations, the tax status of the Land Bank Insurance Company (SOC) Limited and Land Bank Life Insurance Company (SOC) Limited are currently under review with South African Revenue Service (SARS). Please refer to the notes of the Annual Financial Statements for additional disclosure regarding the probabilities/possibilities of contingent liability raised in this regard.

3.14 Leases

Lessee accounting policies

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all major leases. At inception of a contract, the Group assesses whether a contracts, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected to apply the practical expedient method to account for each lease component and any non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from 2 to 5 years for offices and vehicles.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group applies the cost model subsequent to the initial measurement of the Right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The interest component of the lease liability payment is presented as part of operating activities on the Cash Flow Statement.

Accounting Policies

Lessee accounting policies (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of- use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

Lessor accounting policies
Leases where the Group is the lessor and retains substantially all the risk and benefits of ownership of the asset are classified as operating leases. The Bank leases out its investment properties as operating leases, thus generating rental income. The rental income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term of the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.15 Related parties

The Group operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Group. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Group.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Group.

Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of IAS 24 and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.16 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the Statements of Financial Position date. Foreign exchange differences arising on the settlement of monetary items or translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recorded in profit and loss in the period in which they arise.

Non-monetary items that are measured in terms of historical-cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.17 Non-current assets (disposal Groups) held for sale (NCAHFS) or distribution to owners

In the Statement of Profit or Loss and Other Comprehensive Income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit/ (loss) after taxes. Property and equipment and intangible assets once classified as held-for-sale are not depreciated/ amortised.

Properties in possession
Unsold properties in possession are recognised once ownership has been legally transferred to the Group and the underlying debtor is then derecognised. These properties are included under non– current assets held-for-sale at the outstanding loan balance, which are then valued at the lower of the carrying amount and the fair value less costs to sell. The fair value is determined using a market-based valuation performed by a sworn appraiser at the Statements of Financial Position date. Realisable value is determined using market-based valuations performed by a sworn appraiser at the Statements of Financial Position date. Maintenance costs are expensed in the period incurred. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans.

Accounting Policies

Disposal of properties in possession

It is the Group's policy to dispose of repossessed properties in an orderly fashion on a willing buyer and willing seller basis. The property to be sold is advertised in the market. Upon receipt of offers to purchase, the offers are evaluated and an offer that makes the most economic sense is accepted.

The Group has satisfied the following IFRS 5 conditions to classify the properties as NCAHFS:

- The appropriate level of management must be committed to a plan to sell the asset; and
- An active programme to locate a buyer and complete the sale must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except where events and circumstances may extend the period to complete the sale beyond one year.

Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

3.18 Employee benefits

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

(i) Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Retirement fund

The Land Bank Retirement Fund which functions as a defined contribution plan and which is subject to the provisions of the Pension Fund Act, 1956 (Act No.24 of 1956) came into operation on 1 November 1994. Defined obligations such as disability and death in service were completely phased out during the 2007 financial year. The Fund is now accounted for as a defined contribution plan as it no longer has any obligation towards members for defined benefits. Contributions are recognised as an expense and as a liability to the extent that they are unpaid.

The Land Bank Retirement Fund ("LBRF") in an umbrella fund within the Alexander Forbes Retirement Fund (AFRF).

(ii) Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The liability recognised in the Statements of Financial Position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth and mortality. Discount rates are determined by reference to market yields at the end of the reporting periods on government bonds that have terms to maturity approximating to the terms of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income. They are included as a separate component of equity in the Statements of Financial Position and in the Statements of Changes in Equity. Service cost on the net defined benefit liability is included in employee benefits expense. Net interest expense on the net defined benefit liability is included in finance costs.

Medical aid fund

The Bank provides a post-retirement medical aid benefit to all employees who were either employees or pensioners of the Bank at 1 December 2005. The fund functions as a defined benefit scheme. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. It is the Group's policy to pay the medical fund subscription fees on behalf of all pensioners in full and to fund the total obligation as and when it arises actuarial valuations of the Bank's liability are conducted on an annual basis by an independent qualified actuary on the projected unit credit method.

The liability recognised in the Statements of Financial Position in respect of defined benefit medical plan is the present value of the defined benefit obligation at the Statements of Financial Position date. The benefit obligation at the Statements of Financial Position date is not reflected net of assets since these assets are not held in a legally separate entity that is not available to the Bank's own creditors.

Accounting Policies

The past service costs and interest costs are accounted for in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the Statement of Profit or Loss and Other Comprehensive Income in full.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the Group has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short-term bonuses in the Group as the Group has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably. A present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.19 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision is made for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are reviewed at the end of each financial year and are adjusted to reflect current best estimates.

3.20 Insurance contracts

Contracts under which the Group accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance contracts are classified into two main categories, depending on the type of insurance risks, namely short-term or long-term.

Short-term insurance

Short-term insurance provides benefits under crop and agri-assets policies. Recognition and measurement.

Gross written premiums

Gross written premiums exclude value added tax. Earned premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. All premiums are shown before deduction of commission payable to intermediaries.

Commission

Commission is payable to brokers and underwriting managers on non-life insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. Acquisition costs for non-life insurance business is deferred over the period in which the related premiums are earned on a remaining days basis.

Fee income

The reinsurance broker pays the brokerage fee they earn on reinsurance premiums to the company in exchange for a flat brokerage fee earned over the period of the treaties.

Accounting Policies

This fee income is earned quarterly on settlement of the accounts to reinsurers.

Provision for unexpired risk

Unexpired risks refer to policies that have already been written, but the period for which premium was received or is receivable has not expired as at the measurement date and extends into the following period. The Unexpired Risk Provision (URP) comprises the Unearned Premium Provision (UPP) and the Additional Unexpired Risk Provision (AURP).

Notified Outstanding Claims Provision

The Notified Outstanding Claims Provision (NOCP) is held in respect of those claims that have been notified but have not been paid or fully settled by the measurement date. These are estimated based on management expert estimation and are reviewed to be in line with recent historical claims experience.

Deferred acquisition costs (DAC)

Deferred Acquisition Costs (DAC) consist of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. Deferred acquisition costs are amortised at incidence of risk basis and are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

The DAC asset is tested for impairment annually and written down when it is not expected to be fully recovered from future income.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are dependent on the gross outstanding claims, IBNR and UPR provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's reinsurance premiums that relate to risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the same method applied to calculate the unearned premium reserve.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders and are included at amortised cost.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Profit or Loss and Other Comprehensive Income. The Group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

Long-term insurance

These contracts provide long-term life insurance benefits with fixed terms to cover natural persons who are indebted to the Group under mortgage loans, production loans and short-term loans.

Recognition and measurement.

Premiums

Premiums are recognised as revenue when they become payable by the contract holder, viz at policy inception. Premiums are shown before deduction of commission.

Fees and commission earned

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which related services are performed. If the fees are for services provided for future periods, then they are deferred and recognised over those future periods.

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and IBNR claims are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims. Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Liability adequacy test

At each Statements of Financial Position date, the Group performs a liquidity adequacy test to assess whether its recognised insurance liabilities are adequate in terms of the Financial Soundness Valuation (FSV) basis as described in SAP 104. The FSV basis meets the minimum requirements of the liquidity adequacy test. If this assessment shows that the

Accounting Policies

carrying amount of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the statement of comprehensive income.

Reinsurance contracts held

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled to under these contracts are recognised as assets.

The Group assesses its long-term reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Reinsurance liabilities are premium payable for reinsurance contracts and are recognised as expenses when incurred.

Long-term insurance liability

In terms of IFRS 4 – Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The company used the FSV method, as described in the Standard of:

Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (Actuarial Society), to determine the actuarial value of the policyholders' liabilities. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the Insurance Act of 2017; and
- Actuarial guidance also provides for the use of discretionary margins were deemed appropriate. The best estimate of future experience is determined as follows:
- Future investment return assumptions are derived from market yields of fixed-interest securities on the valuation date, with adjustments for the other asset classes, taking a long-term view. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. It is assumed that the Group will retain its tax-exempt status for the foreseeable future;
- "Per policy" expenses are based on the latest actual expenses and escalated at the estimated annual expense inflation rate. In addition, expense overruns in the medium-term were reserved for separately;
- Assumptions with regard to future mortality rates are consistent with the Group's recent experience or expected future experience if this would result in a higher liability. In particular, mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS; and
- Persistency assumptions with regard to lapse rates are consistent with the Group's recent experience or expected future experience if this would result in a higher liability.

Acquisition costs

Referral fees are payable to Land Bank branches on long-term insurance business and commission was paid to brokers on the short-term insurance business. Referral fees and commission is accounted for on all in-force policies in the financial period during which it is incurred. The portion of the referral fees that is directly attributable to the acquisition of long-term recurring premium insurance policy contracts is recognised directly to the Statement of Profit or Loss and Other Comprehensive Income. Acquisition costs for short-term insurance business are deferred over the period in which the related premiums are earned.

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Notes to the Financial Statements

4. Cash and cash equivalents

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Bank balances	**965 068**	685 073	**933 630**	547 418
Short-term deposits	**4 624 821**	37 638	**4 624 771**	37 590
	5 589 889	722 711	**5 558 401**	585 008

Cash at banks are primarily held to mitigate the Bank's refinancing/liquidity risk. Refer to note 38. for the credit risk ratings of the counterparties where bank accounts are held.

At 31 March 2021, there was no undrawn borrowing facilities (FY2020 : R 0 billion).

Short-term investments are made for one day periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates. The average rate earned on invested cash in FY2021 is 4.96% (FY2020 : 7.82%)

Due to the short-term nature of cash and cash equivalents, their carrying amount is considered to be the same as their fair value.

5. Trade and other receivables

Trade receivables	**859 385**	788 831	**63 380**	120 575
Accrued income[1]	**22 275**	3 699	**22 275**	3 699
Accrued interest – hedging[2]	**41 105**	116 876	**41 105**	116 876
Premium receivable	**495 320**	442 595	**–**	-
Reinsurance receivable	**300 685**	225 661	**–**	-
Other receivables[3]	**190 040**	448 821	**143 112**	600 205
	1 049 425	1 237 652	**206 492**	720 780

[1] *Accrued income comprises accrued interest on short-term investments, accrued interest on loans and advances and accrued fees from funds under admin.*
[2] *The accrued interest on the hedging derivatives are offset and the net position is presented as the Group has a legal right to offset the amounts and intends to settle on a net basis.*
[3] *Other receivables consists of staff loans, recovery second loss and sundry debtors. Due to the short-term nature of these assets and historical experience, these assets are regarded as having a low probability of default; therefore, ECL is insignificant on these balances.*

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Notes to the Financial Statements

5. Trade and other receivables (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Classification of trade and other receivables				
Prepaid expenses	5 922	7 091	5 173	7 091
Accrued income	22 276	3 699	22 276	3 699
Accrued interest – hedging	41 105	116 876	41 105	116 876
Trade and other receivables net of non-financial instruments	980 122	1 109 986	137 938	593 114

6. Short-term insurance assets and liabilities

	Group	
	2021 R'000	2020 R'000
Short-term insurance liabilities	220 061	237 227
Technical provision	211 255	231 911
Outstanding claims	160 078	190 245
Provision for unearned premiums	49 704	29 818
Provision for unexpired risk reserve	–	5 517
Incurred but not reported claims	1 473	6 331
Unearned commission income	8 806	5 316
Less: Short-term insurance assets	(159 014)	(169 906)
Reinsurers' share of technical provisions	(146 588)	(162 452)
Outstanding claims	(110 414)	(133 171)
Incurred but not reported claims	(952)	(4 431)
Provision for unearned premiums	(35 222)	(21 262)
Provision for unexpired risk reserve – ceded portion	–	(3 588)
Deferred acquisition costs	(12 426)	(7 454)
Net short-term insurance technical provisions	61 047	67 321

The crop unearned premium provision (UPP) is calculated on the claims occurring basis for the published accounts, based on historical claims occurrence tables, which are reviewed annually. The winter crop premium is fully earned by 31 March. Below are the provisions calculated according to the statutory basis.

Notes to the Financial Statements

6. Short-term insurance assets and liabilities (continued)

Unearned Premium Reserve movement	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2019	26 146	(18 675)	7 471
Provision earned	(26 146)	18 675	(7 471)
New provision raised	29 818	(21 262)	8 556
Balance at 31 March 2020	29 818	(21 262)	8 556
Provision earned	(29 818)	21 262	(8 556)
Provision increased	49 704	(35 222)	14 482
Balance at 31 March 2021	**49 704**	**(35 222)**	**14 482**

Deferred acquisition costs	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2019	46 879	(40 002)	6 877
Provision earned	(46 879)	40 002	(6 877)
Provision increased	7 454	(5 316)	2 138
Balance at 31 March 2020	7 454	(5 316)	2 138
Provision earned	(7 454)	5 316	(2 138)
Provision increased	12 426	(8 806)	3 620
Balance at 31 March 2021	**12 426**	**(8 806)**	**3 620**

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Notes to the Financial Statements

6. Short-term insurance assets and liabilities (continued)

Claims development table

The following tables show claims paid in the year that it occurred as well as one year thereafter. Historically, no claims have been paid more than one year after the end of each incident year.

	Group	
	2021 R'000	2020 R'000
Gross claims paid		
Incident year	2020	2021
At end of the incident year	(138 660)	(47 158)
One year later	(347 464)	(207 728)
Current estimate of gross cumulative claims paid	**(486 124)**	**(254 886)**
Net claims paid		
Incident year	2020	2021
At end of the incident year	(41 598)	(14 157)
One year later	(104 239)	(62 318)
Current estimate of net cumulative claims paid	**(145 837)**	**(76 475)**

Outstanding claims movement	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2019	**211 309**	**(148 531)**	**62 778**
Movement in outstanding claims provisions	(21 064)	15 360	(5 704)
Balance at 31 March 2020	**190 245**	**(133 171)**	**57 074**
Movement in outstanding claims provisions	(30 167)	22 758	(7 409)
Balance at 31 March 2021	**160 078**	**(110 413)**	**49 665**

Incurred but not reported movement	Gross R'000	Reinsurance R'000	Net R'000
Balance at 31 March 2019	**50 541**	**(35 414)**	–
Movement in IBNR	(44 211)	30 983	–
Balance at 31 March 2020	**6 330**	**(4 431)**	**–**
Provision released	(4 858)	3 479	(1 379)
Balance at 31 March 2021	**1 472**	**(952)**	**(1 379)**

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7. Repurchase agreements

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Republic of South Africa bonds				
– R186	–	10 305	–	10 305
– R2030	–	9 190	–	9 190
	–	19 495	–	19 495

The Group enters into sale and repurchase agreements to cover any short positions that the Group may experience from time to time.

Interest relating to these instruments is disclosed in note 24.

8. Investments

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investment in LBLIC	–	–	30	30
Investment in LBIC	–	–	650 000	450 000
Unlisted investments	387 354	640 198	387 354	640 198
Investment held with Coronation	303 104	210 335	303 104	210 335
Investment in listed shares	90 816	117 983	90 816	117 983
Investments held by LBLIC	1 106 703	1 118 338	–	–
Investments held by LBIC	430 682	61 369	–	–
	2 318 659	2 148 223	1 431 304	1 418 546

Notes to the Financial Statements

8. Investments (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investment held with Coronation				
These are investments held with Coronation Asset Managers.				
Listed investments	278 129	189 567	278 129	189 567
Local equity	164 557	111 362	164 557	111 362
Local bonds	60 834	40 719	60 834	40 719
Foreign equity	52 738	37 486	52 738	37 486
Other	13 419	6 030	13 419	6 030
Commodities	7 625	3 291	7 625	3 291
Local Hedge Funds	2 868	2 739	2 868	2 739
Foreign unit trusts	2 926	–	2 926	–
Cash	11 556	14 738	11 556	14 738
Local	11 311	8 906	11 311	8 906
Foreign	245	5 832.46	245	5 832.46
	303 104	210 335	303 104	210 335

The funds are entrusted to portfolio managers for investment purposes. The funds are earmarked to fund the future medical aid contributions of retired employees. The investments are classified at fair value through profit or loss and are measured and disclosed at fair value, except for cash which is measured at amortised cost. These investments are exposed to interest rate risk, equity price risk and foreign exchange risk. Refer to note 37 for more information on the related risks and mitigation strategies.

Notes to the Financial Statements

8. Investments (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investments held with Coronation are invested as follows:				
Local equities				
Financial (excl. real estate)	**24%**	16%	**24%**	16%
Basic materials	**30%**	15%	**30%**	15%
Industrials	**2%**	1%	**2%**	1%
Consumer goods	**7%**	15%	**7%**	15%
Health care	**3%**	5%	**3%**	5%
Consumer services	**30%**	31%	**30%**	31%
Telecommunications	**–**	1%	**–**	1%
Other securities	**4%**	16%	**4%**	16%

Refer to the note 22. for the post-retirement obligation disclosure.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Unlisted investments				
Fair value				
Ordinary shares in Acorn Agri (Pty) Ltd	**89 000**	72 200	**89 000**	72 200
Preference shares in Afri Fresh (Pty) Ltd	**–**	80 000	**–**	80 000
Ordinary shares in Mouton Holdings (Pty) Ltd	**–**	85 000	**–**	85 000
Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	**–**	75 000	**–**	75 000
Ordinary shares in Cavalier Group of Companies (Pty) Ltd	**–**	44 100	**–**	44 100
Ordinary shares in Ideafruit (Pty) Ltd	**44 256**	83 898	**44 256**	83 898
Ordinary shares in Riverside Holdings (Pty) Ltd	**100 650**	105 000	**100 650**	105 000
Ordinary shares in Afgri Grain Silo Company Pty Ltd	**153 448**	95 000	**153 448**	95 000
	387 354	640 198	**387 354**	640 198

The above equity investments constitute neither control, nor significant influence. Land Bank elected to apply its irrevocable right to designate these equity instruments at fair value through other comprehensive income.

Notes to the Financial Statements

8. Investments (continued)

Acorn Agri & Food Ltd

Land Bank holds 3.7% interest in Acorn Agri & Food Ltd. Acorn Agri & Food Ltd investment was valued as at 31 March 2021. The valuation was based on the Net Asset Value (NAV) of the company, resulting in an investment value of R89 million (FY2020: R72.2 million) for the Bank.

Mouton Holdings (Pty) Ltd

The Land Bank sold all 17.40% interest in Mouton Holdings (Pty) Ltd shares for R85 million during the current year.

Southern Cross Investment Holdings (Pty) Ltd

The Land Bank sold all 19.90% interest in Southern Cross shares for R75 million during the current year.

Cavalier Group of Companies (Pty) Ltd

The Land Bank sold all 19.9% interest in Cavalier Group of Companies (Pty) Ltd shares for R73.9 million during current year.

Ideafruit (Pty) Ltd

Land Bank holds 19.9% interest in Ideafruit (Pty) Ltd and the investment was valued as at 31 March 2021. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R44.2 million (FY2020: R83.9 million) for the Bank.

Riverside (Pty) Ltd

Land Bank holds 19.9% interest in Riverside (Pty) Ltd and the investment was valued as at 31 March 2021. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R100.6 million (FY2020: R105 million) for the Bank.

Afgri Grain Silo Company Pty Ltd

Land Bank holds 19.9% interest in Afgri Grain Silo Company (Pty) Ltd and the investment was valued as at 31 March 2021. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R153.4 million (FY2020: R95.0 million) for the Bank.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investments in Listed Shares				
Rhodes Food Group Holdings Limited	90 816	117 983	90 816	117 983

Rhodes Food Group Holdings Limited was valued in March 2021 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2021, was R11.7 per share (FY2020:R15.2), resulting in an investment value of R90.82 million (FY2020: R117.98 million) for the Bank. The shares are traded daily hence the share price is regarded as a fair share price.

Notes to the Financial Statements

8. Investments (continued)

	Group		Company	
Investment in LBLIC (100%)	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investment in LBLIC	–	–	30	30
Actuarial valuation (LBLIC)	–	–	1 058 564	901 528

The company provides life insurance cover to clients of the Land Bank under mortgage loans. The company's actuarial value of the surplus as at 31 March 2021 amounted to R1.06 billion (FY2020: R901.5 million). In terms of the shareholder's agreement, the Land Bank guarantees the solvency of LBLIC. The Land Bank, as a holding company, does not expect to be called upon to perform under this guarantee. The shares are accounted for at cost in terms of IFRS.

	Group		Company	
Investment in LBIC (100%)	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investment in LBIC	–	–	650 000	450 000

Land Bank initial contributed R150 million capital as part of the shareholder's support towards the operations of LBIC. Over the years, Land Bank has further recapitalised LBIC with R500 million (including the R200 million contributed during FY2021).

Investments held by LBLIC

These are investments held by subsidiaries with the following Asset Managers:

– Coronation Fund Managers Limited
– Momentum Asset Management
– Argon Asset Management
– Investec Asset Management
– Old Mutual Investment Group (South Africa) (Pty) Ltd

Notes to the Financial Statements

8. Investments (continued)

	Group 2021 R'000	Group 2020 R'000
Equities	433 293	299 311
Commodities	23 722	(2 321)
Bonds	313 885	429 953
Collective investment schemes	127 891	130 780
Cash deposits and similar securities	207 904	256 514
Investment policy	9	4 101
	1 106 704	1 118 338
Designated at fair value through profit or loss		
Equities		
Equities comprise:		
Ordinary shares listed on the Johannesburg Stock Exchange (JSE)[1]	**433 292**	299 311
	433 292	299 311
Equities are classified as designated as at fair value through profit or loss		
Commodities		
Exchange traded funds (ETF's) – local[1]	**23 722**	(2 321)
	23 722	(2 321)
Commodity ETF's are classified as designated as at fair value through profit or loss.		
Collective investment schemes ("CIS")		
Equity – foreign unit trusts	**132 092**	116 214
Balanced fund – foreign	**2 635**	21 871
Foreign cash	**(6 837)**	(7 304)
	127 891	130 781

CIS are classified at fair value through profit or loss.

[1] *Investments at market prices per the JSE.*

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8. Investments (continued)

	Group	
	2021 R'000	2020 R'000
Investments in interest bearing assets		
Bonds listed on the JSE Debt Market – at market value	313 884	429 952
Government	87 723	80 922
Corporate	226 162	349 030
Cash, deposits and similar securities[1]	207 904	256 514
Deposits with banks – local	107 499	241 539
Money market instruments	100 405	14 975
	521 788	686 466
Classification of investments in interest bearing assets		
– Amortised cost instruments	107 499	256 514
– Fair value through profit or loss	414 289	429 952
	521 788	686 466

[1] *Due to the short-term nature of Cash, deposits and similar securities , their carrying amount is considered to be the same as their fair value.*

	Group	
	2021 R'000	2020 R'000
Investment policy		
Other non-cash	9	4 101

The Investment policy is classified at fair value through profit or loss.

Investments in foreign equities were made utilising pooled funds. The risk is managed by the LBLIC Investment and Actuarial Committee.

A register containing details of all investments is available for inspection at the registered office of LBLIC.

Notes to the Financial Statements

8. Investments (continued)

	Group	
	2021 R'000	2020 R'000
Investments held by LBIC		
This investment is held by Future Growth Asset Managers.		
Investments in interest bearing assets		
Total investment in interest bearing assets	430 682	61 369
Bonds – valued at fair value through profit and loss	183 571	4 980
Cash – valued at fair value through profit and loss	247 111	56 389

9. Strategic trading

The main objectives of strategic trading, in the absence of making a market in Land Bank bonds/ notes, are as follows:

- To remain visible in the secondary market;
- To monitor debt capital market developments and rate movements;
- To maintain relationships with brokers and banks; and
- To maintain Treasury systems, Neutron connectivity and training of junior traders.

As at 31 March 2021 the Bank had no open positions (2020: no open positions).

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Strategic trading assets	–	5 153	–	5 153

Notes to the Financial Statements

10. Derivative assets

The Bank's main driver of earnings is net interest income, which is the difference between interest income received on assets and interest expense incurred on funding liabilities. The Bank is exposed to "basis risk" as a result of different underlying reference rates of interest earning assets and interest incurring liabilities with Prime and Jibar respectively.

To manage the Bank's exposure to "basis risk" and in an effort to protect the Bank's net interest margin, the Land Bank Board approved an Interest Rate Risk Management Strategy during FY2018; hedging the mismatch moderately between the lending and funding rate.

The Bank's Interest Rate Management Strategy was drafted and is reviewed annually in the context of the Corporate Plan, Risk Appetite Framework, Borrowing and Funding Plan and Treasury Policy Framework.

In the current year under review, management's review revealed that the current hedge documentation and the Interest Rate Risk Management Strategy would strictly not meet the requirements in IFRS 9 to hedge account the interest rate basis swaps. If hedge accounting is not applied to a derivative, IFRS 9 requires gains and losses to be recognised in profit or loss and not in other comprehensive income (OCI).

The table below sets out derivative assets and liabilities by the type of hedge relationship in which they are designated.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Hedging derivatives				
Interest rate swap	11 340	79 064	11 340	79 064
The nominal amount of derivatives designated in cash flow hedge relationships is as follows.				
Interest rate swaps				
– Asset	10 370 000	17 170 000	10 370 000	17 170 000
– Liability	(10 370 000)	(17 170 000)	(10 370 000)	(17 170 000)
	–	–	–	–

Notes to the Financial Statements

10. Derivative Assets (continued)

The following tables show the notional amount of derivatives in time bands based on the maturity of the derivatives.

	0 to 12 months R'000	1 to 2 years R'000	2 to 3 years R'000	3 to 5 years R'000	Total R'000
2021					
Group and Bank					
Interest rate swaps					
– Pay	5 970 000	3 600 000	–	800 000	10 370 000
– Receive	5 970 000	3 600 000	–	800 000	10 370 000
2020					
Group and Bank					
Interest rate swaps					
– Pay	3 800 000	8 370 000	4 300 000	700 000	17 170 000
– Receive	3 800 000	8 370 000	4 300 000	700 000	17 170 000

Notes to the Financial Statements

11. Loans and advances

Group and Bank

Gross loans per business segment	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net loans R'000
2021			
Corporate Banking and Structured Investments (CB&SI)	8 466 246	(812 695)	7 653 551
Commercial Development and Business Banking (CDBB)	28 542 988	(4 653 758)	23 889 230
Loan commitments and guarantees	–	(576 851)	(576 851)
Loan Modifications[4] CB&SI	(37 020)	–	(37 020)
Loan Modifications[4] CDBB	(41 050)		(41 050)
	36 931 164	**(6 043 304)**	**30 887 859**
2020*			
Corporate Banking and Structured Investments	10 296 750	(762 657)	9 534 094
Commercial Development and Business Banking	34 937 640	(4 611 437)	30 326 204
Loan commitments and guarantees	–	(330 001)	(330 001)
Loan Modifications[4] CB&SI	(23 216)	–	(23 216)
Loan Modifications[4] CDBB	(36 585)		(36 585)
	45 174 590	**(5 704 095)**	**39 470 496**

Loan type	Nature of interest rate	Average term of repayment	Average interest rate 2021	Average interest rate 2020
Short-term loans	Variable	1 year	**8.35%**	9.81%
Medium-term loans	Variable	1 to 5 years	**8.28%**	9.75%
Long-term loans	Variable/ Fixed	> 5 years	**7.71%**	9.58%

Notes to the Financial Statements

11. Loans and advances (continued)

Loans by maturity profile	< 3 months	3 – 6 months	6 – 9 months	9 – 12 months	1 – 5 years	> 5 years	Total
2021							
Corporate Banking and Structured Investments	1 001 868	246 883	621 343	–	2 233 775	4 325 357	**8 429 226**
Commercial Development and Business Banking	5 072 201	2 030 957	521 850	149 674	2 993 142	17 734 114	**28 501 938**
							36 931 164
2020							
Corporate Banking and Structured Investments	1 554 634	989 627	603 866	350 592	2 142 714	4 632 102	10 273 535
Commercial Development and Business Banking	5 225 807	4 481 103	1 489 209	456 240	3 793 773	19 454 923	34 901 055
							45 174 590

Loans by credit quality	Performing loans[1] R'000	Under performing loans[2] R'000	Non performing loans[3] R'000	Total R'000
2021				
Corporate Banking and Structured Investments	1 705 204	6 233 020	528 022	8 466 246
Commercial Development and Business Banking	11 925 245	5 129 042	11 488 701	28 542 988
Loan Modifications[4] CB&SI	(21 564)	(15 456)		(37 020)
Loan Modifications[4] CDBB	(19 493)	(15 434)	(6 123)	(41 050)
Gross loans and advances	**13 589 392**	**11 331 172**	**12 010 600**	**36 931 164**
Expected Credit Loss (ECL)	(210 605)	(1 455 116)	(3 800 732)	(5 466 453)
Net loans and advances	**13 378 786**	**9 876 055**	**8 209 868**	**31 464 711**

Guarantees**	15 580
Loan commitments[5]	4 366 729
Gross loan commitments and guarantees	**4 382 309**
Expected Credit Loss (ECL)	(576 851)
Net loan commitments and guarantees	**3 805 458**

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11. Loans and advances (continued)

	Performing loans[1] R'000	Under performing loans[2] R'000	Non performing loans[3] R'000	Total R'000
2020*				
Corporate Banking and Structured Investments	7 398 619	2 522 424	375 707	10 296 750
Commercial Development and Business Banking	19 823 758	5 090 599	10 023 283	34 937 640
Loan Modifications[4] CB&SI	(21 564)	(1 731)	-	(23 295)
Loan Modifications[4] CDBB	(15 583)	(14 799)	(6 123)	(36 505)
Gross loans and advances	27 185 230	7 596 493	10 392 867	45 174 590
Expected Credit Loss (ECL)	(764 613)	(1 113 181)	(3 496 300)	(5 374 094)
Net loans and advances	26 420 617	6 483 312	6 896 567	39 800 496
Guarantees**				14 854
Loan commitments[5]				5 381 858
Gross loan commitments and guarantees				5 396 712
Expected Credit Loss (ECL)				(330 001)
Net loan commitments and guarantees				5 066 711

[1] *Performing loans: A significant increase in credit risk could not be recorded. These loans are of an acceptable credit quality. Repayment is expected in compliance with the credit agreement.*

[2] *Under performing loans: Loans are exposed to a significant increase in credit risk as identified based on probability of defaults (PDs) and warning signals that materialises between origination and reporting. As a minimum, loans that are in arrears for 30 days and more are classified as under performing loans.*

[3] *Non-performing loans: Loans that have failed to meet the terms and conditions of the credit agreement and there are further indicators of the unlikeliness to repay the loan. Loans that are as a minimum 90 days in arrears, are classified as non-performing.*

* *Net loans and advances have been restated, refer to note 43.*

** *In FY2019 financial statements Land Bank omitted to disclose a guarantee in favour of BMCE Bank for $13.9 million. The guarantees' triggering conditions actually occurred in March 2018 would have resulted in a provision. This omission resulted in a provision of (R166 million 2018 and R48 million 2019) not being disclosed. Interest accrued on the debt increasing the outstanding amount to $15.01million at 31 March 2020. Profit paid $750 thousand, reducing the amount owing by the Land Bank to $14.25 million. This guarantee was accounted for as a provision in the prior year figures. The liability was settled in the current financial year (FY 2021). The guarantees are all cash backed guarantees that the Bank issued to clients.*

[4] *Refer to note 37 for modification disclosure.*

[5] *The loan commitments are undrawn balances.*

Notes to the Financial Statements

11. Loans and advances (continued)

Expected Credit Loss provision: reconciliation of movement per business unit

Group and Bank	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Loan commitments and guarantees R'000	Total R'000
2021				
Balance at the beginning of the year[1]	744 324	4 007 292	330 001	5 081 617
Movement for the year				
Credit losses written off:	(234 040)	(59 475)	–	(293 516)
– Statements of Financial Position Write-off (utilisation)	(232 894)	(38 974)	–	(271 868)
– Statement of comprehensive income Write-off	(1 146)	(20 501)	–	(21 647)
Second loss sharing	–	53 895	–	53 895
Net impairment raised to the statement of comprehensive income	275 094	(236 472)	246 850	285 473
Balance at the end of the year[1]	785 378	3 765 240	576 851	5 127 470
2020				
Balance at the beginning of the year[1]	571 973	4 281 934	295 956	5 149 863
Movement for the year				
Credit losses written off:	(28 854)	(122 431)	–	(151 285)
– Statements of Financial Position Write-off (utilisation)	(18 201)	(56 437)	–	(74 638)
– Statement of comprehensive income Write-off	(10 653)	(65 994)	–	(76 647)
Utilisation due to client restructuring	–	(236 646)	–	(236 646)
Net impairment raised/ (released) to the statement of comprehensive income	201 206	84 435	34 045	319 685
Balance at the end of the year[1]	744 324	4 007 292	330 001	5 081 618

[1] *The balances exclude suspended interest of R732.3 million (FY2020: R438.4 million).*

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11. Loans and advances (continued)

Impairment releases/(charges), claims and recoveries"

Group and Bank	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Loan commitments and guarantees R'000	Total R'000
2021				
Net impairments raised to the statement of comprehensive income	275 094	(236 472)	246 850	285 473
Recoveries in respect of amounts previously written off[1]	(8 553)	(7 250)	–	(15 803)
Second loss sharing	–	53 895		53 895
	266 541	(189 827)	246 850	323 565
2020				
Net impairments raised/ (released) to the statement of comprehensive income	201 206	84 435	34 045	319 685
Recoveries in respect of amounts previously written off[1]	(13 088)	(1 964)	–	(15 051)
Second loss sharing"	–	(236 646)		(236 646)
	188 118	(154 176)	34 045	67 988

" *Net impairment were restated to reflect the second loss sharing.*
[1] *Off balance sheet debt collection amounting to R63.9 million (2020 R62.5 million) that was previously written off is still subject to legal action.*

Collateral held as security

The Group holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of the collateral is determined with reference to the realisable value of security under forced-sale conditions.

The Land and buildings is disclosed at the lower of bond value or security valuer after taking into account haircuts. The collateral policy of Land Bank, is that collateral is valued at inception and in three year intervals. The collateral is also valued when a facility is renewed or restructured.

Notes to the Financial Statements

11. Loans and advances (continued)

The Group has the following assets held as security against its loan portfolio:

	Company	
	2021 R'000	2020 R'000
Nature of assets		
Bank Guarantees	601 456	978 888
Biological Assets	1 456 985	2 135 539
Cash Deposits	299 291	156 622
Trade Debtors	1 457 123	1 613 596
Inventory	1 009 746	1 459 366
Land and Buildings	37 067 571	38 513 591
Plant and Equipment	681 844	752 657
Shares and investments	879 899	829 937
Vehicles and implements	116 208	166 380
	43 570 124	**46 606 577**

The quality of the collateral has not deteriorated from previous years. The reduction in collateral values is primarily due to the Bank having amended its Collateral Management Policy, which has been applied retrospectively for the last 3 financial years (FY2019 onwards). The amended policy states that all collateral values should be reported at the lower of "Registered Bond Value" or "Security Value after haircuts". This was a significant amendment as previously all collateral was reported at Market Value. While the Market Value for collateral is significantly higher for most collateral, the application of these prudent principles has resulted in reduction in the collateral values.

Refer to note 37 for details about the maximum exposure to credit risk for each class of financial instrument exposed to credit risk as at 31 March 2021.
At the end of the Financial year ended 31 March 2021, loans where collateral held covered the carrying amount in full amounted to R117.2 million (2020 : R86.9 million).

Collateral held as security and other credit enhancements relating to credit impaired financial assets.

	Gross exposure R'000	Impairment allowance R'000	Carrying amount R'000	Realisable value of collateral held R'000
2021				
Loans and advances	**12 010 600**	**(3 800 732)**	**8 209 868**	**10 636 864**
2020				
Loans and advances	10 392 867	(3 496 300)	6 896 567	8 125 341

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Concentration of credit risk

By the very nature of the Land Bank's business it is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties / Group of connected parties mainly within the Corporate Banking & Structure Investment portfolio. During the year under review, the Land Bank performed a concentration risk analysis to determine acceptable risk absorption capacity taking into account the current balance sheet and income statement. It became clear that the Land Bank needs to reduce the single obligor limit to acceptable levels over time, starting during FY2021.

The Board of Directors have approved revised credit concentration limits during the FY2021, with single obligor limit of 7,5% (FY2020: 20%) of the Land Bank's own equity to any counterparty or Group of connected parties in the Corporate Banking & Structured Investment segment and R150 million (FY2020: R150 million) for the Commercial Development & Business Banking segment including SLA books (FY2020: R100 million or 7,5% of the total debtors book). At approval of the new limits, the Board of Directors condoned all exposures in excess with a strategy to reduce them to the required level using the asset solution or sell down underway.

As at year end there were ten obligors (R6,5 billion) with individual exposures in excess of 7,5% of the Land Bank's own equity in the Corporate Banking & Structured Investment segment, one obligor (R178 million) in the Commercial Development & Business Banking segment and eight obligors (R2,0 billion) in the SLA books.

12. Non-current assets held-for-sale

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Properties in possession	4 058	105 112	4 058	105 112
	4 058	105 112	4 058	105 112
Reconciliation of movement				
Opening balance	105 112	163 036	105 112	163 036
Plus: Additions	1 030	–	1 030	–
Less: Disposals	(13 910)	(46 025)	(13 910)	(46 025)
Re-measurement recognised	–	(11 899)	–	(11 899)
Reclassification from Investment Properties*	(88 174)	–	(88 174)	–
Closing balance	4 058	105 112	4 058	105 112

Notes to the Financial Statements

12. Non-current assets held-for-sale (continued)

Properties in possession

These represent the properties bought in by the Group due to clients defaulting on their loan payments. The intention of the Group is to sell these properties to recover the outstanding payments on the defaulted loans. The Group exclusively hold these properties with a view to dispose of them. These properties in possession are farm holdings and the Group has no intention to occupy them. The Group was committed to sell these properties as they were all advertised for sale on In view of the current volatile market conditions, the properties in possession will only be disposed of as and when conditions render it economically viable.

- BP 1938 located in Pietermaritzburg
- BP 2102 located in East London
- BP 2116 located in Theunissen
- BP 2118 located in Theunissen
- BP 2119 located in Potchefstroom

*Owned building

In FY2019 the Board approved the disposal of the property previously classified as investment properties. The Group was committed to sell these properties as they were all advertised for sale on In view of the current volatile market conditions, it was not be possible to dispose all properties therefore they have been reclassified to investment properties. Please refer to note 13.

Based on the requirements of IFRS 5, the assets have been disclosed as disposal Groups, and are separately disclosed on the Statements of Financial Position. The disposal Groups are measured at the lower of carrying amount and fair value less costs to sell.

The following disposals took place and profits/(losses) recognised are:

2021	Carrying amount	Selling Price	VAT	Profit/(Loss) after tax
BP 2114 located in Nelspruit	1 121	1 739	–	618
Heidelberg Building ERF 130	6 189	7 050	–	861
George Building ERF 2108	6 600	6 739	–	139
	13 910	**15 528**	**–**	**1 618**

Notes to the Financial Statements

2020	Carrying amount	Selling Price	VAT	Profit/(Loss) after tax
BP 2116 located in Welkom Free State	236	3 829	–	3 593
Cape Town Building ERF 3865	36 700	43 100	–	6 400
Modimolle Building ERF 203	9 089	11 200	–	2 111
	46 025	**58 129**	**–**	**12 104**

Refer to note 38 for the methods used to determine the fair values for these assets.

13. Investment property

Group

2021	Cost or Revaluation	Accumulated depreciation	Transfers *	Fair value adjustments	Carrying value
Investment property	15 000		88 173	(8 073)	95 100

2020	Cost or Revaluation	Accumulated depreciation	Transfers	Fair value adjustments	Carrying value
Investment property	15 250			(250)	15 000

Company

2021	Cost or Revaluation	Accumulated depreciation	Transfers *	Fair value adjustments	Carrying value
Investment property	15 000		88 173	(8 073)	95 100

2020	Cost or Revaluation	Accumulated depreciation	Transfers	Fair value adjustments	Carrying value
Investment property	15 250			(250)	15 000

* *These properties were reclassified from NCAHFS to investment properties as they no longer meet the requirements of IRFS 5. Please refer to note 12.*

There are no restrictions on the title of the property and no property has been pledged as security.

The fair value of investment property was determined by using the opportunity cash flow method (OCF). This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy, market capitalisation rate and net present value of the OCF. Refer to note 38.

Notes to the Financial Statements

14. Property and equipment

Group	2021			2020		
	Cost or Revaluation	Accumulated depreciation	Carrying value	Cost or Revaluation	Accumulated depreciation	Carrying value
Land	2 200	–	2 200	4 243	–	4 243
Buildings	16 808	(1 108)	15 700	21 229	(1 072)	20 157
Furniture, fittings and office equipment	19 081	(16 777)	2 304	19 277	(16 595)	2 682
Motor vehicles	524	(419)	105	524	(419)	105
IT equipment	36 441	(35 144)	1 297	35 924	(34 394)	1 530
Leasehold improvements	15 332	(15 083)	249	15 332	(15 078)	254
Total	90 385	(68 530)	21 855	96 529	(67 558)	28 971

Company	2021			2020		
	Cost or Revaluation	Accumulated depreciation	Carrying value	Cost or Revaluation	Accumulated depreciation	Carrying value
Land	2 200	–	2 200	4 243	–	4 243
Buildings	16 808	(1 108)	15 700	21 229	(1 072)	20 157
Furniture, fittings and office equipment	18 829	(16 577)	2 253	19 015	(16 390)	2 625
Motor vehicles	524	(419)	105	524	(419)	105
IT equipment	36 149	(34 901)	1 249	35 552	(34 128)	1 424
Leasehold improvements	15 332	(15 083)	249	15 332	(15 078)	254
Total	89 842	(68 087)	21 755	95 895	(67 087)	28 808

Notes to the Financial Statements

14. Property and equipment (continued)

Reconciliation of property, plant and equipment – Group – 2021

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
Land	4 243	–	–	(2 043)	–	2 200
Buildings	20 157	–	–	(3 349)	(1 108)	15 700
Furniture, fittings and office equipment	2 682	–	(26)	–	(350)	2 306
Motor vehicles	105	–	–	–	–	105
IT equipment	1 530	653	(18)	–	(870)	1 295
Leasehold improvements	254	–	–	–	(5)	249
Total	28 971	653	(44)	(5 392)	(2 333)	21 855

Reconciliation of property, plant and equipment – Group – 2020

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
Land	3 828	–	–	415	–	4 243
Buildings	20 522	–	–	707	(1 072)	20 157
Furniture, fittings and office equipment	2 714	602	(32)	–	(602)	2 682
Motor vehicles	108	–	–	–	(3)	105
IT equipment	4 025	1 261	(56)	–	(3 700)	1 530
Leasehold improvements	960	–	–	–	(706)	254
Total	32 157	1 863	(88)	1 122	(6 083)	28 971

14. Property and equipment (continued)

Reconciliation of property, plant and equipment – Company – 2021

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
Land	4 243	–	–	(2 043)	–	2 200
Buildings	20 157	–	–	(3 349)	(1 108)	15 700
Furniture, fittings and office equipment	2 625	–	(26)	–	(343)	2 256
Motor vehicles	105	–	–	–	–	105
IT equipment	1 424	653	(18)	–	(814)	1 245
Leasehold improvements	254	–	–	–	(5)	249
Total	28 808	653	(44)	(5 392)	(2 270)	21 755

Reconciliation of property, plant and equipment – Company – 2020

	Opening balance	Additions	Disposals	Transfers*	Revaluations/ devaluations	Depreciation	Total
Land	3 828	–	–	–	415	–	4 243
Buildings	20 522	–	–	–	707	(1 072)	20 157
Furniture, fittings and office equipment	2 659	602	(32)	–	–	(604)	2 625
Motor vehicles	108	–	–	–	–	(3)	105
IT equipment	3 913	1 261	(44)	(65)	–	(3 641)	1 424
Leasehold improvements	960	–	–	–	–	(706)	254
Total	31 990	1 863	(76)	(65)	1 122	(6 026)	28 808

**These are intercompany transfers of assets from the parent company to the subsidiaries and vice versa as and when a need arises. This does not relate to reclassifying assets from one class to another.*

The land and buildings were valued by independent property valuators as at year end. The methods used for the valuations are based on market rentals, as obtained from independent companies who operate in the area, and the capitalisation rate for the areas, as obtained from the valuator's report.

There are no restrictions on the title of the property and no property has been pledged as security. The Group does not have any contractual commitments for the acquisition of property.

IFRS requires that the carrying values of land and buildings if they had to be carried using the historical cost method should be disclosed. As a result of the buildings being purchased many years ago, the latest being 1998, it is not possible for the Bank to determine and disclose the carrying values of each property and in addition to this the values at which the properties were purchased are negligible in comparison to the current carrying values disclosed using the revaluation method.

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Notes to the Financial Statements

15. Leases

15.1 Right-of-use of assets

Group

2021	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2020	42 311	5 682	47 993
Additions	300	–	300
Disposals	(1 976)	–	(1 976)
Depreciation	(21 983)	(3 588)	(25 571)
At 31 March 2021	18 652	2 094	20 746

2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	58 823	9 270	68 093
Additions	5 299	–	5 299
Depreciation	(21 811)	(3 588)	(25 399)
At 31 March 2020	42 311	5 682	47 993

Bank

2021	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2020	42 311	5 424	47 735
Additions	300	–	300
Disposals	(1 976)	–	(1 976)
Depreciation	(21 983)	(3 425)	(25 408)
At 31 March 2021	18 652	1 999	20 651

2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	58 823	8 849	67 672
Additions	5 299	–	5 299
Depreciation	(21 811)	(3 425)	(25 236)
At 31 March 2020	42 311	5 424	47 735

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15.2 Lease Liabilities

Group

2021	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2020	44 574	6 035	50 609
Additions	300	–	300
Interest expense	3 002	382	3 384
Lease payments	(27 020)	(4 097)	(31 117)
At 31 March 2021	**20 856**	**2 320**	**23 176**

Lease Liabilities
Group

2020	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	61 084	9 434	70 518
Additions	5 299	–	5 299
Interest expense	4 554	695	5 249
Lease payments	(26 363)	(4 094)	(30 457)
At 31 March 2020	**44 574**	**6 035**	**50 609**

Maturity analysis for lease liabilities

FY2021	< 3 months R'000	3 – 6 months R'000	6 – 9 months R'000	9 – 12 months R'000	1 – 5 years R'000	> 5 years R'000	Total R'000
Financial Liabilities							
Lease liabilities	7 022	6 896	4 723	1 415	7 064	–	27 120

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15. Leases (continued)

Bank

2021	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2020	44 574	5 761	50 335
Additions	300	–	300
Interest expense	3 002	365	3 367
Lease payments	(27 020)	(3 911)	(30 931)
At 31 March 2021	**20 856**	**2 215**	**23 071**

Maturity analysis for lease liabilities

FY2021	< 3 months R'000	3 – 6 months R'000	6 – 9 months R'000	9 – 12 months R'000	1 – 5 years R'000	> 5 years R'000	Total R'000
Lease liabilities	6 976	6 850	4 707	1 415	7 064	–	27 012

	Buildings R'000	Motor vehicles R'000	Total R'000
At 1 April 2019	61 084	9 005	70 089
Additions	5 299	–	5 299
	4 554	664	5 218
Lease payments	(26 363)	(3 908)	(30 271)
At 31 March 2020	**44 574**	**5 761**	**50 335**

Maturity analysis for lease liabilities

FY2020	< 3 months R'000	3 – 6 months R'000	6 – 9 months R'000	9 – 12 months R'000	1 – 5 years R'000	> 5 years R'000	Total R'000
Lease liabilities	7 147	7 177	7 189	7 228	26 916		55 656

Notes to the Financial Statements

16. Intangible assets

Group	2021			2020		
	Cost or Revaluation	Accumulated depreciation	Carrying value	Cost or Revaluation	Accumulated depreciation	Carrying value
Computer software	82 335	(79 569)	2 766	82 335	(74 292)	8 043

Company	2021			2020		
	Cost or Revaluation	Accumulated depreciation	Carrying value	Cost or Revaluation	Accumulated depreciation	Carrying value
Computer software	82 335	(79 569)	2 766	82 335	(74 292)	8 043

Reconciliation of Intangible assets Group – 2021

Group	Opening balance	Depreciation	Total
Computer software	8 043	(5 277)	2 766

Reconciliation of Intangible assets Group – 2020

Group	Opening balance	Additions	Depreciation	Total
Computer software	13 548	547	(6 052)	8 043

Reconciliation of Intangible assets Company – 2021

Company	Opening balance	Depreciation	Total
Computer software	8 043	(5 277)	2 766

Reconciliation of Intangible assets Company – 2020

Company	Opening balance	Additions	Depreciation	Total
Computer software	13 548	547	(6 052)	8 043

The Group reassessed the useful lives of all the intangible assets at the beginning of the FY2021 financial year together in order to reflect the most correct estimated useful lives of all intangible assets.

Notes to the Financial Statements

17. Distributable and other reserves

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Distributable reserves from continuing operations				
Capital fund	7 397 655	4 397 655	7 397 655	4 397 655
Accumulated loss	(4 262 853)	(3 515 375)	(5 245 288)	(4 289 211)
Total distributable reserves	**3 134 802**	**882 280**	**2 152 367**	**108 444**
FVTOCI	(682 072)	(723 811)	(682 072)	(723 811)
Revaluation reserve	133 080	138 472	133 080	138 472
	2 585 810	**296 941**	**1 603 375**	**(476 895)**

Description of equity components

Accumulated loss
Comprises accumulated retained loss.

Capital fund
The Capital fund consists of an initial loan by government, which was converted to equity in 2006 as part of the government commitment to support the Bank as well as further capital injections from the National Treasury in FY2015 and FY2021.

FVTOCI
The reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank. Please refer to notes note 7.

Revaluation reserve
The revaluation reserve represents the net surplus arising on the revaluation of owner occupied properties. The revaluation surplus on a property is transferred to the General reserve only once that property is disposed of.

18. Trade and other payables

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Accrued expenses	28 696	51 995	27 336	51 867
Premiums received in advance	6	6	–	–
Amounts due to reinsurers	639 425	501 214	–	–
Trade payables	43 807	70 922	43 807	70 097
Deferred Income	1 115	989	1 115	989
Loan costs and fees received in advance	37 240	45 013	37 240	45 013
Funds Under Admin utilised by the Land Bank	–	727 769	–	727 769
Other[1]	12 575	4 691	4 347	1 541
Amounts due to SASRIA	5 100	4 549	–	–
Client deposits for approved loans	2 850	4 885	2 850	4 885
	770 814	**1 412 033**	**116 695**	**902 161**

[1] *Included in the other payables is conditional deposits from sale repossessed properties.*

As noted in the maturity analysis, Group payables amounting to R37.5 million (FY2020: R45.1 million) are expected to be settled after more than 12 months.

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19. Long-term policyholders' liabilities

	Group	
	2021 R'000	2020 R'000
Policyholders' liability excluding Incurred But Not Reported (IBNR) and notified claims		
Present value of policy liabilities	53 317	17 039
Plus: present value of future expenses	44 570	14 243
Expenses		
Less: present value of future premiums	(39 844)	(12 733)
Liability excluding COVID reserve	**58 043**	**18 549**
Plus: Covid reserve	5 701	826
Less : reinsurance reserve	(3 812)	(6 437)
Plus: expense overrun reserve	–	18 459
Total policyholders' liability excluding IBNR and notified claims	**59 932**	**31 397**
Movement in the long-term policyholders' liability		
Balance at the beginning of the year	31 397	38 295
Movement in the long-term policyholders' liability	28 535	(6 898)
Balance at the end of the year	**59 932**	**31 397**

Movement in the IBNR

	Gross R'000	Ceded R'000	Net R'000
2021			
Balance at the beginning of the year	301	(216)	85
Movement in the IBNR	2 381	(877)	1 504
Balance at the end of the year	**2 682**	**(1 093)**	**1 589**
2020			
Balance at the beginning of the year	2 272	(1 399)	873
Movement in the IBNR	(1 971)	1 183	(788)
Balance at the end of the year	**301**	**(216)**	**85**

Notes to the Financial Statements

19. Long-term policyholders' liabilities (continued)

Movement in notified (outstanding) claims	Gross R'000	Ceded R'000	Net R'000
2021			
Balance at the beginning of the year	6 197	(5 133)	1 064
Movement in the IBNR	(6 034)	5 051	(983)
Balance at the end of the year	**163**	**(82)**	**81**
2020			
Balance at the beginning of the year	92	(46)	46
Movement in the IBNR	6 105	(5 087)	1 018
Balance at the end of the year	**6 197**	**(5 133)**	**1 064**

Total long-term insurance liabilities	Gross R'000	Ceded R'000	Net R'000
2021			
Long-term policyholders' liability	63 744	(3 812)	59 932
Notified claims	163	(82)	81
IBNR	2 682	(1 093)	1 589
Total long-term insurance liabilities	**66 589**	**(4 987)**	**61 602**
2020			
Long-term policyholders' liability	37 843	(6 437)	31 406
Notified claims	6 197	(5 133)	1 064
IBNR	301	(216)	85
Total long-term insurance liabilities	**44 341**	**(11 786)**	**32 555**

Notes to the Financial Statements

20. Funding liabilities

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
At amortised cost	**36 074 791**	41 352 534	**(36 074 791)**	41 352 534

**Towards the end of April 2020, the Land Bank experienced a liquidity shortfall, which resulted in the Bank defaulting on some of its obligations. This triggered a cross default and resulted in de-facto standstill on capital and interest payments to its funders. Land Bank resumed servicing of interest on funding liabilities during August 2020.*

Analysis of funding

2021

Commercial Funding	Opening Balance	Amortised Cost re– a lignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
Commercial Paper	**14 743 952**	**397 861**	**2 188 189**	**(4 396 201)**	**71 191**	**(98 181)**	**(43)**	**–**	**12 907 374**	**12 906 996**
Bills	1 243 562	183 809	–	(171 284)	2 459	(93 691)	–	–	1 164 854	1 206 746
Call bonds	36 247	(167)	–	(4 330)	97	–	–	–	31 848	31 750
Floating rate notes – 1 year	1 610 387	(25 987)	–	(88 488)	8 894	–	(43)	–	1 504 806	1 495 912
Floating rate notes – to 5 years	592 639	(9 139)	–	(363 941)	2 674	–	–	–	222 189	244 430
Promissory notes	11 261 117	249 345	2 188 189	(3 768 158)	57 068	(4 490)	–	–	9 983 071	9 928 157
"Deposits"	**776 138**	**–**	**–**	**(346 878)**	**–**	**–**	**–**	**–**	**429 260**	**429 260**
Agri-related business deposits	313 224	–	–	(55 969)	–	–	–	–	257 255	257 255
Forced stock sale deposits	462 091	–	–	(290 484)	–	–	–	–	171 607	171 608
Small institutional deposits	48	–	–	2	–	–	–	–	50	50
Rent deposits	775	–	–	(428)	–	–	–	–	347	347
Facilities	**1 659 311**	**(9 311)**	**–**	**(196 645)**	**6 711**	**–**	**–**	**(716)**	**1 459 351**	**1 453 588**
Committed	1 659 311	(9 311)		(196 645)	6 711	–	–	(716)	1 459 351	1 453 588
Uncommitted	–	–							–	

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20. Funding liabilities (continued)

Commercial Funding	Opening Balance	Amortised Cost re– a lignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
DMTN Issuances	16 275 286	(220 034)	–	(1 925 590)	164 315	–	33 104	(1 036)	14 326 045	13 670 050
Floating rate notes	12 824 953	(68 701)	–	(1 523 939)	44 543	–	9 433	(923)	11 285 366	10 810 923
– LBK15	1 404 997	(29 997)	–	(161 198)	18 381	–	1 382	(84)	1 233 481	1 178 214
– LBK18	733 641	(641)	–	(86 790)	1 042	–	357	(123)	647 486	611 111
– LBK22	571 514	(3 514)	–	(68 160)	2 048	–	–	–	501 888	499 840
– LBK23	614 946	(3 946)	–	(73 274)	2 344	–	665	(3)	540 731	508 893
– LBK26	245 368	(368)	–	(29 400)	883	–	–	–	216 483	215 600
– LBK27	2 022 778	(2 778)	–	(242 397)	2 561	–	798	(15)	1 780 947	1 685 613
– LBK30	306 683	(683)	–	(36 360)	335	–	132	(5)	270 102	260 701
– LBK31	922 201	(2 201)	–	(110 256)	1 126	–	787	(45)	811 612	748 075
– LBK32	506 447	(6 447)	–	(60 000)	3 628	–	(56)	(26)	443 545	440 033
– LBK33	756 655	(6 655)	–	(88 800)	2 540	–	1 761	(72)	665 428	658 102
– LBK35	1 001 065	(1 065)	–	(120 000)	799	–	1 453	(102)	882 150	831 656
– LBK36	200 212	(212)	–	(24 000)	721	–	–	–	176 721	176 000
– LBK37	800 989	(989)	–	(96 000)	748	–	713	(119)	705 342	662 207
– LBK38	517 926	(4 674)	–	(61 504)	2 746	–	224	(95)	454 622	385 678
– LBK39U	981 432	(1 432)	–	(117 600)	1 210	–	889	(168)	864 331	862 400
– LBK40U	420 586	(586)	–	(50 400)	491	–	329	(65)	370 355	369 600
– LBK41U	817 511	(2 511)	–	(97 800)	2 938	–	–	–	720 138	717 200
Fixed rate notes	3 450 333	(151 333)	–	(401 651)	119 773	–	23 671	(114)	3 040 679	2 859 127
– LBK20	856 174	(61 174)	–	(93 720)	24 358	–	32 536	(12)	758 161	723 941
– LBK24	842 382	(37 382)	–	(96 131)	37 832	–	(1 878)	(46)	744 777	729 910
– LBK28	958 422	(33 422)	–	(111 000)	35 096	–	(3 657)	(21)	845 417	740 061
– LBK29	793 355	(19 355)	–	(100 800)	22 487	–	(3 329)	(34)	692 325	665 215

Notes to the Financial Statements

20. Funding liabilities (continued)

	Opening Balance	Amortised Cost re–alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
Term Loans – Amortising	**3 673 453**	**345 002**	**–**	**(573 835)**	**6 624**	**–**	**68 700**	**(340 319)**	**3 179 625**	**3 792 678**
7-year syndicated loan (Government guaranteed)	(3 778)	3 778						(2 368)	(2 368)	–
10-year syndicated loan (MIGA supported)	3 677 231	341 224		(573 835)	6 624		68 700	(337 952)	3 181 992	3 792 678
Term Loans – Bullet Term	**998 500**	**1 500**	**–**	**(120 000)**	**2 728**	**–**	**(292)**	**(2 577)**	**879 859**	**899 029**
3-year-term facility	1 001 754	(1 754)		(120 000)	2 728		(292)	(1 267)	881 169	899 029
6-year syndicated loan (Government guaranteed)	(3 254)	3 254						(1 310)	(1 310)	–
Step Rate Notes	**1 013 989**	**(13 989)**	**–**	**(96 895)**	**13 933**	**–**	**(44)**	**–**	**916 994**	**961 766**
Step Rate Notes	1 013 989	(13 989)		(96 895)	13 933		(44)		916 994	961 766
Total Commercial Funding	**39 140 630**	**501 028**	**2 188 189**	**(7 656 045)**	**265 503**	**(98 181)**	**101 425**	**(344 648)**	**34 097 902**	**34 113 367**
Multilateral and Development Funding										
Term Loans – Amortising	**1 924 478**	**(6 307)**	**–**	**(196 703)**	**9 900**	**–**	**(494)**	**(6 077)**	**1 724 797**	**1 928 682**
10-year-term loan – KFW	839 609	6 744		(105 794)	401		(220)	(6 077)	734 663	856 575
15-year-term loan – AFDB	689 678	(7 860)		(90 909)	4 214		(298)		594 826	611 651
25-year-term loan – World Bank	395 190	(5 190)			5 285		24		395 308	460 456
Total Multilateral and Development Funding	**1 924 478**	**(6 307)**	**–**	**(196 703)**	**9 900**	**–**	**(494)**	**(6 077)**	**1 724 797**	**1 928 682**
Disaster Relief Funding										
Drought Relief	**287 426**	**253**	**–**	**(34 521)**	**1 741**	**–**	**–**	**(2 806)**	**252 093**	**247 551**
10-year-term loan – IDC	287 426	253		(34 521)	1 741			(2 806)	252 093	247 551
Total Disaster Relief	**287 426**	**253**	**–**	**(34 521)**	**1 741**	**–**	**–**	**(2 806)**	**252 093**	**247 551**
Total Funding Liabilities	**41 352 534**	**494 974**	**2 188 189**	**(7 887 270)**	**277 144**	**(98 181)**	**100 931**	**(353 531)**	**36 074 791**	**36 289 600**

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Notes to the Financial Statements

20. Funding liabilities (continued)

2020
Commercial Funding

	Opening Balance	Amortised Cost re–alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
Commercial Paper	19 263 234	595 579	24 140 736	(28 812 030)	477	(443 786)	(258)	–	14 743 952	14 767 705
Bills	1 312 397	264 974	840 000	(990 000)	–	(183 809)	–	–	1 243 562	1 278 221
Call bonds	149 888	(888)	–	(112 920)	167	–	–	–	36 247	36 240
Floating rate notes – 1 year	2 017 794	(20 794)	1 582 400	(1 964 092)	–	(4 693)	(228)	–	1 610 387	1 611 260
Floating rate notes - 2 to 5 years	2 690 830	(22 830)	283 500	(2 353 202)	–	(5 629)	(30)	–	592 639	624 684
Promissory notes	13 092 325	375 117	21 434 836	(23 391 816)	310	(249 655)	–	–	11 261 117	11 217 300
"Deposits"	695 684	–	81 906	(1 452)	–	–	–	–	776 138	776 138
Agri-related business deposits	232 097	–	81 127	–	–	–	–	–	313 224	313 224
Forced stock sale deposits	463 543	–	–	(1 452)	–	–	–	–	462 091	462 091
Small institutional deposits	44	–	4	–	–	–	–	–	48	48
Rent deposits	–	–	775	–	–	–	–	–	775	775
Facilities	4 310	(4 309)	1 651 966	–	10 932	–	–	(3 587)	1 659 311	1 650 000
Committed	2 879	(2 879)	1 651 966		10 932	–	–	(3 587)	1 659 311	1 650 000
Uncommitted	1 430	(1 430)	–	–	–	–	–	–	–	–

Notes to the Financial Statements

20. Funding liabilities (continued)

2020

Commercial Funding

	Opening Balance	Amortised Cost re–alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
DMTN Issuances	**13 457 367**	**(202 567)**	**4 528 252**	**(1 727 800)**	**194 086**	–	**27 788**	**(1 840)**	**16 275 286**	**16 191 513**
Floating rate notes	9 330 925	(65 125)	4 528 252	(1 037 800)	68 425	–	2 021	(1 745)	12 824 953	12 876 629
– LBK08	329 916	(4 916)	–	(325 000)		–	–	–	–	–
– LBK15	1 403 894	(28 894)	–	–	29 165	–	1 163	(331)	1 404 997	1 411 185
– LBK16	191 291	(1 491)	–	(189 800)	–	–	–	–	–	–
– LBK17	524 127	(1 127)	–	(523 000)	–	–	–	–	–	–
– LBK18	734 632	(1 632)	–	–	1 523	–	(632)	(250)	733 641	752 407
– LBK22	571 791	(3 791)	–	–	3 511	–	3	–	571 514	571 274
– LBK23	615 242	(4 242)	–	–	3 951	–	(1)	(4)	614 946	622 135
– LBK26	245 406	(406)	–	–	427	–	0	(59)	245 368	245 623
– LBK27	2 023 564	(3 564)	–	–	3 848	–	(1 045)	(25)	2 022 778	2 056 341
– LBK30	306 830	(830)	–	–	695	–	2	(14)	306 683	305 932
– LBK31	922 670	(2 670)	–	–	2 271	–	(6)	(64)	922 201	924 833
– LBK32	506 429	(6 429)	–	–	5 937	–	546	(36)	506 447	500 497
– LBK33	504 513	(4 513)	250 000	–	4 100	–	2 642	(87)	756 655	755 535
– LBK35	450 621	(621)	550 000	–	1 234	–	(32)	(137)	1 001 065	1 002 003
– LBK36	–	–	200 000	–	261	–	(38)	(11)	200 212	199 995
– LBK37	–	–	800 000	–	1 150	–	(5)	(156)	800 989	799 980
– LBK38	–	–	513 252	–	4 924	–	(113)	(137)	517 926	513 888
– LBK39U	–	–	980 000	–	1 830	–	(203)	(195)	981 432	980 000
– LBK40U	–	–	420 000	–	753	–	(84)	(83)	420 586	420 000
– LBK41U	–	–	815 000	–	2 845	–	(178)	(156)	817 511	815 000
Fixed rate notes	–	(137 442)	–	(690 000)	125 661	–	25 767	(95)	3 450 333	3 314 885
– LBK11	–	(16 014)	–	(490 000)	–	–	–	–	–	–
– LBK12U	201 862	(1 862)	–	(200 000)	–	–	–	–	–	–
– LBK20	819 850	(24 850)	–	–	25 327	–	35 869	(22)	856 174	826 493
– LBK24	844 189	(39 189)	–	–	39 488	–	(2 106)	–	842 382	856 740
– LBK28	956 900	(31 900)	–	–	36 949	–	(3 503)	(24)	958 422	828 432
– LBK29	797 627	(23 627)	–	–	23 897	–	(4 493)	(49)	793 355	803 219

Notes to the Financial Statements

20. Funding liabilities (continued)

	Opening Balance	Amortised Cost re–alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance	Fair Value
Term Loans – Amortising	**3 742 550**	**442 572**	**–**	**(166 667)**	**11 717**	**–**	**41 620**	**(398 339)**	**3 673 453**	**4 438 956**
5 year syndicated loan	166 792	(125)		(166 667)					–	
7 year syndicated loan (Government guaranteed)	(5 191)	5 191						(3 778)	(3 778)	
10 year syndicated loan (MIGA supported)	3 580 950	437 505			11 717		41 620	(394 561)	3 677 231	4 438 956
Term Loans – Bullet Term	**995 613**	**4 387**	**–**	**–**	**4 361**	**–**		**(5 861)**	**998 500**	**1 030 894**
3 year term facility	1 000 816	(816)			4 361		0	(2 607)	1 001 754	1 030 894
6 year syndicated loan (Government guaranteed)	(5 203)	5 203						(3 254)	(3 254)	
Step Rate Notes	**4 014 047**	(53 047)	**–**	**(2 961 000)**	**13 972**	**–**	**17**	**–**	**1 013 989**	**1 056 975**
Step Rate Notes	4 014 047	(53 047)		(2 961 000)	13 972		17		1 013 989	1 056 975
Total Commercial Funding	**42 172 805**	**782 615**	**30 402 860**	**(33 668 949)**	**235 545**	**(443 786)**	**69 168**	**(409 627)**	**39 140 630**	**39 912 181**
Multilateral and Development Funding										
Term Loans – Amortising	**1 766 618**	(4 641)	**300 000**	**(143 806)**	**13 706**	**–**	**(454)**	**(6 945)**	**1 924 478**	**2 117 322**
10 year term loan – KFW	891 922	7 328		(52 897)	458		(257)	(6 945)	839 609	949 670
12 year term loan – EIB 1	–	–							–	
15 year term loan – AFDB	782 682	(9 955)		(90 909)	8 048		(188)		689 678	708 071
25 year term loan – World Bank 2	92 015	(2 015)	300 000		5 200		(10)		395 190	459 581
Total Multilateral and Development Funding	**1 766 618**	**(4 641)**	**300 000**	**(143 806)**	**13 706**	**–**	**(454)**	**(6 945)**	**1 924 478**	**2 117 322**
Disaster Relief Funding										
Drought Relief	**318 496**	**135**	**19 048**	**(50 000)**	**3 021**	**–**	**–**	**(3 274)**	**287 426**	**274 225**
10 year term loan – IDC	318 496	135	19 048	(50 000)	3 021			(3 274)	287 426	274 225
Total Disaster Relief	**318 496**	**135**	**19 048**	**(50 000)**	**3 021**	**–**	**–**	**(3 274)**	**287 426**	**274 225**
Total Funding Liabilities	**44 257 919**	**778 109**	**30 721 908**	**(33 862 755)**	**252 272**	**(443 786)**	**68 713**	**(419 846)**	**41 352 534**	**42 303 728**

Notes to the Financial Statements

20. Funding liabilities (continued)

Reconciliation of notes in issue[1]

	Issue date	Maturity date	2021 R'000	2020 R'000
Opening balance			16 055 252	13 254 800
Notes issued:				
LBK33 2nd tap	25 April 2019	07 December 2025	–	250 000
LBK35 1st tap	25 April 2019	26 March 2024	–	550 000
LBK36	25 June 2019	25 June 2020	–	200 000
LBK37	25 June 2019	25 June 2024	–	800 000
LBK38	17 February 2020	16 February 2023	–	513 252
LBK41U	16 March 2020	16 March 2021	–	815 000
LBK39U	23 March 2020	23 March 2025	–	980 000
LBK40U	23 March 2020	23 March 2023	–	420 000
Notes redeemed:				
LBK08	30 October 2014	30 October 2019	–	(325 000)
LBK11	28 November 2014	28 November 2019	–	(490 000)
LBK16	30 November 2016	30 November 2019	–	(189 800)
LBK12U	25 February 2015	25 February 2020	–	(200 000)
LBK17	22 March 2017	22 March 2020	–	(523 000)

Notes to the Financial Statements

20. Funding liabilities (continued)

Reconciliation of notes in issue[1]

	2021 R'000	2020 R'000
Notes redeemed:		
LBK29 Capital Reduction	(9 000)	–
LBK22 Capital Reduction	(68 160)	–
LBK36 Capital Reduction	(24 000)	–
LBK15 Capital Reduction	(161 198)	–
LBK18 Capital Reduction	(86 790)	–
LBK33 Capital Reduction	(88 800)	–
LBK23 Capital Reduction	(73 279)	–
LBK26 Capital Reduction	(29 400)	–
LBK27 Capital Reduction	(242 397)	–
LBK30 Capital Reduction	(36 360)	–
LB41U Capital Reduction	(97 800)	–
LBK28 Capital Reduction	(111 000)	–
LBK31 Capital Reduction	(110 256)	–
LBK29 Capital Reduction	(91 800)	–
LBK32 Capital Reduction	(60 000)	–
LBK20 Capital Reduction	(93 720)	–
LBK39U Capital Reduction	(117 600)	–
LBK40U Capital Reduction	(50 400)	–
LBK24 Capital Reduction	(96 131)	–
LBK35 Capital Reduction	(120 000)	–
LBK37 Capital Reduction	(96 000)	–
LBK38 Capital Reduction	(61 504)	–
Closing balance	**14 129 657**	16 055 252

Step rate notes

Step rate notes secures long dated funding for the Bank but provides investors a put option every 3 months (notes are automatically reinvested if put option is not exercised). Interest rates under these notes increase quarterly if the put potion is not exercised.

Notes to the Financial Statements

20. Funding liabilities (continued)

	Issue date	Maturity date	2021 R'000	2020 R'000
Reconciliation of notes in issue[1]				
Opening balance			1 000 000	3 961 000
Notes redeemed:	Issue date	Maturity date		
SRN 1, tranche 1	20 October 2016	21 October 2019	–	(465 000)
SRN 1, tranche 2	28 October 2016	28 October 2019	–	(465 000)
SRN 2, tranche 1	01 November 2016	01 November 2019	–	(200 000)
SRN 3, tranche 1	08 November 2016	08 November 2019	–	(565 000)
SRN 1, tranche 3	25 November 2016	25 November 2019	–	(116 000)
SRN 5, tranche 1	24 May 2017	27 January 2020	–	(575 000)
SRN 5, tranche 2	25 May 2017	27 January 2020	–	(575 000)
SRN 4, capital reduction	11 May 2017	11 May 2022	(61 611)	–
SRN 4, capital reduction	10 May 2017	11 May 2022	(61 540)	–
Notes issued:				
SRN 4, capitalised interest	11 May 2017	11 May 2022	12 832	–
SRN 4, capitalised interest	10 May 2017	11 May 2022	13 424	–
			903 105	1 000 000

[1] *Excludes accrued interest, discount premium and prepaid arranging fees.*

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Notes to the Financial Statements

20.1 Development and multilateral funding

Land Bank has the following development and multilateral funding lines available:

- R1.0 billion loan with the African Development Bank. the purpose of the loan is to on-lend to the Land Bank's commercial and Development clients whom meet qualifying usage criteria. to Date R743 million has been utilised with a further R257 million available for qualifying projects.
- $93 million funding line with the World Bank. This facility is earmarked to give financial aid to participating financial intermediaries and direct beneficiaries. As at 31 March 2021 R90 million has been utilised.
- R899 million funding line with KfW Development Bank. This facility is earmarked to finance small-sized and medium-sized agricultural enterprises. To date the facility has been fully drawn and disbursed to qualifying projects.

Disaster relief

The Land Bank has secured a R400 million facility with the Industrial Development Corporation for the sole purpose of providing concessionary loans to drought affected customers and is applicable to declared disaster areas as per the Government Gazette.

The loan may be used for :

- Production rehabilitation
- Working capital and operational expenses required minimising further losses to current farming operations
- Re-stocking of live stock
- Preparing for future seasons necessary to continue the farmers' normal sustainable farming operations
- Enabling "carry-over" debt and consolidation of debt.

Loans under this arrangement would only be extended where there is a viable business case with repayment ability, as well as sufficient collateral to cover the potential losses to the Bank. To date the facility has been fully utilised.

20.2 Weighted average interest cost of commercial funding (NACM)

	2021 * Spread to 3	2020 * Spread to 3
Short-term: ≤ 1 year	3%	2%
Medium-term: > 1 year ≤ 5 years	4%	3%
Long-term: > 5 years	4%	4%
Total Cost of Funding	3%	3%
Weighted average interest cost of development and multilateral funding (NACM)		
Long-term: > 5 years **	3%	3%
Weighted average interest cost of natural disaster relief funding (NACM)		
Long-term: > 5 years	1%	1%

* *Weighted average Jibar*
** *Only includes those funding lines for which there has been utilisation.*

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Notes to the Financial Statements

21. Provisions

Reconciliation of provisions – Group – 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Staff Incentives	527	1 200	(526)	–	1 201
Leave pay	7 485	30 702	(3 930)	–	34 257
Labour disputes	8 712	–	–	(8 712)	–
Litigation and claims	373 835	–	(231 950)	(36 886)	104 999
	390 559	**31 902**	**(236 406)**	**(45 598)**	**140 457**

Reconciliation of provisions – Group – 2020

Staff Incentives	24 091	25 000	(30 564)	(18 000)	527
Leave pay	6 530	4 742	(3 787)	–	7 485
Labour disputes	5 068	3 697	(53)	–	8 712
Litigation and claims*	265 131	108 704	–	–	373 835
	300 820	**142 143**	**(34 404)**	**(18 000)**	**390 559**

Reconciliation of provisions – Company – 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay	7 195	29 241	(3 641)	–	32 795
Labour disputes	8 712	–	–	(8 712)	–
Litigation and claims	373 835	–	(231 950)	(36 886)	104 999
	389 742	**29 241**	**(235 591)**	**(45 598)**	**137 794**

Reconciliation of provisions – Company – 2020

Staff Incentives	23 215	25 000	(30 215)	(18 000)	–
Leave pay	6 301	4 681	(3 787)	–	7 195
Labour disputes	5 068	3 697	(53)	–	8 712
Litigation and claims*	265 131	108 704	–	–	373 835
	299 715	**142 082**	**(34 055)**	**(18 000)**	**389 742**

Notes to the Financial Statements

21. Provisions (continued)

Staff incentives

The provision for discretionary performance bonuses is payable to employees and is determined by taking into account both the performance of the Bank as well as the performance of individual employees.

Leave pay

Accumulated leave is payable to employees upon termination of services. Provision for leave pay is calculated on the leave days outstanding at the end of the year multiplied by the cost to company of the employees in terms of employment contracts.

Labour disputes

Reversed during current year and disclosed as contingent liability. Refer to note 34.

Litigation and claims

Provision raised in respect of debtors loan guarantee and breakage fee. The debtors loan guarantee (BMCE bank) was settled during current year.

Notes to the Financial Statements

22. Post-retirement obligation

Medical benefit plan

The defined benefit obligation plan is unfunded. The estimated medical aid contributions for the next year effective 1 April 2021 amounts to R20.1 million (FY2020: R20.3 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Movement in the present value of the				
Defined benefit obligation 1 April	285 362	301 316	285 362	301 316
Service cost – PRMA	(1 541)	(2 295)	(1 541)	(2 295)
Interest cost – PRMA	32 444	26 672	32 444	26 672
Actuarial (losses) and gains on post-retirement obligation	(16 582)	(22 800)	(16 582)	(22 800)
Benefits paid	(15 683)	(17 531)	(15 683)	(17 531)
Defined benefit obligation 31 March 2021	284 000	285 362	284 000	285 362

Total expenses resulting from the Group's defined benefit plans charged to income statement can be analysed as follows:

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Components of net periodic medical benefit cost:				
Service cost – PRMA	(1 541)	(2 295)	(1 541)	(2 295)
Interest cost – PRMA	(32 444)	(26 672)	(32 444)	(26 672)
Total included in interest and staff costs	(33 985)	(28 967)	(33 985)	(28 967)
Total expenses recognised in profit or loss	(33 985)	(28 967)	(33 985)	(28 967)
Actuarial (losses) recognised in other comprehensiveincome	16 582	22 800	16 582	22 800

Notes to the Financial Statements

22.1 Maturity profile of members

Employee status	Membership Profile 2021 Number	Average age (years)	Average past service (years)	Average number of dependents
Active	94	52	26	2
Pensioners	258	70	–	–
	352			

Employee status	Membership Profile 2020 Number	Average age (years)	Average past service (years)	Average number of dependents
Active	114	52	26	2
Pensioners	266	70	–	1
	380			

The actuarial valuation report complies with the requirements of Advisory Practice Note (APN) 301 of the Actuarial Society of South Africa in all respects that are deemed to be in the context of the exercise undertaken. The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS19. The actuarial assumptions are unbiased and mutually compatible, as required. The results of the valuation depend on the assumptions used.

22.2 Actuarial key assumptions used

Medical inflation

Contribution rates on the benchmark medical option, Bankmed, have increased by, on average, 4% over the period. This is less than the medical inflation assumptions of 8.5% and 8.6% made at the time of the last valuation. This resulted in a decrease in liability of approximately R12.3 million.

Economic basis

The net discount rate over the period has decreased by 0.9% and 0.6% for active members and continuation members respectively. This has caused an increase in liability of approximately R11.2 million.

Mortality

The liability has reduced by approximately R8 million due to a decrease in the number of pensioners.

Notes to the Financial Statements

22.3 Sensitivity analysis

The results are dependent on the assumptions used. The table below shows how the past service cost as at 31 March 2021 would be impacted by changes to these assumptions:

In-Service and Continuation Members	Accrued Service Liabilities as at 31.03.2021 (R'000)	% Increase	Accrued Service Liabilities as at 31.03.2020 (R'000)	% Increase
Assumptions as above	284 000		285 362	
Discount rate – increases by 1% p.a.	257 741	-9%	259 662	-9%
Discount rate – reduces by 1% p.a.	315 285	11%	315 783	11%
Medical inflation – increases by 1% p.a.	314 006	11%	313 940	10%
Medical inflation – reduces by 1% p.a.	257 624	-9%	259 719	-9%
Retirement age – 64	287 897	1%	285 114	2%
Retirement age – 66	280 389	-1%	280 829	-2%

23. Interest income

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Measured at amortised cost				
Interest from loans and advances	3 025 295	4 114 551	3 025 148	4 114 551
Interest on short-term deposits	158 722	299 541	158 722	299 541
Interest from banks	49 875	50 801	45 523	45 521
Interest on premiums written	1 070	851	–	–
Interest on trade receivables	–	–	–	–
	3 234 822	4 465 744	3 229 393	4 459 613

Notes to the Financial Statements

24. Interest expense

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Commercial funding	2 737 076	3 807 272	2 737 076	3 807 272
Development and multilateral funding	135 229	158 208	135 229	158 208
Interest on swaps & debentures*	93 329	(357)	93 329	(357)
Arranging fees	66 371	65 741	66 371	65 741
Other	35 255	47 466	34 818	45 651
Total interest expense	3 067 260	4 078 330	3 066 823	4 076 515

* *Reallocated from interest income during the current year.*

25. Non-interest expense

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Account administration & Net Interest Margin fee expense[1]	301 334	361 877	297 378	357 209

[1] *Account administration & Net Interest Margin fee expense relate to management fees paid to intermediaries in terms of service level agreements relating to the Bank's acquisition loan books. Net interest income (interest income less interest expense) earned from, and impairments incurred on these books are included under note, 23 note 24 and note 11 respectively.*

26. Non-interest income

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fee and commission income	48 041	71 462	49 242	72 628
Account administration fee income	41 697	64 546	41 697	64 546
Fund administration fees	6 296	6 916	6 296	6 916
Administration fee from LBLIC	48	–	1 249	1 166
Other	36 183	27 945	26 984	20 961
Investment property rentals	11 700	17 978	11 700	17 978
Sundry income	24 483	9 967	15 284	2 983
	84 224	99 407	76 226	93 589

Notes to the Financial Statements

27. Operating profit from insurance activities

	Group	
	2021 R'000	2020 R'000
Net premium income		
Gross written premium	590 803	563 557
Long-term insurance contracts	4 947	5 404
Short-term insurance contracts	585 856	558 153
Gross written premium	600 226	563 289
Change in the unearned premium reserve	(19 887)	(3 672)
Change in the unexpired risk reserve (URR)	5 517	(1 464)
Less: reinsurance premium	440 018	420 431
Long-term insurance contracts	2 425	2 632
Short-term insurance contracts	437 593	417 799
Reinsurance premium written	447 964	421 081
Change in the unearned premium reserve	(13 959)	(2 588)
Change in the unexpired risk reserve (URR)	3 588	(694)
	150 785	143 126
Net insurance claims		
Long-term insurance contract claims	3 549	614
Claims paid	4 542	(404)
Movement in notified claims (OCR)	(993)	1 018
Short-term insurance contracts claims	71 760	130 647
Claims & assessment fees paid	80 548	149 580
Movement in IBNR	(1 379)	(13 228)
Movement in outstanding claim provisions	(7 409)	(5 705)
	75 309	131 261
Other costs from insurance activities		
Movement in policyholders' liability	(29 048)	6 661
Net commission and administration fees	(29 245)	(39 158)
	(58 293)	(32 497)

Notes to the Financial Statements

28. Investment income and fees

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
An analysis of revenue is as follows:				
Investment income from financial assets classified as at fair value through profit or loss:	76 844	100 983	17 875	318 781
Dividend income – Subsidiary	–	–	–	300 000
Dividend income – other investments	28 391	28 647	13 056	12 818
Interest income	48 453	72 336	4 819	5 963
Investment management and performance fees	(6 939)	(9 845)	(1 832)	(4 538)
	69 905	91 138	16 043	314 243

29. Gains and losses on financial instruments

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Losses on financial assets measured at amortised cost	(18 270)	(47 240)	(18 270)	(47 240)
Fair value (losses) gains				
Designated at fair value through profit or (loss)	(31 600)	(2 384)	(31 600)	(2 384)
Strategic trading assets	733	(723)	733	(723)
Instruments in (Repos)	(966)	(139)	(966)	(139)
Interest rate swap[1]	(31 367)	(1 522)	(31 367)	(1 522)
Investment income	239 495	(140 084)	81 937	(19 330)
Realised gains	25 566	15 747	16 066	19 745
Unrealised fair value gains (losses)	213 929	(155 831)	65 871	(39 075)
	207 895	(142 468)	50 337	(21 714)

[1] *To manage the Bank's exposure to "basis risk" and in an effort to protect the Bank's net interest margin, the Land Bank Board entered into an interest rate swap arrangement; hedging the mismatch moderately between the lending and funding rate. IFRS 9 require gains and losses on this derivatives to be recognised in profit or loss when hedge accounting is not applied.*

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30. Operating expenses

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Depreciation – Owned assets	**2 338**	6 084	**2 281**	6 025
Depreciation – Leased assets	**25 571**	25 399	**25 408**	25 236
Amortisation – computer software	**5 277**	6 052	**5 277**	6 052
Auditors remuneration – External auditors	**16 264**	15 139	**14 391**	13 919
– Current	**12 796**	11 671	**10 923**	10 451
– Prior year	**3 468**	3 468	**3 468**	3 468
Audit fees – Internal	**142**	1 210	**142**	1 210
Directors' emoluments	**17 454**	16 225	**13 580**	11 574
– Executive	**10 788**	7 856	**7 234**	4 536
– Non-executive	**6 666**	8 369	**6 346**	7 038
Management fees	**537**	1 355	**537**	1 355
Professional fees	**22 603**	33 527	**17 978**	29 888
Staff costs	**398 894**	397 924	**383 191**	384 192
– Salaries and contributions	**391 287**	387 735	**375 965**	374 399
– Staff related provisions and other	**7 607**	10 189	**7 226**	9 793
Other operating expenses	**104 398**	201 304	**102 044**	200 541
– Computer and data costs	**26 546**	28 752	**26 118**	28 679
– Repairs and maintenance	**1 728**	3 864	**1 728**	3 856
– Rates and taxes	**7 827**	9 229	**7 827**	9 229
– Travel and accommodation	**621**	8 008	**584**	7 582
– Corporate social investment	**1 105**	9 976	**1 105**	9 976
– Litigation and claims	**10 187**	67 970	**9 778**	67 970
– Other[2]	**56 384**	73 505	**54 904**	73 249
	593 479	704 219	**564 829**	679 992

[2] *Other operating expenses includes sundry operating expenses such as security, short-term lease, cleaning and marketing, amongst others.*

Notes to the Financial Statements

31. Non-trading and capital items*

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fair value loss on investment properties	(8 073)	(250)	(8 073)	(250)
Foreign exchange gain / (loss)	36 897	(40 904)	36 897	(40 904)
Impairment of other assets	4	8	4	8
Non-current assets held-for-sale fair value adjustment	–	(11 899)	–	(11 899)
Loss on disposal of property and equipment	442	(10)	442	(10)
Profit on disposal of non-current assets held-for-sale	1 186	12 104	1 186	12 104
	30 456	(40 951)	30 456	(40 951)

*Once-off transactions that are not periodic in nature.

32. Indirect taxation

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Major components of the tax expense				
Value Added Tax[1]	52 220	65 764	51 856	65 622

[1] *Value-added taxation comprises the portion that is irrecoverable as a result of the interest earned in the South African financial services sector.*

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33. Funds under administration

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets				
Cash balance held for the funds administered on behalf of the Department of Agriculture, Land Reform and Rural Development (DALRRD).	1 254 951	500 037	1 254 951	500 037
Liabilities				
DALRRD	1 254 951	500 037	1 254 951	500 037
	1 254 951	500 037	1 254 951	500 037
Funds administered on behalf of DALRRD				
Agri-BEE fund	275 563	258 980	275 563	258 980
Administration fund – flood relief	–	37	–	37
MAFISA fund	13 899	13 387	13 899	13 387
COVID-19	95 522	–	95 522	–
Job fund	33 667	38 107	33 667	38 107
Emerging farmers' support facility & CGA Primary Project	190 811	185 527	190 811	185 527
Blended Finance	645 489	3 999	645 489	3 999
	1 254 951	500 037	1 254 951	500 037

Notes to the Financial Statements

33. Funds under administration (continued)

Reconciliation of movement in funds under administration	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Agri-BEE				
Balance at the beginning of the year	258 980	201 992	258 980	201 992
Receipts	14 000	43 754	14 000	43 754
Accrued interest	9 852	14 455	9 852	14 455
Disbursements	(7 269)	(1 221)	(7 269)	(1 221)
Balance at the end of the year	275 563	258 980	275 563	258 980
Poverty fund				
Balance at the beginning of the year	37	35	37	35
Accrued interest	–	2	–	2
Transfer	(37)	–	(37)	–
Balance at the end of the year	–	37	–	37
MAFISA fund				
Balance at the beginning of the year	13 387	12 551	13 387	12 551
Accrued interest	512	836	512	836
Balance at the end of the year	13 899	13 387	13 899	13 387

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33. Funds under administration (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
COVID-19				
Balance at the beginning of the year	–	–	–	–
Transfer from/(to) Land Bank	100 329	–	100 329	–
Accrued interest	1 247	–	1 247	–
Disbursements	(6 054)	–	(6 054)	–
Balance at the end of the year	95 522	–	95 522	–
Job fund				
Balance at the beginning of the year	38 107	–	38 107	–
Receipts	–	37 988	–	37 988
Accrued interest	1 339	314	1 339	314
Disbursements	(3 402)	–	(3 402)	–
Transfer	(2 377)	(195)	(2 377)	(195)
Balance at the end of the year	33 667	38 107	33 667	38 107
Blended Finance				
Balance at the beginning of the year	3 999	367 816	3 999	367 816
Receipts	–	148 061	–	148 061
Accrued interest	16 027	22 069	16 027	22 069
Disbursements	(2 305)	(1 480)	(2 305)	(1 480)
Transfer from/(to) Land Bank	627 769	(532 467)	627 769	(532 467)
Balance at the end of the year	645 490	3 999	645 490	3 999

33. Funds under administration (continued)

Description of the funds under administration

Agri-BEE Fund

Parliament approved a sector specific allocation for the Agri-BEE Fund that will allocate grants to promote the rural community based empowerment Groups. The Bank acts as an agent on behalf of the DALRRD in the administration of the Fund. Disbursements amounted to R8.002 million (FY2020:Rnil). An injection of R14m (FY2020:R43.8 million) from DALRRD and Rnil (FY2020: Rnil) from clients own contributions was received during the current financial year.

Poverty Fund

The fund has been set up by the DALRRD to respond to any food crisis by means of procurement of agricultural implements and starter packs.

MAFISA Fund

The MAFISA Fund has been set up on request of the DALRRD to invest money in approved projects of the Department through on-lending to individuals. Monies received from the DALRRD for the MAFISA Fund is invested in a separate bank account on behalf of the DALRRD. No on-lending has taken place during the period under review. There were no injections during the current period under review (FY2020:Rnil).

Blended Finance

The Blended Finance fund has been set up on request of the DALRRD to provide blended support to Black Commercial Producers in the agricultural, forestry and fisheries sectors in an attempt to accelerate agricultural development and to transform these sectors. The support will include blended funding, skills and technical support required by these producers. The Land Bank is responsible for the utilisation of it's own existing infrastructure and discretion to consider loan applications from Black Commercial Producers, and all funds are received in an interest bearing account. The DALRRD injected Rnil million (FY2020:R148.1 million) which is used to support Black Commercial Producers either in the form of equity contributions or interest rate subsidy, technical support contributions.

COVID-19

The sole purpose of the Fund is to provide relief to distressed farmers affected by the COVID-19 pandemic who are involved in the entire food value chain, from farm-related operations, agro-processing, food manufacturing, logistics and related services, wholesale and retail services to all support functions that ensure efficient delivery of the agro-food system, and are existing clients of Land Bank. COVID Relief Fund" is a fund created by DALRRD to be administered by Land Bank with the sole purpose being to address the challenges created for farmers and/or producers by the COVID–19 Pandemic in South Africa. There was refund by Land Bank of R103m during the current period under review (FY2020:Rnil) and disbursements amounted to R 6m (FY2020:Rnil).

Jobs Fund

The specific goal of the Fund is to provide a mechanism that can identify and fund creative solutions to overcome identified short-term barriers to job creation and a better functioning labour market. Furthermore, the Fund's aim is to catalyse innovation in job creation through structured and strategic Private and Public Sector Partnership. Disbursements amounted to R3.402m (FY2020:Rnil) and an injection of Rnil (FY2020:R37.988 million) to the Fund received during the current period under review.

33. Funds under administration (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
CGA Primary Project Facility				
Asset				
Cash balance held for the support facilities	190 812	185 528	190 812	185 528
Liabilities				
Emerging farmers support facility	190 810	183 733	190 810	183 733
CGA Primary Project Facility	2	1 795	2	1 795
	190 812	185 528	190 812	185 528
Emerging farmers support facility				
Balance at the beginning of the year	183 733	171 898	183 732	171 898
Accrued interest	7 078	11 834	7 078	11 834
Balance at the end of the year	190 810	183 733	190 810	183 732
Balance at the beginning of the year	1 795	1 684	1 795	1 684
Accrued interest	(1 794)	111	(1 794)	111
Balance at the end of the year	1	1 795	1	1 795

Description of the emerging farmers support & REM wholesale finance support facility

The Land Bank received R208.0 million from the Department of Rural Development and Land Reform on the 17th of August 2011. The transfer received is a guarantee for identified deserving emerging farmers which require rescue packages. The identified farmers all have mortgage loans with the Land Bank and the Bank can only access the guarantee after complying with conditions as set by the Department of Rural Development and Land Reform. No transfers (FY2020:Rnil) to the Blended Finance support facility in the current financial period.

Notes to the Financial Statements

33. Funds under administration (continued)

CGA Primary Project Facility**

The Land Bank received a total of R150 million from the Department of Rural Development and Land Reform between October 2011 and July 2016 under this facility. The funds are meant to subsidise interest payable to the Land Bank and remunerate appointed intermediaries that identify and provide technical assistance to the Retail Emerging market farmers under this wholesale finance facility. The Land Bank and the appointed intermediaries receive interest of 4% p.a each on the loans disbursed by Land Bank to the intermediaries. The intermediaries charge the REM farmers 4% p.a. on the value of the loans disbursed for their role of supporting the emerging farmers with skills and other facilities that enhance their success. This interest is paid from the aforesaid funds. There were no injections into the fund during the current period under review (FY2021: Rnil). There were no Disbursements in the current period under review (FY2020: Rnil).

*** CGA Primary Project Facility previously named REM wholesale finance support facility*

34. Contingencies

LBLIC Tax:

The former LBIC, as a wholly owned subsidiary of Land Bank, was exempt from Income Tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962. With effect 01 April 2012, LBIC was restructured in line with Ministerial approval of its revised business model, which was based on a preferred "Hold Co" structure by the Financial Sector Conduct Authority (FSCA) previously known as the Financial Services Board ("FSB"). The restructured insurance Group now consists of LBIS Holding Co, LBIC (Short-term insurance co) and LBLIC (Long-term insurance co).

As part of the implementation of LBIC's restructure during FY2014 LBIS Group management approached the South African Revenue Services ("SARS") for a tax ruling to confirm that the tax privileges of the former LBIC, would still apply to the restructured Group, as in effect nothing has changed, i.e. all companies effectively remain 100% owned by the Land Bank, albeit "indirectly".

The tax ruling received back from SARS was negative, stating that because of the inclusion of the LBIS holding company within the insurance Group structure, the LBIC and LBLIC operating companies would not be entitled to exemption from Income Tax, as unlike the former LBIC – these companies were not "direct" wholly owned subsidiaries of the Land Bank. LBIS Group management then approached the Minister of Finance requesting approval for the removal of the LBIS holding company, from the Group structure.

The Minister of Finance granted approval for the request to remove the LBIS holding company on 14 May 2014, with effect 1 April 2014. This approval allows that in terms of the new Group structure both LBIC (Short-term Insurance Company) and LBLIC (Long-term Insurance Company) can apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962.

Following the Ministerial approval, management is re-engaging SARS with the application for an tax exemption from 1 April 2012 – 31 March 2021 for both LBLIC and LBIC, and pre 1 April 2012 for LBLIC, to apply for tax exemption in terms of section 10(1)(cA)(ii) of the Income Tax Act, 58 of 1962, as well as to waive the tax liability for LBLIC for the period 1 April 2012 to 31 March 2014. The FSCA has approved the new structure. In the unlikely event that SARS does not waive the tax liability for the period when the holding company was in place, LBLIC will be liable for R68 million tax for the period 01 April 2012 to 31 March 2014, hence reflected as a contingent liability. Management is of the view that it is improbable that this approval will not be granted, The matter had not been resolved as at 31 March 2021 and it is still in progress.

Notes to the Financial Statements

34. Contingencies (continued)

Commission and cost on sale of properties:

Upon Land Bank realising that the appointment of a certain service provider was not in accordance with Land Bank processes, Land Bank approached the High Court seeking an order to declare such appointment as unlawful and invalid. Subsequent to the service provider being informed of the fact that their appointment may be irregular and unlawful, the service provider issued two invoices, first in an amount of R201 thousand for the advertising and auction costs and the second in the amount of R3.2 million relating to the 10% commission which the service provider alleges Land Bank is liable to pay in terms of the purported agreement between Land Bank and the service provider (which Land Bank believes is unlawful and invalid). It must be noted that the 10% commission amount of R3.2 million was purely based on an estimate by the service provider based on the reserve price of the total possible purchase price of the properties that they were supposed to auction. The auction never took place and it remains uncertain whether or not the properties in question would have yielded the expected purchase price as estimated by the service provider. Management is of the view that it is improbable that the envisaged claim by the service provider will be successful. The matter had not been resolved as at 31 March 2021 and it is still in progress hence its reflected as a contingent liability.

Penalty fee:

The contingent asset relates to an early withdrawal penalty fee charged on an investment that the Land Bank had made with one of the banks during the year. This penalty fee was expensed in the 2020 financial year. A process is underway to recover the R16.5m penalty fee. The recovery is contingent upon successfully litigation of the matter. The matter had not been resolved as at 31 March 2021 and it is still in progress.

Riverside redeemable convertible preference shares:

In September 2018 Land Bank approved the subscription of redeemable convertible preference shares in Riverside Holdings for a total subscription amount of R40m. Terms and conditions were stipulated which need to be met satisfactory to Land Bank, before the disbursement for the preference shares can be made. The Bank will have an obligation to acquire the preference shares and recognise an asset only if all the conditions are met. Therefore, a contingent asset and liability has to be considered for disclosure in the current year financial statements (FY2021) on the basis that the existence is based on certain conditions being met. The Bank will have an obligation to acquire the preference shares only if all the conditions (target profit and suspensive conditions) are met (obligating event). This will both result in an outflow of resources (disbursement of R40m) and inflow of resources (recognising asset for future economic benefits). Therefore, an asset and liability will only be recognised in the FY2022 financial year on the basis that the existence is based on all the conditions (profit and suspensive conditions) being met. The Bank will have an obligation to acquire the preference shares when all the conditions (profit and suspensive conditions) have been met (obligating event). This will both result in an outflow of resources (contingent liability – disbursement of R40m) and inflow of resources (contingent asset – recognising asset for future economic benefits). As at 31 March 2021, not all the conditions were met.

Notes to the Financial Statements

34. Contingencies (continued)

CCMA and Labour Court cases

Land Bank dismissed three staff members. The case is still with CCMA and Labour Court. These staff members were paid all the benefits that were due to them when they were dismissed. As a result of this incident, the Bank estimated a contingent liability amounting R8.7m.

Default Interest

There is a possible legal claim against Land Bank from National Credit Act (NCA) and non-NCA clients that were previously administered by on of the Service Level Partners (SLA) of the Land Bank. Their claim is that the SLA charged them default interest calculated based on the "total outstanding amount" instead of the "outstanding arrears amount". This incident happened before the Bank took over the SLA loan book in February 2021. The clients could pursue this matter further and argue that the SLA did in fact act unlawfully by disregarding the NCA provisions. There are currently differing views between the Land Bank legal team and that of the SLA partner, the SLA partner stems that this is a widely used practice in the banking industry. Therefore this matter will be presented before the National Credit Regulator to ascertain which interpretation of the law is correct. Therefore, until a ruling has been received from the NCR, this matter is disclosed as a contingent liability pending the ruling and possible legal action by those affected customers.

Bosveld Investment (ETG Group guarantee):

The contingent asset relates to Bosveld Investment, which was fully impaired in FY 2020. The bank was unable to get projected cash flows and the plant has been decommissioned since 2013. The due diligence requested by the Land Bank in 2019 has not made any reliable progress due to lack of information from the investee. The bank should be entitled to the guarantee of R270m less the non-recoverable debtors of R56m which equates to R214m. Recovering this amount will need to follow the legal process as guided by the agreements and will entail Land Bank successfully surrendering the warrant certificates to ETG Group.

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35. Commitments

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
35.1 Loan commitments and guarantees				
Guarantees[1]	**15 580**	14 854	**15 580**	14 854
Loan commitments*	**4 366 729**	5 381 858	**4 366 729**	5 381 858
	4 382 309	5 396 712	**4 382 309**	5 396 712

[1] The above guarantees are included in the clients' approved facility limits and it is unknown when the guarantees will be presented for payment.

**Loan commitments relates to facilities that are undrawn*

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
35.2 Debentures/stock purchased				
Repo's and market making				
– R186 (Nominal value: R10 million)	–	10 305	–	10 305
– LBK28 (Nominal value: R10 million)	–	9 190	–	9 190
– R186 (Nominal value: R5 million)	–	5 153	–	5 153
	–	24 648	–	24 648

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
35.3 Operating lease commitments – as lessor (income)				
Minimum lease payment due				
– First year	**823**	2 612	**823**	2 612
– Fifth year	**489**	1 208	**489**	1 208
	1 312	3 820	**1 312**	3 820

Certain of the Group properties is held to generate rental income and premises for its day-to-day operations. Lease agreements are non-cancellable and have terms from 2 to 6 years. there are no contingent rents receivable.

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36. Related party transactions

Relationships between parents, subsidiaries and associates

The ultimate controlling party of the Land Bank is the Government of the Republic of South Africa, represented by National Treasury.

The following represents the significant subsidiaries of the Bank:

	Ownership Interest 2021	Ownership Interest 2020
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	100%	100%
Land Bank Insurance Company (SOC) Limited (LBIC)	100%	100%

Transactions with related parties other than key management personnel

36.1 Amounts received from related parties during the year

	2021 R'000	2020 R'000
(i) Land Bank Life Insurance Company (SOC) Limited – Subsidiary[1]		
Policy administration fees received by Land Bank	240	233
Portion of Non-executive Directors emoluments paid by LBLIC	80	80
Property and equipment transferred (from)/ to LBLIC (at NAV)	–	25
	320	338
(ii) Land Bank Insurance Company (SOC) Limited – Subsidiary[1]		
Policy administration fees received by Land Bank	961	933
Portion of Non-executive Directors emoluments paid by Land Bank	320	320
Property and equipment transferred to LBIC (at NAV)	14	108
	1 295	1 361
Capital contribution from Land Bank		
– Cash	200 000	100 000

Notes to the Financial Statements

36. Related party transactions

(iii) National Treasury – Stakeholder

With effect from 14 July 2008, the administrative powers over the Bank were transferred from the Ministry of the Department of Agriculture to the Ministry of Finance and, in accordance with the Land Bank Act, 2002, has the following role and responsibilities:

The Minister in terms of paragraph 7 -

(a) Is responsible for the development of policy with regard to agriculture, agrarian reform and matters incidental thereto; and
(b) May from time to time issue policy directives to the Board not inconsistent with this Act.

The Minister in terms of paragraph 9(1) -

May appoint a Board Member for such period as the Minister may determine in the case of each member but the period may not exceed five years.

Transactions during the year

No financial support in the form of cash injections was received during the current and previous financial year.

Government Support – Financial Guarantees

As at 31 March 2021, the Land Bank held a total of R9.6 billion guarantees which can be broken down as follows:

- R1.5 billion sustainability guarantee (fully utilised)
- R8.0 billion funding guarantees (Unutilised balance of R2.2 billion)
- R0.1 billion historic "consolidation of debt" guarantee. (Not utilised yet)

An annual fee of 0.3% per annum is payable to National Treasury on the guarantees granted (refer to note 24).

(iv) Other related parties

The Bank obtains funding from institutions, of which the most significant nominal values are disclosed below:

36. Related party transactions (continued)

	2021 R'000	2020 R'000
Funding received[2]		
Corporation for Public Deposits	1 163 800	992 500
Industrial Development Corporation	517 157	587 679
National Housing Finance	105 600	120 000
Petro SA	842 486	957 371
Post Bank	911 592	1 030 000
Public Investment Corporation	6 608 800	7 870 000
Magalies Water		
Trans-Caledon Tunnel Authority	89 648	100 000
South African Special Risks Insurance Association		
	10 239 083	11 657 550
Other government related parties:		
African Development Bank	590 909	681 818
	10 829 992	12 339 368

Notes to the Financial Statements

36. Related party transactions (continued)

36.2 Amounts owed by/(to) related parties

	2021 R'000	2020 R'000
Subsidiaries[3]		
Land Bank Life Insurance Company (SOC) Limited (LBLIC)	–	–
Land Bank Insurance Company (SOC) Limited (LBIC)	1 473	6 683
Funds under administration		
DALRRD	1 030 473	314 510
Micro-Agricultural Finance Institution	13 899	13 387
Agricultural Broad Based Black Economic Empowerment	275 563	258 980
Development Subsidy	–	37
Flood Relief	645 489	3 999
Job Fund	–	38 107
COVID-19	95 522	–
CGA Primary Project Facility	190 811	185 528
	1 221 284	500 038
(i) Agricultural Broad Based Black Economic Empowerment (Agri-BEE)		
Agricultural Broad Based Black Economic Empowerment (Agri-BEE)	275 563	258 980
	275 563	258 980
Cash balances held for funds administered	275 563	258 980

Notes to the Financial Statements

36. Related party transactions (continued)

	2021 R'000	2020 R'000
(ii) Micro-Agricultural Finance Institution (MAFISA)		
Bank balances of the MAFISA fund	13 899	13 387
MAFISA fund balance	13 899	13 387
(iii) CGA Primary Project Facility		
CGA Primary Project Facility	190 811	185 528
	190 811	185 528
Cash balance held for the support facilities	190 811	185 528
(vi) Blended Finance Facility		
Blended Finance Facility	645 489	3 999
Cash balance held for the support facilities	645 489	3 999
Total amount owed to related parties	1 221 284	500 038
Total cash balance held for the support facilities	1 221 284	500 038

Transactions between subsidiaries1

An administration fee of R0 million (FY2020: R13.3 million) was charged to LBIC, the short-term company, for services rendered by LBLIC.

	2021 R'000	2020 R'000
Amounts owed to LBLIC by LBIC	–	13 556

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36. Related party transactions (continued)

	2021 R'000	2020 R'000
Services paid/(received) to related parties		
LBLIC – Salaries	13 629	13 325
LBIC – Salaries	(13 629)	(13 325)
	–	–
Total subsidiary contributions to medical aid fund	–	513
Service fees charged to LBIC for medical aid	–	(410)
LBLIC medical aid	–	103
Total subsidiary contributions to retirement fund	–	1 030
Service fees charged to LBIC for Group Life Insurance	–	(824)
LBLIC retirement fund	–	206
Remuneration recharge to LBIC	(13 629)	(14 559)
Transactions with key management personnel[4]		
Short-term employee benefits	514	778
Other long-term benefits	3	5
Termination benefits	–	1 024
	517	1 807

[1] *Transactions with subsidiaries are made in the ordinary course of business and on substantially the same terms, as those prevailing at the time for comparable transactions with other third parties. These transactions also did not involve more than the normal risk of collectability or present other unfavourable features. There was no ECL at the Statements of Financial Position date and no bad debt expense in the year (FY2020: Rnil) relating to this intercompany transaction.*

[2] *The funding from related parties are all short-term financial instruments which are repayable within a year. The funding consists mainly of promissory notes and bonds. These transactions were made on terms equivalent to those that prevail in arm's length transactions.*

[3] *The intercompany account is held as a trading account between LBIC, LBLIC and it's holding company, Land Bank. In terms of the shareholders' agreement the loan is unsecured and has been sub-ordinated by Land Bank. Settlement will take place in cash. A decision was taken by the executive of the holding company that no interest would be charged on the outstanding loan balance during the current and prior financial periods under review.*

[4] *Key management personnel comprises the Group's executive management (including executive Directors) and non-executive Directors.*

Notes to the Financial Statements

37. Financial instruments and risk management group

Financial risk management

Credit risk

Credit risk refers to a loss suffered by a party whereby the counterparty fails to meet its financial obligations to the party under the contract. Credit risk may also arise if there is an increasing risk of default by the counterparty throughout the duration of the contract.

The definition of credit risk includes:

a. Credit evaluation risk: Risk related to the decreased credit worthiness (based on recent financial performance) of a counterparty to a transaction. A creditor may subsequently charge the downgraded entity a higher lending rate to compensate for the increased risk. For a creditor, downgrade risk may eventually lead to default risk.
b. Credit concentration risk: Risk related to any single exposure or Group of exposures large enough to cause credit losses which threaten the Bank's capital adequacy or ability to maintain its core operations. It is the risk that a common factor within a risk type or across risk types fails or an event occurs which causes credit losses.
c. Credit default risk: Risk related to the non-payment of interest and/ or capital on a loan by the borrower to the lender. This translates into a loss to the institution as a result of failure by a counterparty to meet its financial and/or contractual obligations.
d. Counterparty risk: Counterparty risk is the risk to each party of a contract that the counterparty will not live up to its contractual obligations. Counterparty risk is a risk to both parties and should be considered when evaluating a contract. In most financial contracts, counterparty risk is also known as default risk.

As an important partner in the execution of the Bank's development mandate, the bank however needs to comply with statutory and regulatory requirements to ensure that the Bank's activities do not lead over indebtedness in this market segment.

Policy and responsibility

The key components of the current general credit policy are the following:

- The primary role of the Bank is to provide finance to the agricultural sector;
- In its mandate, the Bank seeks to satisfy the needs of its customer base while maintaining a sound credit portfolio;
- The Bank insists on a thorough assessment of the client's financial position and repayment ability during the loan decision process, resulting in better quality credit decisions which result in timeous loan repayments and reduced losses in the event of a default;
- For the vast majority of the products, credit is granted on the basis of insight into the customer's circumstances and of specific assessments that provide a context for such credits;
- The facilities should match the customer's credit worthiness, capital position or assets, and the customer should be able to substantiate his or her repayment ability, and
- The Group may assume risks only within the limits of applicable legislation and other rules, including the rules of good practice for financial enterprises.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Credit risk management process

The credit risk management process has four stages. The stage can be summarised as follows:

- Credit origination entails gathering of application information, pre-screening for viability and mandate fit, client assessment and validation of business case through a due diligence.
- Credit assessment entails validation of submitted documentation from origination, risk rating and pricing, viability and affordability assessment, risk mitigation and determining appropriate terms and conditions within the Bank's risk appetite.
- Negotiating and contracting entails drafting and signing of legal documentation, ensuring all conditions precedence have been met in order effect disbursement of the loan.
- Portfolio Monitoring entails ongoing monitoring and evaluation, including base line studies, to ensure social impact and financial expectations have been met, Board representation, business development support by designated teams (agricultural, financial etc.).

Risk classification

The Bank monitors the repayment record of its customers on an ongoing basis to ensure that any deterioration in repayment records is detected as early as possible. As part of the collection process, customers are classified according to risk, and the classification is updated on receipt of new information about the customer.

The main objectives of risk classification are to rank the Bank's customer base according to risk so as to estimate the probability of default (PD) of each customer. The risk classifications used in the day-to-day credit process are based on point-in-time estimates. This means that the Bank uses a customer's present general and financial situation as a starting point. A change in the customer's situation or financial position therefore results in an upgrade or downgrade of that customer. The Bank adheres to the principle that all classifications should reflect the customer's current situation to the greatest extent possible.

Credit risk – insurance activities

LBLIC is exposed to credit risk through its investment portfolios. To counteract this risk, investment portfolios are managed in terms of investment mandates that are aligned to Insurance companies' investment strategy. Investment mandates provide guidelines in terms of the average credit quality of financial instruments in the portfolio as well as limits on concentration risk.

The insurance companies are also exposed to credit risk in respect of their working capital assets from balances owed by counterparties. The following are some of the main credit risk management actions:

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Group and reinsurers. These agreements include terms and conditions which regulates the relationship between the Group and reinsurers. Credit risk in respect of reinsurance is further managed by placing the Group's reinsurance only with companies that have high credit ratings. LBLIC and LBIC has quota share reinsurance treaties with internationally AA rated reinsurance companies. In addition to the proportional reinsurance treaty, another layer of reinsurance in the form of a stop loss is in place to limit the total exposure per individual claim. For overseas reinsurers, LBLIC retains 40% of ceded written premiums under quota share treaties and settles payments with the reinsurers 1 year after the placement in order to reduce the credit risk.

LBIC has a stop loss insurance treaty on the crop business with internationally AA– rated reinsurance companies. For foreign reinsurers on the crop portfolio, LBIC retains 40% of ceded written premium as deposit premium on the quota share treaty, which is released twelve months later. A portion of the outstanding claims is also retained on the quota share accounts each quarter, which is recalculated the following quarter. For the foreign approved reinsurer, the company is issued with an updated bank guarantee through domestic AA rated bank for outstanding balances each quarter.

37. Financial instruments and risk management group (continued)

The maximum exposure to credit risk is presented in the table below:

	Gross carrying mount R'000	Credit loss allowance R'000	Amortised cost/ fair value R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost /fair value R'000
Asset class with asset credit risk exposure*	**45 995 175**	**(6 043 304)**	**39 951 870**	**49 440 914**	**(5 704 095)**	**43 736 819**
Loans and advances	36 931 164	(6 043 304)	30 887 859	45 174 590	(5 704 095)	39 470 495
Cash at bank	5 589 889	–	5 589 889	722 711	–	722 711
Trade and other receivables (excluding prepaid expenses)	980 122	–	980 122	1 109 986	–	1 109 986
Short-term insurance assets	159 014	–	159 014	169 906	–	169 906
Long-term insurance assets	4 987	–	4 987	11 786	–	11 786
Repurchase agreements	–	–	–	19 495	–	19 495
Hedging derivatives	11 340	–	11 340	79 064	–	79 064
Strategic trading assets	–	–	–	5 153	–	5 153
Investments**	2 318 659	–	2 318 659	2 148 223	–	2 148 223
Asset class without asset credit risk exposure	**213 828**	**–**	**213 828**	**330 867**	**–**	**332 786**
Intangibles	2 766	–	2 766	8 044	–	8 044
Other trade receivables	63 381	–	–	120 575	–	120 575
Prepaid expenses	5 922	–	5 922	5 173	–	7 091
Investment property	95 100	–	95 100	15 000	–	15 000
Right-of-use of Leased Assets	20 746	–	20 746	47 993	–	47 993
Non-current assets held-for-sale	4 058	–	4 058	105 112	–	105 112
Property and equipment	21 855	–	21 855	28 971	–	28 971
Total assets per Statements of Financial Position	**46 209 002**	**(6 043 304)**	**40 165 698**	**49 771 781**	**(5 704 095)**	**44 069 605**
Add off balance sheet items exposed to credit risk						
Guarantees issued	15 580	–	15 580	10 550	–	10 550
Loan commitments	4 366 729	–	4 366 729	4 552 431	–	4 552 431
Operating lease commitments – Group as lessor	1 312	–	1 312	3 820	–	3 820
	50 592 624	**(6 043 304)**	**44 549 319**	**54 338 582**	**(5 704 095)**	**48 636 406**
Maximum credit exposure – selected items	50 378 796	(6 043 304)	44 335 491	54 007 715	(5 704 095)	**48 303 620**

Credit exposure is calculated on the basis of selected items on and off the balance sheet (guarantees and loan commitments).

** This amount excludes the impact of any collateral held or credit enhancements. Refer to note 11 for collateral held against the loans and advances.*
*** Included in the Group investments is an amount of R1.16 billion (FY2020: R1.09 billion) which relates to investments under asset management which do not have credit exposure (Bank: R228.3 million; FY2020: R154.9 million).*

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Gross loan book exposure by agricultural sector
2021

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Classification by loan performance			
Agricultural Sector	Direct R'000	Total R'000	Direct R'000	Indirect R'000	Total R'000	Total R'000	Stage 1: Performing R'000	Stage 2: Under–performing R'000	Stage 3: Non-performing R'000
Agri-Business	135 539	135 539	4 552 937	1 041 747	5 594 684	5 730 223	748 865	1 804 033	3 177 325
Agro-processing	–	–	–	60 667	60 667	60 667	–	20 753	40 187
Citrus	160 466	160 466	125 288	441 338	566 625	727 091	566 947	35 159	124 986
Cotton	–	–	6 513	412	6 924	6 924	556	5 056	1 312
Dairy	–	–	339 368	296 456	635 824	635 824	301 146	25 426	309 252
Deciduous fruit	245 603	245 603	149 289	191 898	341 187	586 790	375 131	28 277	183 382
Equipment	–	–	–	33 809	33 809	33 809	25 584	13	8 212
Feedlot	30 668	30 668	26 130	–	26 130	56 798	36 400	5 137	15 262
Financial Services	879 178	879 178	575 382	496 917	1 072 300	1 951 478	845 119	501 224	605 135
Flowers	–	–	4 320	–	4 320	4 320	1 770	1 008	1 542
Fodder	–	–	84 948	27 672	112 620	112 620	46 171	21 762	44 687
Game	–	–	199 392	28 705	228 098	228 098	62 010	26 777	139 310
Grain	4 985 240	4 985 240	1 480 004	9 875 517	11 355 521	16 340 760	5 803 967	6 850 912	3 685 604
Inputs supplier	14 630	14 630	–	39 634	39 634	54 264	52 249	2 015	–
Livestock	218 438	218 438	2 788 092	454 855	3 242 947	3 461 386	1 730 868	189 091	1 541 427
Logistics	–	–	–	513 875	513 875	513 875	398 875	114 999	–
Nuts	32 147	32 147	185 550	84 272	269 822	301 969	220 976	12 593	68 400
Ostriches	–	–	53 012	–	53 012	53 012	20 801	9 683	22 528
Other	392 591	392 591	1 378 059	79 272	1 457 331	1 849 922	424 672	329 966	1 095 285
Pork	53 860	53 860	25 826	–	25 826	79 686	57 685	351	21 650
Poultry	300 845	300 845	177 643	144 707	322 351	623 196	266 547	283 000	73 649
Subtropical Fruit	–	–	33 382	193	33 575	33 575	18 051	868	14 656
Sugarcane	297 722	297 722	257 796	146 957	404 753	702 475	228 073	395 906	78 496
Table grapes	–	–	240 753	134 377	375 129	375 129	277 156	18 510	79 463
Tea	–	–	28 054	–	28 054	28 054	20 063	–	7 995
Timber	403 478	403 478	71 936	–	71 936	475 413	27 061	403 626	44 726
Tobacco	–	–	5 259	–	5 259	5 259	5 259	–	–
Vegetables	–	–	737 255	158 717	895 972	895 972	287 432	173 613	434 927
Wine	278 820	278 820	333 129	390 627	723 755	1 002 576	739 959	71 416	191 201
Total	8 429 225	8 429 225	13 859 316	14 642 622	28 501 938	36 931 163	13 589 391	11 331 172	12 010 600

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37. Financial instruments and risk management group (continued)

Gross loan book exposure by agricultural sector
2020

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Classification by loan performance			
Agricultural Sector	Direct R'000	Total R'000	Direct R'000	Indirect R'000	Total R'000	Total R'000	Stage 1: Performing R'000	Stage 2: Under–performing R'000	Stage 3: Non-performing R'000
Agri-Business	449 030	449 030	69 938	700 814	770 752	1 219 782	708 487	340 466	170 829
Agro-processing	–	–	–	504 202	504 202	504 202	415 440	10 763	77 998
Citrus	337 443	337 443	84 093	497 541	581 634	919 077	794 739	75 119	49 219
Cotton	–	–	1 505	291 181	292 686	292 686	213 518	39 234	39 934
Dairy	–	–	301 836	455 359	757 195	757 195	368 614	59 523	329 058
Deciduous fruit	369 591	369 591	174 958	187 011	361 969	731 560	637 207	32 639	61 712
Equipment	–	–	–	64 336	64 336	64 336	54 689	2 914	6 733
Feedlot	43 184	43 184	24 628	–	24 628	67 812	55 439	–	12 372
Financial Services	1 049 197	1 049 197	599 108	1 327 744	1 926 852	2 976 049	2 614 387	77 949	283 714
Flowers	–	–	4 431	–	4 431	4 431	4 431	–	–
Fodder	–	–	86 634	157 891	244 525	244 525	172 876	11 697	59 951
Game	–	–	190 823	29 223	220 046	220 046	131 517	–	88 528
Grain	5 460 948	5 460 948	1 406 800	17 358 361	18 765 161	24 226 109	10 496 042	6 064 809	7 597 059
Inputs	–	–	–	54 390	54 390	54 390	33 290	3 369	17 731
Inputs supplier	26 694	26 694	67	66 723	66 790	93 484	34 287	3 158	56 040
Irrigations scheme	–	–	–	253 253	253 253	253 253	225 895	404	26 954
Livestock	219 515	219 515	2 772 529	2 067 637	4 840 166	5 059 681	3 608 105	302 186	1 149 390
Logistics	–	–	–	272 065	272 065	272 065	272 065	–	–
Nuts	216 551	216 551	155 434	81 184	236 618	453 169	403 422	13 164	36 583
Ostriches	4 408	4 408	54 357	–	54 357	58 765	28 145	5 387	25 233
Other	325 121	325 121	29 364	600 220	629 584	954 705	1 081 352	227 004	285 450
Pork	39 614	39 614	22 872	–	22 872	62 486	42 147	8 700	11 639
Poultry	402 343	402 343	229 643	182 807	412 450	814 793	737 948	871	75 975
Subtropical Fruit	–	–	32 784	104 113	136 897	136 897	96 847	9 447	30 604
Sugarcane	633 486	633 486	269 337	267 346	536 683	1 170 169	961 764	128 532	79 874
Table grapes	–	–	239 586	187 212	426 798	426 798	345 633	8 592	72 573
Tea	–	–	28 204	–	28 204	28 204	24 017	–	4 187
Timber	504 196	504 196	70 487	415 463	485 950	990 146	950 275	8 632	31 239
Tobacco	–	–	4 725	147 191	151 916	151 916	77 190	34 312	40 413
Vegetables	–	–	369 962	567 111	937 073	937 073	641 891	113 210	181 971
Wine	192 214	192 214	327 333	509 239	836 572	1 028 786	953 571	14 412	60 804
Total	**10 273 535**	**10 273 535**	**7 551 438**	**27 349 617**	**34 901 055**	**45 174 590**	**27 185 230**	**7 596 493**	**10 392 867**

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37. Financial instruments and risk management group (continued)

Credit exposure by geographic/regional distribution

2021	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Total R'000	Total R'000	Stage 1: Preforming R'000	Stage 2: Under-performing R'000	Stage 3: Non-performing R'000
Province							
Eastern Cape	873 770	1 615 891	2 489 661	7%	1 208 556	437 565	843 540
Free State	79 265	3 913 150	3 992 415	11%	1 927 904	266 114	1 798 398
Gauteng	4 853 662	2 914 181	7 767 844	21%	735 454	6 020 755	1 011 635
KwaZulu-Natal	–	979 097	979 097	3%	533 082	86 467	359 549
Mpumalanga	549 085	5 902 996	6 452 081	17%	3 496 397	1 562 842	1 392 841
Northern Cape	1 044 976	4 249 338	5 294 314	14%	1 790 936	613 609	2 889 770
Limpopo	–	3 258 577	3 258 577	9%	571 050	1 274 669	1 412 858
North West	407 195	2 803 200	3 210 395	9%	1 069 738	552 944	1 587 713
Western Cape	621 271	2 865 508	3 486 780	9%	2 256 274	516 209	714 296
Total	**8 429 225**	**28 501 938**	**36 931 163**	**100%**	**13 589 391**	**11 331 172**	**12 010 600**

						Loan Performance	
2020	Corporate Banking and Structured Investments R'000	Commercial Development and Business Banking R'000	Total R'000	Total R'000	Stage 1: Preforming R'000	Stage 2: Under-performing R'000	Stage 3: Non-performing R'000
Province							
Eastern Cape	1 083 222	1 401 725	2 484 947	6%	2 254 149	46 343	184 455
Free State	74 233	4 981 475	5 055 708	11%	3 624 458	560 839	870 410
Gauteng	5 413 427	6 888 245	12 301 672	27%	1 993 747	3 819 645	6 488 281
KwaZulu-Natal	136 574	1 018 336	1 154 910	3%	853 235	113 621	188 054
Mpumalanga	–	1 903 956	1 903 956	4%	1 276 797	404 051	223 109
Northern Cape	1 094 972	6 857 870	7 952 842	18%	7 227 894	317 005	407 942
Limpopo	1 136 717	4 448 465	5 585 182	12%	3 445 759	1 423 909	715 514
North West	765 754	3 945 719	4 711 473	10%	2 803 743	770 271	1 137 459
Western Cape	568 636	3 455 264	4 023 900	9%	3 705 448	140 809	177 643
Total	**10 273 535**	**34 901 055**	**45 174 590**	**100%**	**27 185 230**	**7 596 493**	**10 392 867**

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Credit risk concentration by credit rating (rated externally)

The table below provides an analysis of the ratings attached to the Group's exposure to instruments subject to credit risk:

	Bonds R'000	Cash, deposits and similar securities R'000	Collective Investment Schemes R'000	Net working capital assets R'000	Total R'000
2021					
AAA	332 073	436 636		–	768 709
AA+	104 703	24 476	127 891	–	257 070
AA	116 611	–	–	–	116 611
AA-	330	4 965	–	–	5 295
A+	715	–	–	–	715
A	807	14 288	–	–	15 095
A-	–	–	–	3 601	3 601
BBB+	–	–	–	838 423	838 423
BB	–	5 558 400	–	–	5 558 400
Other *	–	30 887 859	–	–	30 887 859
Not rated **	3 051	1 330 428	–	–	1 333 479
Total	**558 290**	**38 257 053**	**127 891**	**842 024**	**39 785 258**
2020					
AAA	220 699	516 008	–	–	736 707
AA+	125 125	92 417	130 781	–	348 323
AA	151 349	6 439	–	–	157 788
AA-	309	7 249	–	–	7 558
A+	98	–	–	–	98
A-	404	–	–	–	404
BB	–	248 859	–	–	248 859
Other *	–	39 470 496	–	–	39 470 496
Not rated **	1 617	2 074 387	–	719 546	2 795 550
Total	**499 601**	**42 415 855**	**130 781**	**719 546**	**43 765 783**

* *This includes clients that are not rated externally. The Bank has its own credit rating system for these clients. The Bank performs a credit assessment by verifying security provision, cash flow forecasts the level of financial leverage which determines the level of financial risk and indicates the extent that debt is covered by assets. Please refer to note 11 and note 4.*

** *These assets do not have a formal rating and mainly relate to premium debtors.*

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Credit exposure by line of business – loan book

Gross loan book	2021 R'000	% Total	2020 R'000	% Total
Continuing operations				
Corporate Banking and Structured Investments	8 466 246	23%	10 296 750	23%
Commercial Development and Business Banking	28 542 988	77%	34 937 640	77%
Loan Modification	(37 020)	–	(23 216)	–
Total gross loan book from continuing operations	36 972 214		45 211 174	
Less: Expected Credit Loss (ECL)	(6 043 304)		(5 704 095)	
Carrying amount of loans from continuing operations	30 928 909		39 507 079	
Discontinued operations				
LDFU	–	0%	62 109	0%
Total gross loan book from discontinued operations	–		62 109	
Less: Expected Credit Loss (ECL)	–		(62 109)	
Balance per Annual Financial Statements – total carrying amount	30 928 909	100%	39 507 079	100%

Balance as per the following notes

The Bank's Commercial Development and Business Banking division, which provides loans to agricultural cooperatives and agribusiness companies, continues to account for the bulk of the Bank's overall credit exposure. The LDFU loans constitute less than 1 percent (FY2020: Less than1 percent) of total loans and the LDFU operations have been classified as discontinued.

Credit exposure by maturity – Gross loan book

Based on the maturity of the loans as disclosed in note 11 , the credit exposure (excluding insolvent loan balances) by maturity is as follows:

	2021 R'000	%	2020 R'000	%
Short-term	9 644 775	26%	15 056 501	33%
Medium-term	5 226 917	14%	5 936 487	13%
Long-term	22 059 471	60%	24 125 180	53%
	36 931 164	100%	45 118 168	100%

In terms of the exposure profile by maturity, the Land Bank's exposure concentrates in the long-term – i.e. loans extended for periods of five years and longer. The exposure as at 31 March 2021 is R22.1 billion (FY2020: R24.1 billion).

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Credit risk management practices in relation to the recognition and measurement of expected credit losses

1. Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that there are not credit impaired upon origination, the portion of the lifetime ECL associate with the probability of default events occurring within the next 12 months recognised.

2. Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

3. Stage 3: Lifetime ECL – credit impaired

If the loan's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

Methods, inputs, assumptions and estimation techniques used to measure expected credit losses

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
12-month and lifetime expected credit losses	Expected loss methods based on probability at default (PD), loss given default (LGD) and exposure at default (EAD); expected credit losses are discounted to the reporting date using the effective interest rate.	PD, LGD and EAD over the lifetime of the loan.	Current PDs are the output of the calibrated rating model; PDs in subsequent years are determined based on migration, seasoning and cyclicality effects. The current LGD is The output of the LGD model; analyses showed that The subsequent LGDs are The same as the first year's LGD. Lifetime is the Contractual tenor of the loan; No prepayments assumed	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclicality. LGD: LGD model calibrated with own data history. EAD: credit conversion factor (CCF) modelling with own data, inclusion of repayment schedules.

Notes to the Financial Statements

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
Whether a credit risk has increased significantly since initial recognition	1.According to the Stage 2 definition; different Land Bank specific identifiers including the minimum 30 days past due criteri have been selected for the identification of SICR. Early Warning Indicators(a combination of macroeconomic factors (SA Maize Volatility Index – SAVI, Agricultural GDP, International Food Index, and business rules) have been implemented for the monitoring and classification of SICR.	Information On single loan Level ,such as Loans management risk indicators, Arrears information etc.	While each loan is Firstly considered on its own, the final classification Is performed on a client-level ,i.e. the worst stage of All loans is assumed to be the correct stage for all loans of the same client.	Stage classification is fact based using current flags And information Available in the Land Bank's data base. 1.Maximum stage across all loans per client rule applies.
Whether a financial asset is a credit-impaired financial asset	According to default definition; in general, unlikeliness to pay as well as >90 days past due are the criteria considered; these criteria are interpreted in terms of Land Bank's identifier e.g. for specific cases of unlikeliness to pay.	Information on single loan level, such as Loans management risk indicators, arrears information, etc.	While each loan is firstly considered on its own, the final classification is performed on a client-level, i.e. if one loan is considered to be credit-impaired (stage 3) then all loans of the same clients are considered to be so as well.	Stage classification is fact based using current flags And information Available in the Land Bank's data base. Maximum stage across all loans per client rule applies.

Macro-economic factors

IFRS 9 introduced the use of macro-economic factors when calculating ECL. To the extent that is relevant and practical the Group has used macro-economic factors in the ECL methodology. Such factors include but are not limited to the World Food Index as well as the Volume of Imports of Goods and Services, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL. The methodology, assumptions and macro-indices, including any forecasts of future economic conditions are reviewed regularly.

For information on financial assets' credit risk exposure, including significant credit risk concentrations please see note 38.

Defaults and Write-offs: expected credit losses

Land Bank defines a default as past due > 90 days.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Write-off policy

The Group defines bad debt as an irrecoverable debt or uncollectible debt, where all the recovery processes and or steps are exhausted and the client or counter parties do not have any means whatsoever to repay the debt that is due and payable and there are no reasonable prospects of success.

As a development bank, the Land Bank will endeavour to ensure continuity of agricultural production, and the Group shall only Write-off bad debt when all reasonable steps have been taken to recover the debt.

Land Bank considers the following indicators when determining whether there is no reasonable expectation of recovery:

- Recovery of the debt is not economically justified;
- Trace of the client is unsuccessful where efforts and channels to trace the client have been fully exhausted; or
- It is to the advantage of Land Bank to effect settlement of its claims or to waive the claim; or
- The sheriff has issued a nulla bona return to the effect that there are no further assets available to liquidate; or
- The loan security and/or security documents are defective and no other basis for a claim exists; or
- A shortfall emanating from the agreed settlement discount offered by Land Bank and/or a compromise has been reached between the client and Land Bank and a condition of such compromise is that Land Bank must Write-off a portion of the outstanding debt; or
- The loan is secured by property where the asset has been "bought-in" following an auction or abandonment process; or
- No security exists at the date of insolvency/liquidation/ or business rescue and/or existing security has been sold and the proceeds thereof received by Land Bank leaves a shortfall; or
- A deceased estate where there are no assets and there is no security or spouse married in community of property from which the outstanding balance may be claimed; or
- A deceased estate where there are no assets however:

(i) The estate is insolvent and will be administered in accordance with Section 34 of the Administration of Estates Act 66 of 1965; or

(ii) If there are insufficient dividends for the estate and the assets within the estate are of minimal value and / or are not dispensable to the debtor's dependants; or

- The debt has prescribed as defined by the Prescription Act (68 of 1969) as amended; or
- Any amount exceeding in-duplum inclusive of interest and costs; or
- All avenues of recovery, including the realisation of security and sureties, have been exhausted and a shortfall exists; or
- Any circumstance which in the opinion of the Chief Executive Office, Chief Financial Officer and/or Executive Manager Legal Services prohibits the recovery of the debt (authorisation in line with the DOP); or
- Any circumstance which is in the public interest or may be required as a result of amendments or enactments of legislation.

From time to time the Group has financial assets that are written off but may still be subject to enforcement activity. Such financial assets are written off when the aforementioned criteria have been met. Any recoveries due to enforcement activities are treated as bad debt recoveries in the year which such recoveries are made. This amounted to R15.8 million (FY2020 : R15.1 million) refer to note 10 and note 23.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Modification

The gross carrying amount of loans modified and the related gains/(losses) recognised where no derecognition took place:

Loss allowance: expected credit losses

	Gross loans modified 2021	Gain/(loss) on modification 2021	Change in expected credit loss due to modification 2021
Stage 1	346 322 024	(3 134 315)	5 043 557
Stage 2	1 027 418 510	(14 360 330)	27 373 991
Stage 3	41 491 648	(775 540)	14 240 404
Total	**1 415 232 182**	**(18 270 185)**	**46 657 952**

Loss allowance: expected credit losses

	Gross loans modified 2020	Gain/(loss) on modification 2020	Change in expected credit loss due to modification 2020
Stage 1	753 296 685	(33 783 097)	10 604 039
Stage 2	279 628 704	(7 831 599)	8 570 201
Stage 3	149 113 437	(5 625 163)	35 315 987
Total	**1 182 038 826**	**(47 239 859)**	**54 490 226**

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37. Financial instruments and risk management group (continued)

Stage migration (Gross loans and relating expected credit losses)

2021	Note	Stage 1[1] R'000	Stage 2 R'000	Stage 3[2] R'000	Total R'000
Gross loans as reported for 2021	11	13 589 392	11 331 172	12 010 600	36 931 164
Stage migration – improvements		**1 562 084**	**(41 368)**	**(1 520 716)**	
– Stage 2 to 1		1 135 667	(1 135 667)	–	
– Stage 3 to 1		426 416	–	(426 416)	
– Stage 3 to 2		–	1 094 299	(1 094 299)	
Stage migration – deterioration		**(8 122 482)**	**4 075 535**	**4 046 948**	
– Stage 1 to 2		(5 116 373)	5 116 373	–	
– Stage 1 to 3		(3 006 109)	–	3 006 109	
– Stage 2 to 3		–	(1 040 838)	1 040 838	
Net stage migration		**(6 560 399)**	**4 034 167**	**2 526 232**	
Expected credit losses as reported for 2021	11	(210 605)	(1 455 116)	(3 800 732)	(5 466 453)
Stage migration – improvements		**55 754**	**82 995**	**(138 749)**	
– Stage 2 to 1		30 452	(30 452)	–	
– Stage 3 to 1		25 302	–	(25 302)	
– Stage 3 to 2		–	113 447	(113 447)	
Stage migration – deterioration		**(1 488 552)**	**372 146**	**1 116 407**	
– Stage 1 to 2		(625 862)	625 862	–	
– Stage 1 to 3		(862 690)	–	862 690	
– Stage 2 to 3		–	(253 717)	253 717	
Net stage migration		**(1 432 798)**	**455 141**	**977 657**	

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37. Financial instruments and risk management group (continued)

Stage migration (Gross loans and relating expected credit losses)

2020	Note	Stage 1[1] R'000	Stage 2 R'000	Stage 3[2] R'000	Total R'000
Gross loans as reported for 2020		27 185 230	7 596 493	10 392 867	**45 174 590**
Stage migration – improvements		**1 153 099**	**132 369**	**(1 285 468)**	
– Stage 2 to 1		371 076	(371 076)	–	
– Stage 3 to 1		782 023	–	(782 023)	
– Stage 3 to 2		–	503 445	(503 445)	
Stage migration – deterioration		**(4 014 935)**	**1 004 094**	**3 010 841**	
– Stage 1 to 2		(1 513 121)	1 513 121	–	
– Stage 1 to 3		(2 501 814)	–	2 501 814	
– Stage 2 to 3		–	(509 027)	509 027	
Net stage migration		**(2 861 836)**	**1 136 463**	**1 725 373**	
Expected credit losses as reported for 2020	11	(764 613)	(1 113 181)	(3 496 300)	(5 374 094)
Stage migration – improvements		**64 907**	**29 731**	**(94 637)**	
– Stage 2 to 1		30 710	(30 710)	–	
– Stage 3 to 1		34 196	–	(34 196)	
– Stage 3 to 2		–	60 441	(60 441)	
Stage migration – deterioration		**(1 445 766)**	**378 267**	**1 067 499**	
– Stage 1 to 2		(567 150)	567 150	–	
– Stage 1 to 3		(878 617)	–	878 617	
– Stage 2 to 3		–	(188 883)	188 883	
Net stage migration		**(1 380 860)**	**407 997**	**972 862**	

[1] *12 month expected credit losses*
[2] *Life time expected credit losses*

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Liquidity risk

Definition

Liquidity risk relates to the Bank's possible inability to meet its payment obligations when they fall due. This may be caused by the Bank's possible inability to liquidate assets and/or to obtain funding to meet its liquidity needs.

- The Group is exposed to liquidity risk via its:
- Ability to borrow from the market, at market related interest rates;
- Ability to attract wholesale funders at favourable interest rates;
- Liquid assets ratios are not adequate for prudential requirements;
- Ability to raise long-term funding to match long-term assets;
- Lack of standby lines of credit.

To manage liquidity risk, the Bank has a treasury policy that takes into account limits to manage its liquidity. The liquidity risk/going-concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process.

Control and management

The following control measures are in place:
Corporate finance and legal advisors were appointed to provide expert guidance on the implementation of the liability solution of the Bank.
The going-concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process. The Committee meets on weekly or as required.
The Shareholder is a standing invitee to the Committee's weekly meetings.

Monitoring the liquidity position

The going-concern is being addressed through the restructuring process that is currently underway at Land Bank. The Board instituted a Board Restructuring Committee which monitors progress on Land Bank's restructuring process. The Committee meets on weekly or as required.

The Shareholder is a standing invitee to the Committee's weekly meetings.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Insurance activities

Liquidity risk is first of all managed by matching the liabilities with assets that have similar maturity profiles. Expected cash flows are taken into account when reviewing the investment strategy annually for the allocation of financial instruments. Most of the insurance company's assets are Shareholder's assets, which are held in highly liquid, open-ended instruments. The investment strategy, furthermore allocates assets backing policyholders' liabilities to short-term liquid instruments in the form of cash and bonds in equal proportions.

The insurance companies are exposed to daily calls on their available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The companies actively manage their cash resources split between short-term and long-term requirements to ensure that sufficient cash is at hand to settle insurance liabilities and operating expense obligations based on cash flow projections. Reinsurance quota share accounts are settled quarterly, 45 days in arrears. Cash calls can be made to reinsurers for claims in excess of R5 million per risk on the crop cover for LBIC. Both LBLIC and LBIC have sufficient cash resources to cover their obligations.

Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles.

LBIC invested its surplus cash in a portfolio of short-term interest bearing assets in the current reporting period. The Board decided to adopt a conservative investment strategy for the company considering the volatility of crop business.

(i) Asset Liability matching risk

Asset Liability Matching (ALM) risk is the risk that the company's assets are not adequately matched to back the company's insurance contract liabilities and financial liabilities.

The main factor effecting the ALM risk is the investment performance of financial assets backing the underlying insurance contract and financial liabilities.

The investment policy allocates assets backing policyholder's liabilities to cash and bonds. The bonds have varying maturities, but are all immediately tradeable on the bond market. The policyholders' liability was calculated using the discounted mean term of the liability in the current year. In the current year, the liability was calculated using the prevailing average medium and long-term government bond rates less fund manager fees. The risk is that the rate earned on the investments does not match the rate used to calculate the liabilities. There is a notional allocation of assets to liabilities, with sufficient surplus assets to cover my ALM mismatch.

The remaining financial liabilities, most notably the intercompany loan, are backed by a mixture of cash, bonds and equity.

Liquidity Coverage Ratio

The LCR aims to ensure that banks maintain adequate levels of unencumbered high quality assets (numerator) against net cash outflows (denominator) over a 30-day significant stress period.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Deviation from the Banking Regulations

Given the unique business model of the Land Bank, including the inability to take deposits and the requirement to have cash available, the Bank deviates from the Banking Regulations in the following areas:

- The Land Bank's previous liquidity ratio required the Bank to invest surplus cash with counterparties with rating A and above. Due to operational requirements, investing surplus funds in government bonds will cause excessive trading in bonds which increase the market risk and potential capital losses on cash. The Bank shall therefore deviate from the Banks Act in terms of classifying cash deposits and available facilities as High Quality Liquid Assets.

- Acknowledge a deviation from the regulation in terms of assumptions made regarding rollover rates with investors to assess the likelihood of rollover. The Bank will always apply the minimum rollover rate (between historic rollovers and investor discussions) to the calculations of the LCR.

These deviations from the Banking Regulations have been included in the funding agreements as financial loan covenants.

Net Stable Funding Ratio

The NSFR aims to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one year horizon. It aims therefore to limit over-reliance on short term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on and off balance sheet items.

Cash at bank

The pool of liquid assets (in cash) is invested with reputable financial institutions as informed by the treasury policy.

Trade and other receivables

Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflect the amounts received. The housing loans have been discounted to the present value using the prime interest rate.

Repurchase agreements, derivative assets, strategic trading assets and investments

The amounts are receivable from reputable institutions and funds invested are managed by reputable asset managers.
Past trends indicate that payment has been received timeously and that the fair values post year-end fairly reflect the amounts received.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Maturity analysis is presented on undiscounted cash flows as per IFRS 7.42E.

Group – 2021	Notes	Less than 1 year	1 – 5 years	> 5 years	Total
Financial Assets					
Cash and cash equivalents	4	5 589 888	–	–	5 589 888
Trade and other receivables	5	1 049 001	–	424	1 049 425
Short-term insurance assets	6	159 015	–	–	159 015
Repurchase agreements	7	–	–	–	–
Investments	8	2 135 088	183 571	–	2 318 659
Strategic trading assets	9	–	–	–	–
Derivatives assets	10	11 340	–	–	11 340
Loans and advances	11	18 141 475	10 835 084	13 218 694	42 195 252
Long-term insurance assets	19	3 309	1 678		4 987
Total assets		27 089 116	11 020 333	13 219 118	51 328 566
Financial Liabilities					
Trade and other payables	18	770 814	158	–	770 972
Short-term insurance liabilities	6	220 059	2	–	220 061
Long-term policyholders' liabilities	19	51 981	14 608	–	66 589
Funding liabilities	20	20 738 143	17 416 417	2 800 833	40 955 393
Lease liabilities	15	20 056	7 064	–	27 120
Total Financial Liabilities		21 801 053	17 438 249	2 800 833	42 040 135

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Maturity analysis is presented on undiscounted cash flows as per IFRS 7.42E.

Group – 2020	Notes	Less than 1 year	1 – 5 years	> 5 years	Total
Financial Assets					
Cash and cash equivalents	4	722 711	–	–	722 711
Trade and other receivables	5	1 237 106	37	509	1 237 652
Short-term insurance assets	6	169 906	–	–	169 906
Repurchase agreements	7	19 495	–	–	19 495
Investments	8	2 143 243	4 877	103	2 148 223
Strategic trading assets	9	5 153	–	–	5 153
Derivatives assets	10	79 064	–	–	79 064
Loans and advances	11	19 890 499	10 548 321	12 899 791	43 338 611
Long-term insurance assets	19	10 108	1 678	–	11 786
Total assets		**24 277 285**	**10 554 913**	**12 900 403**	**47 732 601**
Financial Liabilities					
Trade and other payables	18	1 411 875	158	–	1 412 033
Short-term insurance liabilities	6	237 227	–	–	237 227
Long-term policyholders' liabilities	19	29 733	14 608	–	44 341
Funding liabilities	20	22 880 476	24 760 037	4 801 951	52 442 464
Lease liabilities	15	28 755	27 120	–	55 875
Total Financial Liabilities		**24 588 066**	**24 801 923**	**4 801 951**	**54 191 940**

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Interest rate risk

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the Bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2021 was 89.62% floating (FY2020: 89.62 floating).

Interest rate risk monitoring

The Asset and Liability Management Committee (ALCO) consists of the Bank's executive management and it monitors among other things, the implementation of the Bank's interest rate risk policy. ALCO considers and formulates interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the Risk Management department where the interest rate risk mismatch limit (fixed vs floating) is set.

Fixed/floating rate funding

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2021 was 88.8% floating (FY2020: 91.7% floating).

Interest rate risk policy

The Bank reviews its interest rate risk policy in line with market practices on an annual basis.

Sensitivity analysis

Annually an interest rate risk sensitive analysis is performed as part of the Risk Management input to the Annual Financial Statements. The purpose of the analysis is to indicate the Land Bank's income sensitivity to interest rate changes.

Calculations were performed to determine the Bank's projected net interest income. An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected view maintains that rates remain unchanged during the forecast period.

The calculation includes assumptions that will have a positive or negative impact on the net interest income for Land Bank during the 2021/22 financial year.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Market risk – Insurance activities

For assets backing policyholders' liabilities, the risk to the company is that the investment returns earned are below the actuary's assumptions. For Shareholder's assets, the risk is that capital is not preserved and that investment returns earned are below expectations. The company manages market risk through the following:

(i) An Investment and Actuarial Committee. The mandate of this Board sub-Committee includes the following:

- Implementation of an investment strategy which sets out the investment objectives of the company, the nature and term of liabilities and the risks to which the assets and liabilities of the company are exposed. Assets backing policyholders' liabilities are limited to interest bearing assets, and are therefore exposed to limited market risks, while shareholders' assets can include equity and are therefore exposed to greater market risks;
- Appointment of investment managers and establishing investment mandates with each investment manager. Investment mandates set out investment guidelines which cover limitations on exposures to volatile assets, the use of derivatives; limits on asset concentration and limits on exposure to particular types of assets such as unlisted equities and property and hedge funds;
- Monitoring of the performance of investment managers against "appropriate benchmarks" as well as compliance with mandates; and
- Ensuring proper governance in the investment process.

(ii) Appointment of an independent investment advisor. The responsibilities of the investment advisor are set out below:

- Monitor implementation of investment strategies; and
- Monthly monitoring of and reporting on investment performance.

The investment advisor provides quarterly feedback on the performance of investment managers to the Investment and Actuarial Committee who in turns provides quarterly feedback to the LBLIC Board.

Interest rate risk

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the Bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2021 was 89.62%floating (FY2020: 89.62% floating).

Interest rate risk monitoring

The Asset and Liability Management Committee (ALCO) consists of the Bank's executive management and it monitors among other things, the implementation of the Bank's interest rate risk policy. ALCO considers and formulates interest rate views as the official forecast of interest rates. Sensitivity analysis is performed by the Risk Management department where the interest rate risk mismatch limit (fixed vs floating) is set.

Fixed/floating rate funding

When interest rates are expected to change, the ratio of the interest rate mismatch between fixed and floating interest rates applicable to assets and liabilities can be adjusted in such a manner that the Bank benefits from the expected interest rate view. The current interest rate risk mismatch limit is a maximum of 25%, i.e. that the Bank cannot hold more than 25% fixed rate funding as part of its funding mix. The funding split percentage as at 31 March 2021 was 89.62% floating (FY2020: 89.62% floating).

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Interest rate risk policy

The Bank reviews its interest rate risk policy in line with market practices on an annual basis.

Sensitivity analysis

Sensitivity analysis has been determined based on the exposure to interest rates for derivatives and other financial liabilities and assets at the Statements of Financial Position date. A 100 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of a reasonably possible change in interest rates on the Group's net interest income.

The effect of a reasonable possible change in interest rates, as explained above, and all other variables held constant, the Bank's profit would be as follows using data as at 31 March 2021:

	31 March 2021		31 March 2020	
Bank	Net interest income R'000	Effect on equity R'000	Net interest income R'000	Effect on equity R'000
Incremental change in yield				
Expected NII	509 005		723 600	–
Potential movement: 100 Basis point up	580 806	71 801	782 810	59 206
Potential movement: 100 Basis point down	437 204	(71 801)	664 400	(59 206)

An interest rate sensitivity analysis was performed by applying a parallel shift of 100 basis points up and down on interest rates to anticipate the projected impact on the Bank's profitability. The expected view is based on the inclusion of the latest 200bps cut in the repo rate and the assumption that there will not be changes in the repo rate for the remainder of the financial year.

It is noteworthy that the Land Bank's sensitivity to interest rates has decreased over the past year from R170m to R59m, this can be ascribed to the fact that the Bank has already accounted for 200bps repo rate reduction announced during first quarter of 2021, in its forecast.

The Land Bank implemented an interest rate swaps programme in the 2017/18 financial year with the implementation of the programme being conducted on an increasing scale over a time period of five years, as per the Bank's Interest Rate Risk Management Policy. The interest rate risk swaps programme involves hedging the basis risk that emanates from the mismatch between the Bank's JIBAR-linked funding liabilities and its prime-linked assets. The underlying nominal values of the Bank's swaps remain too small to markedly influence the Bank's interest rate risk sensitivity. As the underlying nominal amounts of the interest rate risk swaps are increased over the next five years as per the Bank's Interest Rate Risk Management Policy, the effect of the hedging on the Bank's interest rate risk sensitivity is expected to become more pronounced.

Details of the Bank's hedging programme can be found in note 10.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Interest rate risk – Insurance activities

The Company is subject to interest rate risk resulting in the fluctuation of the fair value of future cash flows of interest bearing assets because of the change in interest rates. Interest rate risk arises primarily from investments in long-term fixed income securities, although the short-term money market instruments are also effected, albeit to a lesser extent. The company's investments are mainly in short dated NCD's and bonds, with a few longer dated corporate bonds. Most of the bonds have floating interest rates, with some carrying fixed interest rates. Exposure to interest rate risk is monitored through various methods including scenario and stress testing which calculates the market exposure based on interest rate movements.

Sensitivity analysis on interest bearing assets

The market exposure that was calculated at 31 March was as follows:

	Impact on the Statement of Profit or Loss and Other Comprehensive Income	
LBLIC	31 March 2021 R'000	31 March 2020 R'000
Incremental change in yield		
250 Basis Points increase	**(661 712)**	3 845
150 Basis Points increase	**(397 027)**	1 923
250 Basis Points decrease	**661 712**	(1 923)
150 Basis Points decrease	**397 027**	(3 845)
LBIC		
Incremental change in yield		
250 Basis Points increase	**439**	43
150 Basis Points increase	**263**	22
250 Basis Points decrease	**(439)**	(22)
150 Basis Points decrease	**(263)**	(43)

A portion of the assets backing policyholders' liabilities are held in bonds and the balance is held in cash and cash equivalents. The sensitivity analysis of the change in investment returns on the value of the policyholders' liabilities is reflected under the Insurance Risks sensitivity analysis for long-term business.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Currency risk

The Group is exposed to the risk of fluctuations in foreign currencies, as a result of future transactions and investments in foreign companies. The Group makes use of forward exchange contracts to manage this risk.

LBLIC is exposed to currency risk resulting in the fluctuation in the value of foreign financial instruments because of the change in foreign exchange rates. The company's exposure to currency risk is in respect of foreign investments made in alignment with the investment strategy, approved by the Board, for seeking desirable international diversification of investments. The fund managers make use of currency derivatives to limit the currency exposure of instruments in the pooled funds to United Stated Dollars. The following rand value of assets denominated in foreign currencies are included in the Statements of Financial Position:

Group	United States Dollar US$'000	South African Rand R'000
31 March 2021		
Equities – unit trusts (USD base currency)	7 972	116 214
Balanced funds	159	21 871
Commodities – metals	286	4 733
Cash on deposit at call	(413)	(7 304)
Foreign currency exposure	8 004	135 514
Exchange rates (ZAR:USD):		
Closing rate – 31 March 2021	14.90	0.06
Average rate	16.57	0.07

Group	United States Dollar US$'000	South African Rand R'000
31 March 2020		
Equities – USD base currency unit trusts	7 863	116 214
Balanced funds	1 480	21 871
Commodities – metals	320	4 733
Cash, deposits and similar securities	(494)	(7 304)
Foreign currency exposure	9 169	135 514
Closing rate – 31 March 2020	17.56	0.06
Average rate	14.78	0.07

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Sensitivity analysis – currency risk

The foreign currency exposure that was calculated at 31 March was as follows:

	Impact on the statement of profit or loss and other comprehensive income	
LBLIC	31 March 2021 R'000	31 March 2020 R'000
Incremental change in yield*		
USD		
10% decrease	**(614 371)**	9 614
5% decrease	**(368 622)**	5 768
10% increase	**614 371**	(9 614)
5% increase	**368 622**	(5 768)

Sensitivity analysis

The sensitivity analysis on Expected credit loss has been determined based on the exposure to the percentage of the balance outstanding which the Land Bank expects not to recover when a loan defaults on its payment (loss given default – LGD) at the Statements of Financial Position date. A 5% increase or decrease in the LGD is used when reporting impairment risk and represents management's assessment of a reasonably possible change in impairment expenses on the Group's loans and advances.

Analysis	ECL R'000	Loans and advances R'000
31 March 2021		
As at 31 March 2020 : Base	**6 043 304**	**30 887 859**
Scaled ECL (-5%)	4 809 537	32 121 627
Scaled ECL (+5%)	5 793 387	31 137 777
Analysis		
31 March 2021		
Scaled ECL (0%)	5 704 095	39 470 496
Scaled ECL (-5%)	5 043 409	40 131 182
Scaled ECL (+5%)	6 425 658	38 748 933

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Insurance risk

Insurance risk – long-term

LBLIC provides mortgage and credit life insurance for persons who take out loans with the Land Bank. Until 2008, LBLIC only had one product in issue which was a non-profit decreasing term assurance that paid the outstanding amount of a Land Bank mortgage loan at death. Since then, LBLIC in conjunction with its actuaries, has developed and issued a number of new generation mortgage and credit life products.

Mortality risk

Mortality risk is the risk to the Group that mortality experience in future is worse than provided for in premium.
rates. Higher than expected mortality will give rise to losses and will necessitate an increase in valuation assumptions.
This risk is mitigated by the following factors:

- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Adequate pricing and reserving;
- Specific testing for HIV/ AIDS is carried out in cases where applications for risk cover exceed a set limit; and
- Annual reviews of mortality and morbidity experience are conducted by the statutory actuary to ensure that corrective action is taken where necessary.

Persistency risk

Persistency risk (lapse risk) relates to policies being terminated before their final due dates as a result of an increased number of mortgage loans that are paid up before their final settlement dates and an increasing number of farmers transferring loans to trusts, close corporations and companies which result in the cancellation of policies.

The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses.

Expense risk

Before expenses are incurred, they are checked for budget availability. For the exceptional expenses, the company has a certain approval process. This is monitored in monthly reporting by comparing actual and budgeted expenses.

Reinsurance risk

LBLIC has reinsurance cover to reduce risks proportionally, as well as to limit exposure per risk in order to limit the impact per life on the current year's earnings.

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and
- Furthermore, additional layers of cover that limits the Life insurance company's retention are in place to manage catastrophe risk.

The Board approves the reinsurance renewal process on an annual basis. The reinsurance programme is in place with a local reinsurer which has a credit rating of AA-.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. Furthermore, an actuarial valuation by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2021, LBLIC believes that its IBNR liability for claims is adequate. There were no outstanding claims.

Sensitivity analysis

The objective of the sensitivity analysis is to demonstrate the effect on the policyholders' liability for changes in key assumptions underlying the valuation of liabilities.

The sensitivity analysis illustrates the effect of a change in a particular assumption on the value of the policyholders' liability as at 31 March 2021, but this cannot generally be used to determine how future earnings or profitability will be affected. The percentage change in the assumptions chosen for the sensitivity analysis is to illustrate the change in value given the change in assumption and does not represent the possible range of worst or best case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for any possible management action in response to a particular change. Lapse experience is not included in the analysis as lapses have not been modelled explicitly (the actuarial reserve for any policy that had a negative reserve was increased to zero, and there are no surrender values under any policies. Lapses and other terminations will therefore result in an actuarial surplus at each future valuation).

The percentage change in the assumptions chosen for the sensitivity analysis is to illustrate the change in value given the change in assumption and does not represent the possible range of worst or best case experience expected.

For a given change in one assumption, all other assumptions are left unchanged. No allowance has been made for any possible management action in response to a particular change. Lapse experience is not included in the analysis as lapses have not been modelled explicitly (the actuarial reserve for any policy that had a negative reserve was increased to zero, and there are no surrender values under any policies. Lapses and other terminations will therefore result in an actuarial surplus at each future valuation).

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

2021			Value R'000	R'000	Change %
Policyholders' liability – Individual Life					
Base value			63 452		
Investment return		-1%	55 807	(7 645)	1.90%
Mortality		+10%	73 524	10 072	1.80%
Expenses		+1%	69 797	6 345	1.80%
		+10%	57 107	(6 345)	10.20%

2021			Value I R'000	R'000	Change %
Policyholders' liability – Group Life					
Base value			1 652		
Investment return	+1%	from 7.3% to 8.3%	1 453	(199)	(12.00%)
	-1%	from 7.3% to 6.3%	1 426	(226)	(14.00%)
Mortality	+10%	1.1 x mortality	1 817	165	10.00%
	-10%	0.9 x mortality	1 487	(165)	(10.00%)

2020			Value R'000	R'000	Change %
Policyholders' liability – Individual Life					
Base value			30 874		
Investment return	-1%		31 453	579	1.90%
Mortality	+10%		31 442	568	1.80%
Expenses	+1%		31 432	558	1.80%
	+10%		34 023	3 149	10.20%

2020			Value R'000	R'000	Change %
Policyholders' liability – Group Life					
Base value			835		
Investment return	+1%	from 7.3% to 8.3%	734	(101)	(14.00%)
	-1%	from 7.3% to 6.3%	721	(114)	(12.00%)
Mortality	+10%	1.1 x mortality	919	84	10.00%
	-10%	0.9 x mortality	752	(84)	(10.00%)

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Insurance risk – short-term

LBIC provides indemnity for crops, motor vehicles and property, as well as liability cover. LBIC manages insurance risks through its underwriting strategy and reinsurance arrangements.

LBIC provides indemnity for crops while still on the field, against hail, drought, fire and excessive rain fall. Cover ceases as soon as harvesting has taken place, or when certain date limits have been reached. Motor cover insures risks associated with the possession and use of vehicles. Property cover insures risks associated with the ownership of moveable and immovable assets, other than those covered specifically in another class.

Engineering cover insures risks associated with the possession and use of machinery or equipment in the form of irrigation systems on farms. Liability cover insures risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection;
- Inadequate reserving; and
- Fraudulent claim.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. The principal risks the insurance companies face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, provide to be insufficient. Premium provision tables based on historical claims data are reviewed annually by external actuarial consultants. External assessors assist with quantifying the value of claims reported.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of economic and geographical circumstances as well as climate change, may result in unexpected large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established.

(i) Pricing risk

Both LBLIC and LBIC bases their pricing policy on the theory of probability, with consideration to historical claims data. Acquisition and administration costs, as well as reinsurance costs are included in the pricing considerations as well as a profit loading for the cost of capital.

Underwriting limits are set for the underwriting manager and brokers. Underwriting performance is monitored continuously and the pricing is adjusted accordingly. Risk factors considered as part of the review include factors such as the type of asset covered and the related commodity price, past loss experiences and risk measures taken by the insured.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

The net claims ratio for LBIC, which are important in monitoring insurance risk are summarised below:

Loss history

	2021	2020
LBIC: Net insurance benefits and claims on short-term business expressed as a% of net earned premiums	**48%**	93%

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location, catastrophic events and agricultural sectors covered. A stop loss reinsurance treaty mitigates the risk arising from this by capping the crop loss ratio to 105% for the season.

Sensitivity analysis
The objective of the sensitivity analysis is to demonstrate the effect on the underwriting result the change is in key assumptions.

The sensitivity analysis illustrates the effect or change in a particular assumption on the underwriting result, but cannot be used to determine how future earnings or profits will be effected. The percentage change in an assumption for the sensitivity analysis is to illustrate the change in value given the change in assumption, but does not represent the possible range of best or worse case experience expected.

For a given change in once assumption, all other assumptions are left unchanged. No allowance has been made for possible management action in response to a particular change.

2021
Underwriting result

	Loss Ratio	Value R'000	%
Reported results		26 343	
Gross Premium	10%	26 406	8.00%
	(10%)	22 465	(8.00%)
Gross Claims	5%	20 847	(15.00%)
	(5%)	28 023	15.00%
Expenses	15%	20 983	(14.00%)
	(15%)	27 888	14.00%

37. Financial instruments and risk management group (continued)

2020

Underwriting result

	Loss Ratio	Value R'000	Change R'000	%
Reported results		(49 294)		
Gross Premium	10%	(47 445)	1 849	(4.00%)
	(10%)	(51 143)	(1 849)	4.00%
Gross Claims	5%	(55 827)	(6 532)	13.00%
	(5%)	(42 762)	6 532	(13.00%)
Expenses	15%	(52 243)	(2 948)	6.00%
	(15%)	(46 346)	2 948	(6.00%)

(i) Claims risk

The risk that the Group may pay out fraudulent claims is mitigated by trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks.

It is also the risk that a change in value caused by the ultimate costs for full contractual obligations which varies from those assumed when these obligations were estimated. Estimated claims are monitored periodically and updated based on the latest information if needed. The Group utilises independent assessors who appraise and confirm claims as well as quantification by the underwriting manager channel. Furthermore, an actuarial valuation is done by an independent actuary annually.

Reserves are maintained at levels that are aligned to statutory requirements. As at 31 March 2021, both LBLIC and LBIC believe that their liabilities for claims are adequate.

(ii) Reinsurance

LBLIC and LBIC have third party reinsurance cover to reduce risks from single events or accumulations of risks that could have a significant impact on the current year's earnings and capital.
This cover is placed on the international reinsurance market. The core components of the reinsurance programme comprise:

Long-term insurance contracts

Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and

- Furthermore, additional layers of cover that limits the Life insurance company's retention are in place to manage catastrophe risk.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Short-term insurance contracts

- Reinsurance is the preferred risk transfer mechanism that is placed on a proportional reinsurance basis through a Quota Share. The structure is such that a significant portion of the risk is ceded to reinsurers relative to what is retained; and;
- Furthermore, additional layers of non-proportional structures, in the form of a stop-loss are in place to limit retention exposures as well as manage catastrophe risk.

The LBLIC and LBIC Boards approve the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is in place with foreign reinsurers which have a credit rating of no less than A+ for Life Insurance and AA- for short-term insurance.

LBLIC Concentration risk

Investment portfolio concentration risk

The allocation of investment portfolio as at 31 March was as follows:

Asset classes	2021 R'000	%	2020 R'000	%
Equities – local	433 293	39%	299 310	27%
Resources	109 145	25%	141 126	47%
Financials	134 406	31%	97 616	33%
Industrials	189 742	44%	60 568	20%
Commodities – local	23 722	2%	2 321	0%
Bonds – local	313 885	28%	429 953	38%
Fixed interest	243 398	78%	279 806	65%
Floating rate	30 988	10%	148 181	34%
Inflation linked	39 499	13%	1 966	0%
Cash, deposits and similar securities – local	207 904	19%	256 514	23%
Investment policy – property (local)	9	0%	4 101	0%
Foreign assets	127 891	12%	130 781	12%
Total LBLIC	1 106 704	100%	1 118 338	100%

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

LBIC

Investment portfolio concentration risk

The allocation of investment portfolio as at 31 March was as follows:

	2021 R'000	%	2020 R'000	%
Bonds – local	183 571	43%	4 980	8%
Fixed interest	141 645	77%	2 538	51%
Floating rate	26 660	15%	2 339	47%
Inflation linked	15 266	8%	103	2%
Cash, deposits and similar securities – local	247 112	57%	56 389	92%
NCD's	203 724	82%	56 384	100%
Other	43 388	18%	6	0%
Total LBIC	430 683	100%	61 369	100%

The investment manager performance, portfolio and manager allocations are monitored and reported to the company management and Investment and Actuarial Committee on a regular basis by the company's investment consultants. Upper and lower bounds are assigned to each asset class and are reviewed annually, with the investment policy. The upper and lower bounds in effect as at 31 March 2021 are stated below. All classes were within bounds as at 31 March 2021.

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37. Financial instruments and risk management group (continued)

LBIC

Asset classes	2021 Lower bound	2021 Upper bound
Equities – local	0%	35%
Bonds – local	30%	20%
Bonds – inflation linked	0%	20%
Cash, deposits and similar securities – local	40%	95%
Foreign assets	0%	10%

LBLIC

Asset classes	2021 Lower bound	2021 Upper bound
Equities – local	30%	50%
Bonds – local	15%	35%
Cash, deposits and similar securities – local	10%	30%
Foreign assets	5%	25%

Insurance concentration risk

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's resources. The company operates in the long-term insurance business.

Long-term insurance concentration risk

The long-term insurance portfolio is based on credit life insurance. Although the company does not consider any aggregate concentration for catastrophic risks, the company does, however, consider the age bands of the client base for reinsurance rating purposes.

Long-term insurance gross written premium by class of business

Portfolio	2021 R'000	2020 R'000
Credit life insurance – Group	2 703	3 007
Credit life insurance – Individual	2 243	2 396
	4 946	5 403

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Long-term insurance gross written premium by age bands

Portfolio	2021 Number	2021 Value R'000	2021 Average R'000	2020 Number	2020 Value R'000	2020 Average R'000
20 – 29	22	5 429	523	14	4 594	523
30 – 39	109	66 783	2 074	–	–	–
40 – 49	–	900	–	–	–	–
50 – 59	–	1 020	–	–	–	–
60 – 69	532	–	–	–	–	–
70+	149	300	–	–	–	–
	812	74 432	92	14	4 594	328

Short-term insurance concentration risk – LBIC

Within the insurance business, concentrations of risk may arise where a particular event or series of events could impact heavily upon the short-term company's resources. The company operates on both crop and agri-asset insurance business.

Gross written premium by business

Portfolio	2021 R'000	2020 R'000
Short-term insurance (crop)	599 994	563 209
Short-term insurance (assets)	233	80
	600 227	563 289

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

Short-term crop insurance gross written premium by class of business

Portfolio	2021 Gross Written Premium R'000	2021 Net Written Premium R'000	2020 Gross Written Premium R'000	2020 Net Written Premium R'000
Winter hail	41 703	23 472	32 410	18 241
Multi-peril winter	–	–	1 787	342
Fruits & Nuts	63 466	11 106	52 380	9 167
Hail summer	488 286	115 358	466 933	110 313
Multi-peril summer	6 539	1 545	9 699	2 291
Total	599 994	151 481	563 209	140 354

Short-term asset insurance gross written premium by class of business

Portfolio	2021 R'000	2020 R'000
Motor	67	24
Non-motor	166	56
	233	80
Short-term crop insurance gross written premium by geographical segment		
Northern Cape	39 941	34 542
KwaZulu-Natal	87 078	89 120
Eastern Cape	23 413	34 864
Mpumalanga	153 277	124 478
Limpopo	28 601	28 727
Free State	217 398	210 436
North West	29 896	25 883
Western Cape	8 649	5 534
Gauteng	11 740	9 625
	599 993	563 209

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37. Financial instruments and risk management group (continued)

Equity price risk

The equity risk exposures arise from the medical aid fund assets and the LBLIC investment portfolio. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

The effect on equity (as a result of a change in the fair value of equity instruments held-for-trading in the category financial assets through profit or loss at 31 March) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Group		Bank	
	Change in equity price %	Effect on equity R'000	Change in equity price %	Effect on equity R'000
2021				
2020				
Individual stocks and indices	10	90 977	10	28 720

The effect on equity has been calculated using the equity balances at year end.

Price risk – LBLIC

LBLIC is subject to market price risk resulting from daily changes in the fair value of market prices of the instruments within its investment portfolios. The company's objective is to earn competitive returns for the shareholder by investing in a diverse portfolio of high quality, liquid securities. The company holds a variety of equity derivatives for transaction management and hedging purposes. The company does not invest policyholders' funds in equity.

Sensitivity analysis on equity instruments

Impact on the Statement of Profit or Loss and Other Comprehensive Income

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37. Financial instruments and risk management Group (continued)

	Impact on the Statement of Profit or Loss and Other Comprehensive Income	
Portfolio	31 March 2021 R'000	31 March 2020 R'000
Incremental change in price		
Excluding the impact of derivatives		
10% decrease	**(43 329)**	(29 931)
5% decrease	**(21 665)**	(14 966)
5% increase	**21 665**	14 966
10% increase	**43 329**	29 931
Including the impact of derivatives		
10% decrease	**(45 701)**	(29 699)
5% decrease	**(22 851)**	(14 850)
5% increase	**22 851**	14 850
10% increase	**45 701**	29 699

Investment strategy

LBIC

The Investment Policy was updated and approved by the Board in July 2020. The Company has taken a risk-based approach to setting investment strategy. The Company investable assets will be notionally tiered into three buckets representing different levels of market risk. The notional allocation to these buckets will be reviewed at least annually. Each bucket will make use of a strategic asset allocation appropriate for the risk profile it represents.

Bucket	Matching assets	Definition
1. Short	Cash & Bonds	Current liabilities minus cash needed For operations as defined in the Cash Management Policy Statement.
2. Medium	Cash & Bonds	Additional capital needed to augment The short-term bucket should the business meets short-term objectives.
3. Long	Exposure to growth assets such as equities targeting a long-term real return unless there are liabilities requiring a specific matching assets.	Balance of assets to be invested long-term as the business was not likely to draw on these assets.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

The following notional asset allocations have been chosen to represent each bucket. The bulk of investments are held for 6 to 9 months, with a maximum of 12 months.

	Local Equity	Local Nominal Bonds	Local Inflation Linked Bonds	Local Cash	Foreign	Expected long-term real return
Short-term	20%	35%	0%	0%	0%	5%

To measure the overall investment objective for all investable assets, the buckets will be consolidated into a single strategic asset allocation strategy. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range will be set for each asset class to allow some deviation from the strategic asset allocation. This will also allow managers to add value by making asset allocation decisions. Asset managers will be allowed to deviate outside the tactical limits. In such an event the reasons for this will be communicated to the Investment Consultant and Investment Committee.

The table below this shows the Company's strategic and tactical asset allocation limits for the short-term insurance business:

	Long-term Target	Lower Bound	Upper Bound	Benchmark Index
Local equity	0%	0%	35%	1% JSE Capped SWIX
Local Nominal Bonds	40%	0%	20%	50% All Bond Index (ALBI)
Local Inflation Linked Bonds	0%	0%	20%	10% inflation linked bond index (ILBI)
				80% STeFI Composite 60% MSCI World
Local cash	60%	25%	95%	+ 40%
Foreign Multi-Assert Class	0%	0%	10%	5% CitiGroup Gov Bonds

Investment performance

The investment was made during the 2018 FYE in the Future growth portfolio and generated an annual equivalent of 8.35% as a return. In the March 2021-year end, the investment reflected 5,3% return with a net investment of R352 million being made throughout the financial year. This performance was above the target of 110% of STeFI call index which was 5.0%.

LBLIC

The Investment Policy was updated and approved by the Board in July 2020. In deriving the investment objective, the Company notionally allocated its assets into three buckets representing different levels of risk (Short-term, medium-term and long-term) as follows:

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37. Financial instruments and risk management group (continued)

Bucket	Matching assets	Definition
Short	Cash & Bonds	Policyholder & Current Liabilities plus SCR minus cash needed for Operations as defined in the Cash Management Policy Statement.
Medium	Cash & Bonds	Additional capital needed to augment the short-term bucket should the business meets its short-term objectives.
Long	Exposure to growth assets such as equities targeting a long-term real return unless there are liabilities requiring a specific matching assets.	Balance of assets to be invested long-term as the business was not likely to draw on these assets.

The above allocations were consolidated to produce a target real return for the Company assets.

The Company will firstly aim to match its assets and liabilities and with the excess assets target an appropriate real return. With this in mind, the Company has selected the following investment objective:

A real return, after investment fees and gross of tax of 4.0% per annum measured over rolling 3 year periods. For the purpose of calculating the real return in the primary objective, inflation will be taken as the published Consumer Price Inflation (CPI) rate.

Investment strategy

The Company has taken a risk-based approach to setting investment strategy. The Company investable assets will be notionally tiered into three buckets representing different levels of market risk. The notional allocation to these buckets will be reviewed at least annually. Each bucket will make use of a strategic asset allocation appropriate for the risk profile it represents.

	Local equity	Local bonds	Local cash	Foreign	Expected long- term-real return
Short-term	0%	1%	0%	0%	0%
Medium-term	0%	0%	0%	0%	0%
Long-term	45%	25%	20%	15%	0%

To measure the overall investment objective for all investable assets, the buckets will be consolidated into a single strategic asset allocation strategy. To manage the risk of deviation from the benchmark asset allocation, a tactical asset allocation range will be set for each asset class to allow some deviation from the strategic asset allocation. This will also allow managers to add value by making asset allocation decisions. Asset managers will be allowed to deviate outside the tactical limits. In such an event, the reasons for this will be communicated to the Investment Consultant and Investment Committee.

Notes to the Financial Statements

37. Financial instruments and risk management group (continued)

The table below shows the Company's strategic and tactical asset allocation limits for the long-term insurance business.

	Long-term Target	Lower Bound	Upper Bound	Benchmark Index
Local equity	40%	30%	50%	JSE Capped SWIX
Local bonds	25%	15%	35%	All Bond Index (ALBI)
Local cash	20%	10%	30%	STeFI Composite
Foreign multi-asset class	15%	5%	25%	60% MSCI World + 40% CitiGroup Gov Bonds

Capital management

The primary source of capital used by the Group is shareholder's equity funds. The amount of capital required is directly linked to risks arising from insurance business underwritten, as well as the Group's credit and operational risk. Accordingly risk management is an important component of effective capital management.

Capital management objectives and approach

The Group has established the following capital management objectives and approach to managing the risks that affect its capital position:

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its Shareholder;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders and stakeholder;
- To maintain healthy capital ratios in order to support its business objectives; and
- To support the credit rating of the Bank.
- To maintain healthy capital adequacy ratios in order to support its business objectives.
- To comply with the requirements set by the regulator of the insurance markets where the company operates.

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover statutory requirements.

The following main strategies were applied to achieve capital management objectives:

- Effective management of credit risk;
- Effective management of underwriting risk,
- Effective management of operational risk – a sound internal control framework reduces operational risk, which in turn has a positive effect in the calculation of required capital; and
- Routine forecasts of capital requirements, assessment against both available capital as well as the expected internal rate of return – including risk and sensitivity analyses.

The purpose of the Group's capital management is to ensure an efficient use of capital in relation to risk appetite and business development. The Group does not have to comply with any regulatory capital requirements.

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37. Financial instruments and risk management group (continued)

Capital Adequacy Requirements (CAR) – the Land Bank

The Bank has adopted a Basel-like Total Capital Adequacy Ratio (TCAR) with Board approved deviations from the Regulations to determine the amount of capital needed to ensure solvency and liquidity. The TCAR calculation is underpinned by the Standardised Approach principles. The Bank targets a minimum total capital adequacy ratio of 15%. The Basel Accord requires that banks meet three minimum capital adequacy ratios, in order to ensure that banks have an acceptable mix between high quality, expensive capital and lower quality, less expensive capital, these are:

- Common Equity Tier 1 (CET1) minimum = CET1 / total Risk Weighted Assets (RWA);
- Tier 1 minimum = (CET1 + Additional Tier 1 (AT1)) / total RWA; and
- Total minimum = (CET1 + AT1 + Tier 2) / total RWA.

The only deviation from the Banking Regulations with regards to total CAR is:

- Land Bank only has Government as shareholder and is not allowed to issue shares in the market to raise capital. Therefore should the government guarantee be excluded from capital the only other resource of capital would be retained earnings. The Land Bank's funding covenants all include the unutilised portion of government guarantees (those of capital/ sustainability nature) as a source of capital supply.

Risk-weightings are risk sensitive, in other words, riskier assets receive higher weightings and the Basel Capital Accord allows for basic and advanced approaches to determine RWA dependent on the sophistication of a bank.

The Land Bank (Bank) capital adequacy was estimated based on the following approaches:

- Credit risk: The Standardised Approach;
- Operational risk: The Basic Indicator Approach;
- Equity risk in the banking book: The Simple Risk-weight Approach;
- Market risk: Standardised approach; and
- Credit and operational risk have been identified as the major risk types affecting the Land Bank.

It is the intention of the Land Bank to move towards more sophisticated approaches, such as the Foundation Internal Ratings Based (F-IRB) approach for credit risk measurement. In this regard has the Bank already commenced with the development of Internal Ratings Based models.

The Land Bank is a state owned entity (SOE) and therefore does not have the ability to issue share capital. For this reason the bank includes Government Guarantees which are not ring-fenced for funding purposes as Tier 1 Capital.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

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37. Financial instruments and risk management group (continued)

	Company	
	2021 R'000	2020 R'000
Capital adequacy		
Total capital adequacy		
Capital supply	9.7%	4.2%
Ordinary shareholders' equity	7 397 655	4 397 655
Retained earnings	(5 245 288)	(4 289 211)
Accumulated other comprehensive income	(548 992)	(585 339)
Property revaluation reserve	133 080	138 472
Other reserves	(682 072)	(723 811)
Common Equity Tier 1 (CET1) Capital: Instruments and reserves	1 603 375	(476 895)
Common Equity Tier 1 Capital: Regulatory adjustments	(492 705)	(458 044)
Threshold deductions (investments in subsidiaries)	(489 939)	(450 000)
Intangible assets	(2 766)	(8 044)
Total available Common Equity Tier 1 capital	1 110 670	(934 938)
Total available Tier 2 capital	478 297	546 434
General allowance for credit impairment	478 297	546 434
Total available capital	1 588 967	(388 504)
National Treasury guarantee*	2 410 000	2 410 000
Capital demand		
Risk weighted assets		
Credit risk	38 189 835	43 415 260
Counterparty risk	73 913	299 457
Operational risk	1 491 232	2 155 063
Equity risk	708 756	912 729
Market risk	56 789	48 642
Other assets risk	179 280	743 176
Threshold items	400 152	–
Total	41 099 957	47 574 326

Notes to the Financial Statements

38. Fair value hierarchy of financial instruments

Determination of fair value and fair value hierarchy

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities;

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data. During the year, the Group had no significant transfers between instruments in Level 1, Level 2 or Level 3

	Group		Company	
Levels of fair value measurements Level 1*	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Financial assets				
Bonds	558 290	475 652	60 834	40 719
Local Equities	597 850	410 673	164 557	111 362
Foreign equities	52 738	37 486	52 738	37 486
Commodities	37 141	3 709	13 419	6 030
Listed Shares	90 816	117 983	90 816	117 983
Total financial assets	**1 336 835**	**1 045 503**	**382 364**	**313 580**
Level 2*				
Financial assets				
Cash and cash equivalents	5 589 889	722 711	5 558 401	585 008
Repurchase Agreements	–	19 495	–	19 495
Strategic trading assets	–	5 153	–	5 153
Derivatives	11 340	79 064	11 340	79 064
Cash deposits and similar securities	466 571	327 641	11 556	14 738
Collective investment schemes	127 891	130 780	–	–
Investment policy	9	4 101	–	–
Total financial assets	**6 195 700**	**1 288 945**	**5 581 297**	**703 458**

Notes to the Financial Statements

38. Fair value hierarchy of financial instruments (continued)

	2021		2020	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Level 3 *				
Recurring fair value measurements				
Assets				
Financial assets				
Loans and advances	30 887 859	39 470 496	30 887 859	39 470 496
Unlisted shares	387 354	640 198	387 354	640 198
Trade and other receivables	1 049 425	1 237 652	206 492	720 780
Insurance assets	164 001	181 692	–	–
Total financial assets	32 488 639	41 530 038	31 481 705	40 831 474
Liabilities				
Financial liabilities				
Trade and other payables	770 814	1 412 033	116 695	833 958
Insurance Liabilities	286 650	281 568	–	–
Funding Liabilities	36 074 791	41 352 534	36 074 791	41 352 534
Lease Liabilities	23 176	50 609	23 071	50 335
Total financial liabilities	37 155 431	41 684 711	36 214 557	42 236 827

* *Please refer to note 37 for carrying values*

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38. Fair value hierarchy of financial instruments (continued)

Reconciliation of assets measured at level 3

Group – 2021	Opening balance R'000	Fair value adjustment for recognised in the statement of profit or loss R'000	Re-measurement recognised in OCI R'000	Purchases R'000	Disposals R'000	Reclassification on (to)/from other category of property R'000	Closing balance R'000
Assets							
Investment property							
Investment property	15 000	(8 073)	–	–	–	88 173	95 100
Property, plant and equipment							
Property, plant and equipment	24 400	–	(6 500)	–	–	–	17 900
Non-current assets held-for sale							
Non-current assets held-for sale	105 112	–	–	1 029	(13 910)	(88 173)	4 058
Equity investments at fair value through other comprehensive income							
Unlisted shares	640 198	–	61 064	–	(313 908)	–	387 354
Total	769 710		(6 499)	1 030	(13 909)	(88 173)	662 160

38. Fair value hierarchy of financial instruments (continued)

Group – 2020	Opening balance R'000	Fair value adjustment for recognised in the statement of profit or loss R'000	Re-measurement recognised in OCI R'000	Purchases R'000	Disposals R'000	Reclassification on (to)/from other category of property R'000	Closing balance R'000
Assets							
Investment property							
Investment property	15 250	(250)	–	–	–	–	15 000
Property, plant and equipment							
Property, plant and equipment	24 350	–	50	–	–	–	24 400
Non-current assets held-for sale							
Non-current assets held-for sale	163 036	(11 899)	–	–	(46 025)	–	105 112
Equity investments at fair value through other comprehensive income							
Unlisted shares	1 250 203	–	(703 706)	160 000	(66 298)	–	640 199
Total	1 452 839	(12 149)	(703 656)	160 000	(112 323)	–	784 711

Valuation techniques used to derive level 2 fair values

Level 2 investments are valued using a valuation technique based on assumptions that are supported by prices from observable current market transactions:

- Repurchase transactions: Market value of the underlying bonds.
- Cash deposits and similar securities: Value of cash deposited
- Commodities: Foreign component at the market value of the investment determined by the asset manager.
- Collective investment schemes (other than unlisted equities) (CIS) and Investment policies: Consists of unit trust that consist of underlying investments in Level 1 investments. The value of the CIS is the aggregate of the underlying value of each Level 1 instrument at its quoted market price.
- Unlisted equity: Previously listed shares that have been delisted, based on the fair value determined by the respective Asset Managers.
- Money market instruments: The face value of the investment made.

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38. Fair value hierarchy of financial instruments (continued)

Description of significant unobservable inputs to level 3 valuations

Group 2021

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	Audited financial statements were used to derive the NAV. Investment holding company, value derived from the investment activities (BS approach).	NAV valuation: Adjust range between: 5% Up and 5% Down	-5%: R84 550 000 +5%: R93 450 000
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 8.97% and 18.97%	Discount rate: -5%: R134 760 759 +5%:R18 802 680
Riverside Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 14.49% and 15.49%	Discount rate: -0.5%: R107 478 727 +0.5%: R94 476 651
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 7.1% and 17.1%	Discount rate: -5%: R1 514 893 202 +5%: R82 028 697

38. Fair value hierarchy of financial instruments (continued)

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	12.3% – 12.3% 13.7% – 28.2% 12.0% – 12.0%	Capitalisation rate: +1%: R15 855 184 '-1%: R18 773 399
Investment property	Net income capitalisation method	Vacancy rate range: Income/expense ratio range: Capitalisation rates range:	12% – 12.5% 12.3% – 37% 11% – 13.5%	Capitalisation rate: +1%: R89 072 011 '-1%: R104 884 393
Properties in possession	Comparable sales method	Natural grazing land per ha.: Irrigated pasture land per ha.: Farm yard land per ha.: Wasteland per ha.: Crop Land Drylands Industrial land per ha.: Construction price for dwellings per m^2: Construction price for other structures per m^2:	R7 500 – R80 000 R0 – R30 000 R0 – R10 000 R0 R0 – R 0 R0 – R0 R33 R0 – R7 000 R0 R2 500	Market value per ha. of land: + R1000 p/ha.: R113 167 - R1000 p/ha.: R69 396 957

Notes to the Financial Statements

38. Fair value hierarchy of financial instruments (continued)

Description of level 2 valuation techniques
Group 2020

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Capespan Capital (Pty) Ltd	Land Bank sold its investment at Capespan Capital (Pty) Ltd for R14. The investment therefore carried at no value in the Annual Financial Statements.		
Acorn Agri (Pty) Ltd	Audited financial statements were used to derive the NAV. Investment holding company, value derived from the investment activities (BS approach).	NAV valuation: Adjust range between: 5% Up and 5% Down.	-5%: R68 760 136 +5%: R75 733 104
Mouton Holdings (Pty) Ltd	The Land Bank accepted an offer for the purchase of Mouton Holdings (Pty) Ltd shares for R85 million. The investment therefore carried at this value in the Annual Financial Statements.		
Southern Cross Investment Holdings (Pty) Ltd	The Land Bank received and an offer for the purchase of Southern Cross Investment Holdings (Pty) Ltd shares for R75 million. The investment therefore carried at this value in the Annual Financial Statements.		
Cavalier Group of Companies (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 14.8% and 15.8%.	Discount rate: -0.5%: R47 623 184 +0.5%: R40 981 757
Ideafruit (Pty) Ltd	The valuation for Ideafruit (Pty) Ltd could not be completed as at 31 March 2020 due to unavailability of financial projections and latest audited financial statements. Land Bank has therefore taken a decision to use the acquisition price of the investment. This resulted in the carrying value of R83.9 million (FY2019: R92.9million) for the Bank.		
Riverside Holdings (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 18.5% and 19.5%.	Discount rate: -0.5%: R110 495 385 +0.5%: R101 521 870
Afgri Grain Silo Company Pty Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 12.3% and 12.9%.	Discount rate: -0.3%: R115 057 807 +0.3%: R76 826 194

38. Fair value hierarchy of financial instruments (continued)

Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range:	5% – 10%	Capitalisation rate:
		Income/expense ratio range:	26.3% – 29.4%	+1%: R21 887 483
		Capitalisation rates range:	11.5% – 12%	'-1%: R25 995 156
Investment property	Net income capitalisation method	Vacancy rate range:	3.5% – 4%	Capitalisation rate:
		Income/expense ratio range:	20.1% – 30.5%	+1%: R14 532 500
		Capitalisation rates range:	10.5% – 12.5%	'-1%: R17 436 205
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R3 750 – R11 000	Market value per ha. of land:
				+ R1 000 p/ha.: R11 668 640
		Irrigated pasture land per ha.:	R0 – R45 000	- R1 000 p/ha.: R8 514 094
		Farm yard land per ha.:	R0 – R8 000	
		Wasteland per ha.:	R0	
		Crop Land	R0 – R 20 000	
		Drylands	R0 – R 20 000	
		Industrial land per ha.:	R3	
		Construction price for dwellings per $m^{2:}$	R7 000 – R12 000	
		Construction price for other structures per $m^{2:}$	R2 250 – R2 330	

Notes to the Financial Statements

39. Fruitless and wasteful expenditure (F&WE)

The F&WE relates to isolated incidences where penalties and interest were levied on late payments of utility accounts.

	Group		Company	
Reconciliation of amounts transferred to receivables for recovery	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	66 613	–	66 613	–
Expenditure deemed as F&WE relating to prior year[1 2] discovered in the current year	185	50 000	185	50 000
Expenditure deemed as F&WE relating to current year[1 2]	105	16 613	82	16 613
Less: amounts recovered in current year	(35)		(35)	
Closing balance	66 868	66 613	66 845	66 613

The financial year 2021 fruitless and wasteful expenditure mainly relates to the following events:

1) Land Bank Learner who tendered her resignation in December 2019. The Human Capital Business Partner (HCBP) omitted to inform the payroll department and the payments were made to the Learner for the period from January 2020 to August 2020 amounting to R87 thousand (R33 thousand relates to FY2020) in lieu of a monthly stipend. Consequence management has been implemented for the HCBP and the Leaner has been making repayments in lieu of the debt. Matter currently handed over to Legal to ensure full recovery of debt. This was subsequent fully recovered after year end.

2) Land Bank employee who resigned on the 31st August 2019, he owed the Bank amount of R134.8 thousand for his studies in terms of the Land Bank learning and development policy. The Bank could not recover all the monies owed and matter was handed over to Legal. Legal is currently preparing the documents for court.

The financial year 2020 fruitless and wasteful expenditure mainly relates to the following events:

1) An early withdrawal penalty fee charged of R16.5 million on an investment that the Land Bank had made with one of the banks during the year.
2) Jackets for R103 thousand received late from a supplier for an event.
3) The breakage fee of R50 million on unutilised funds that the Land Bank had raised with a related party.

Notes to the Financial Statements

40. Irregular expenditure

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of irregular				
Opening balance*	**766 380**	454 271	**766 380**	454 271
Expenditure deemed as irregular relating to prior year discovered in the current year				
Expenditure deemed as irregular relating to current year	**219 702**	312 109	**219 702**	312 109
	986 082	**766 380**	**986 082**	**766 380**

* *The number was restated by R2 million which was written off in the prior but updated in the current year.*

The irregular expenditure as disclosed is currently going through the governance structures for approval.

Analysis of irregular expenditure
Incident

	2021 R'000
1) Service level agreements were extended without prior approval of National Treasury as required in terms of National Treasury SCM Instruction Note 3 of 2016/17. The transaction, conditions or events have not resulted in the Bank suffering any loss, value for money was derived from the use of the goods procured or services rendered.	**200 908**
2) Extension of contract was treated as a single source deviation in line with 16.A6.4 of the Treasury Regulations and the SCM Guideline for Accounting Professionals, which allows for single source deviations on the basis of continuation of consulting services to be approved internally by the Accounting Authority.	**18 750**
3) Contravention of the SCM policy and the Preferential Procurement Framework Act Regulations of 2017. This is currently under investigation.	**44**

Analysis of irregular expenditure
Incident

	2021 R'000
In 2010 Land Bank embarked on an initiative to grow its loan book by acquiring the assets from existing market players. Service Level Agreements were extended without prior approval of National Treasury as required in terms of National Treasury SCM Instruction Note 3 of 2016/17. The transaction, conditions or events have not resulted in the Bank suffering any loss, value for money was derived from the use of the goods procured or services rendered	310 513
In May 2019, Land Bank procured the services of a temporary employee from an audit firm to fill the vacancy for the Head of Internal Audit. Investigations have revealed that not all procurement processes were correctly followed in the filling of this vacancy.	1 596

Notes to the Financial Statements

41. Events after the reporting period

a) As part of the Land Bank repurposing strategy that forms part of the restructuring process and supported by the Shareholder, the Bank will be split into two distinct divisions, the Development and Transformation (D&T) division AND the Corporate and Commercial (C&C) division. The operating model in intended to ensure the Bank is able to advance its Development mandate, while at the same time it positions itself to be able to repay its commercial funding liabilities. The new operating model will impact the segment reporting of the Bank from the 2022 financial year onwards.

b) Negotiations on the liability solution intended to take Land Bank out of its event of default between Land Bank supported by the Shareholders as well as its advisors and the lenders are continuing.

c) On the 27 May 2021, the Minister of Finance acting in terms of Section 92 of the Public Finance Management Act, 1999 (Act 1 of 19999), as amended, has exempted Land Bank from the provision of Section 52 of the PFMA, which requires that the Land Bank must submit its Corporate Plan for FY2021/22 to the National Treasury until such time that the Land Bank's default position has been cured. The exemption was gazetted on the 02 July 2021.

d) In terms of the Court Order granted against Land Bank by the High Court of South Africa, Gauteng Division, Pretoria on 2 December 2020, the full amount owing to Standard Chartered Bank (SCB) in terms of the Revolving Credit Facility, plus interest, was paid on 1 April 2021 (Capital R352 000 000 plus interest R1 619 855.78).

e) Fruitless and Wasteful expenditure as outlined in note 39 was fully settled post year end. Note – this refers to the learner payments.

f) ETG Group guarantee raised as contingent assets in note 34 was fully settled post year end (R214m).

g) The largest Service Level Agreement with Unigro was terminated effective 1 October 2021 as part of the Board decision to insource Land Bank outsourced loans and advances. Since the termination of the SLA, Unigro has refused to grant access to Land Bank auditors supporting documents for the transactions they undertook on Land Bank's behalf. This refusal lead to the Land Bank receiving a qualified audit opinion. Land Bank, through its lawyers has issued a letter of demand for such information. The process is still in progress.

h) The term of the Board of Directors of Land Bank ended on 30 November 2021. The Minister of Finance has since appointed new Board members effective 8 December 2021.

Notes to the Financial Statements

42. Group remuneration

In accordance with the Land Bank Act, the Minister of Finance determines the remuneration, allowances and associated benefits of all non-executive Board Members and the Chief Executive Officer. The remuneration for Executives and Bank employees is determined through market benchmarking and best practice under the guidance of the Group Human Resources and Remuneration Committee.

Table 1: Remuneration of Land Bank Non-executive Directors and executive Directors for 2021 (R 000)

	Board	Audit & Finance	Risk	Credit Risk	HR	SEC	Ad hoc Meetings	Guaranteed Package	Other Benefits[4], Fees & Expenses	2021 Total
Non-Executive Directors										
MA Moloto	737	–	49	264	66	66	38	–	–	1 220
DR Hlatshwayo	218	49	–	230	83	83	38	–	–	701
SA Lund[1]	218	131	117	33	16	–	38	–	–	553
TT Ngcobo	88	–	33	–	47	47	19	–	–	234
DN Motau	88	–	97	–	–	–	19	–	–	204
SJ Coetzee	30	–	16	–	16	16	–	–	–	78
ME Makgatho	218	213	49	230	–	–	38	–	–	748
ME Makgoba	218	16	82	230	–	16	38	–	–	600
ST Cornelius	218	148	–	230	66	–	38	–	–	700
Subtotal	2 033	557	443	1 217	294	228	266	–	–	5 038
Executive Directors										
Ayanda Kanana[7] Chief Executive Officer	–	–	–	–	–	–	–	3 700	104	3 804
Khensani Mukhari8 Chief Financial Officer	–	–	–	–	–	–	–	3 400	30	3 430
Total Land Bank	**2 033**	**557**	**443**	**1 217**	**294**	**228**	**266**	**7 100**	**134**	**12 272**

Notes to the Financial Statements

42. Group remuneration (continued)

Table 2: Remuneration of Land Bank Insurance Services Non-executive Directors and executive Directors for 2021 (R 000)

	Board	AGM	Audit & Risk	Investment & Actuarial	HR	Ad hoc Meetings	Guaranteed Package	Performance Bonuses	Other Benefits[3], Fees & Expenses	2021 Total
Non-Executive Directors										
DN Motau	30	–	22	21	–	9	–	–	–	82
DR Hlatshwayo	508	9	–	–	–	19	–	–	–	536
ME Makgatho	59	9	–	32	–	19	–	–	–	119
K Sukdev	103	9	22	42	–	9	–	–	–	185
ST Cornelius	–	9	–	–	–	–	–	–	–	9
C Masuku	148	9	108	42	–	19	–	–	–	326
Melanie Bosman	148	9	32	42	16	19	–	–	–	266
P Truijens	81	–	–	32	–	19	–	–	–	132
TT Ngcobo	30	–	–	–	–	9	–	–	–	39
SJ Coetzee	15	–	–	–	–	–	–	–	–	15
Sub Total	1 122	54	184	211	16	122	–	–	–	1 709
	–	–	–	–	–	–	–	–	–	–
Executive Directors	–	–	–	–	–	–	–	–	–	–
Adam Rakgalakane Managing Director	–	–	–	–	–	–	3 303	222	29	3 554
Land Bank Insurance services	**1 122**	**54**	**184**	**211**	**16**	**122**	**3 303**	**222**	**29**	**5 263**

[1] 50% was paid to Transnet Foundation in terms of Ms Lund's employer policy on non-executive Directorship

Notes to the Financial Statements

42. Group remuneration (continued)

Table 3: Remuneration – Land Bank Non-executive Directors and executive Directors for FY2020 (R'000)

	Board	AGM	Audit & Finance	Risk	Credit Risk	HR	SEC	Ad hoc Meetings	Guaranteed Package	Other Benefits[4], Fees & Expenses	2020 Total
Non-Executive Directors											
MA Moloto	924	10	–	–	192	63	63	73	–	–	1 325
DR Hlatshwayo	347	10	–	–	160	63	32	82	–	5	699
SA Lund[1]	347	10	79	113	–	–	–	64	–	5	618
NV Mtetwa[2]	103	10	79	31	–	–	–	27	–	1	251
TT Ngcobo	366	10	–	63	–	113	97	91	–	4	744
DN Motau	366	10	–	–	226	–	–	73	–	4	679
SJ Coetzee[3]	308	10	–	31	–	47	48	19	–	1	464
ME Makgatho	366	10	136	–	160	–	–	64	–	4	740
ME Makgoba	366	–	16	63	176	–	–	73	–	50	744
ST Cornelius	347	10	95	–	160	78	–	73	–	15	778
Subtotal	**3 840**	**90**	**405**	**301**	**1 074**	**364**	**240**	**639**	**–**	**89**	**7 042**
Executive Directors											
Bennie van Rooy[5] Chief Financial Officer & Acting Chief Executive Officer	–	–	–	–	–	–	–	–	842	7	849
Konehali Gugushe[6] Chief Risk Officer & Acting Chief Executive Officer	–	–	–	–	–	–	–	–	2 754	49	2 803
Ayanda Kanana[7] Chief Executive Officer	–	–	–	–	–	–	–	–	308	8	316
Khensani Mukhari[8] Chief Financial Officer	–	–	–	–	–	–	–	–	564	4	568
Total Land Bank	**3 840**	**90**	**405**	**301**	**1 074**	**364**	**240**	**639**	**4 468**	**157**	**11 578**

[1] 50% was paid to Transnet Foundation in terms of Ms Lund's employer policy on non-executive Directorship
[2] Resigned – 30 August 2019
[3] Resigned – 30 April 2020
[4] Other benefits include vitality benefits, Cell Phone Allowance And Petrol Card
[5] Resigned – 30 June 2019
[6] Resigned Acting Chief Executive Officer – 31 December 2019
[7] Chief Executive Officer from 1 March 2020
[8] Chief Financial Officer from 1 February 2020

Notes to the Financial Statements

42. Group remuneration (continued)

Table 4: Remuneration of Land Bank Insurance Services Non-executive Directors and executive Directors for 2020 (R 000)

	Board	AGM	Audit & Risk	Investment & Actuarial	Ad hoc Meetings	Guaranteed Package	Other Benefits, Fees & Expenses[3]	2020 Total
Non-Executive Directors								
Ms. D Motau	71	9	51	30	9	–	–	170
Ms. T Ngcobo	71	9	–	–	9	–	–	89
Ms. D Hlatshwayo	492	9	–	–	9	–	–	510
Adv. S Coetzee[1]	28	–	–	–	–	–	–	28
Ms. M Makgatho	70	9	–	41	9	–	–	129
Mr. M Scharneck[2]	70	–	20	30	–	–	2	122
Mr. S Masuku	156	–	115	11	–	–	1	283
Sub Total	958	36	186	112	36	–	3	1 331
Executive Director								
Adam Rakgalakane Managing Director	–	–	–	–	–	3 291	29	3 320
Total LBIS	**958**	**36**	**186**	**112**	**36**	**3 291**	**32**	**4 651**

[1] *Resigned – 30 April 2020*
[2] *Resigned – 30 September 2019*
[3] *Other benefits include vitality benefits*

Notes to the Financial Statements

42. Group remuneration (continued)

Table 5: Remuneration – Land Bank executive officers in FY2021 (R'000)

Title	Guaranteed Package	Cell phone Allowance	Other Benefits	Total 2021
Ms. ETM Dlamini Executive Manager: Human Capital	2 839	24	4	2 867
Mr. SCE Soundy Executive Manager: Strategy and Communications	2 909	24	5	2 938
Mr. LC Makupula Acting Executive Manager: CDBB	1 598	14		1 612
Mr. F Stiglingh Executive Manager: Portfolio Management Services	2 888	24	3	2 915
Mr SN Sebueng Executive Manager: Legal	2 288	24		2 312
Dr. LL Magingxa Executive Manager: Agricultural	2 600	24	5	2 629
Mrs. U Magwentshu Executive Manager: Corporate Banking and Structured Investments	2 700	24		2 724
Total	17 822	158	17	17 997

Table 6: Remuneration – Land Bank executive officers in FY2020 (R'000)

Title	Guaranteed Package	Cell phone Allowance	Other Benefits	Total 2020
Ms. ETM Dlamini Executive Manager: Human Capital	2 834	24	3	2 861
Ms. L Ndlovu Executive Manager: Commercial Development and Business Banking	1 124	10	2	1 136
Mr. SCE Soundy Executive Manager: Strategy and Communications	2 898	24	5	2 927
Mr. F Stiglingh Executive Manager: Portfolio Management Services	2 883	24	4	2 911
Mr. SN Sebueng Executive Manager: Legal	2 281	24	-	2 305
Dr. LL Magingxa Executive Manager: Agricultural Economics & Advisory	2 623	24	4	2 651
Mrs. U Magwentshu Executive Manager: Corporate Banking and Structured Investments	2 700	24	-	2 724
Total	17 343	154	18	17 515

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43. Prior period errors

During the year, the Land Bank recorded the following prior period errors.

(1) **Loans and advances:** The Board approved a comprehensive remediation plan, that was implemented by management to address the specific deficiencies that led to the disclaimed audit opinion in FY2020. The remediation plan has resulted in the restatement of the prior year ECL and loan modification due to model recalibration, updated staging and collateral.

Expected Credit Loss Provision

The expected credit loss (ECL) calculation was corrected and revised in the current year. The revision was related to the actual model calculation where previously collateral was deducted from the exposure at default (EAD). In the current calculation collateral is not deducted from EAD however it is used as input in loss given default (LGD) calculation. For staging classification the Bank reviewed the default date from 120 days in the indirect book to 90 days. This was done partly to align to the Bank's direct loan book definition and also because this reflected a better presentation of the Bank's non-performing loans based on current credit experience. Collateral was corrected to ensure that all collateral items were classified correctly and all collateral was valued at the lower of the registered bond amount or market value.

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These corrections have been applied retrospectively with the exception of the staging classification which has been treated as a change in estimate and changed prospectively.

(2) **Funding Liabilities:** Land Bank have been accruing the interest expense relating to arranging fees, discounts/ premiums and accrued interest on a straight-line method throughout the life of the funding instruments. This was not in line with the requirements of the IFRS 9 Financial Instruments for financial instruments measured at amortised cost. The Bank corrected this error in the current year and restated the prior year's balances as reflected below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

- "Loan and advances "
- " Equity"
- " Funding Liabilities"

Statement of profit or loss and other comprehensive income

- "Interest Income"
- "Interest expense"
- "Net impairment charges, claims and recoveries"
- "Gains and losses on modifications"

Notes to the Financial Statements

43. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

	Group			Company		
2020	Previously Reported R'000	Correction of error R'000	Restated R'000	Previously Reported R'000	Correction of error R'000	Restated R'000
Statement of Financial Position						
Loans and Advances	41 560 074	(2 089 578)	39 470 496	41 560 074	(2 089 578)	39 470 496
Funding Liabilities	41 283 820	68 714	41 352 534	41 283 820	68 714	41 352 534
Accumulated loss	(1 266 079)	(2 249 296)	(3 515 375)	(2 039 916)	(2 249 295)	(4 289 211)
Statement of Profit or Loss and Other Comprehensive Income						
Interest Income	4 698 792	(233 048)	4 465 744	4 692 661	(233 048)	4 459 613
Interest expense	(4 047 654)	(30 676)	(4 078 330)	(4 045 839)	(30 676)	(4 076 515)
losses on modifications	(19 153)	(28 087)	(47 240)	(19 153)	(28 087)	(47 240)
Net impairment charges, claims and recoveries	(1 570 692)	1 502 704	(67 988)	(1 570 692)	1 502 704	(67 988)
2019						
Statement of Financial Position						
Loans and Advances	43 225 160	(3 399 700)	39 825 460	43 225 160	(3 399 700)	39 825 460
Funding Liabilities	44 257 919	(46 240)	44 304 159	44 257 919	(46 240)	44 304 159
Accumulated loss	835 674	(3 445 939)	(2 610 265)	(321 598)	(3 445 939)	(3 767 537)

Notes

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