



**LAND BANK**  
We stand by you







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**2024**  
ANNUAL  
FINANCIAL  
STATEMENTS



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**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**GENERAL INFORMATION**

<b>Shareholder</b>	National Treasury, Government Department
<b>Public Entity</b>	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).
<b>Country of Incorporation And Domicile</b>	The Republic of South Africa
<b>Nature of Business And Principal Activities</b>	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.
<b>Head Office Physical Address</b>	272 Lenchen Avenue Lakefield Office Park, Building A, First Floor Die Hoewes Centurion
<b>Postal Address</b>	P. O. Box 375 Tshwane 0001
<b>Bankers</b>	First National Bank Limited, a division of First Rand Limited ABSA Limited, Nedbank Limited, The Standard Bank of South Africa Limited
<b>Funding Sponsors</b>	The Standard Bank of South Africa Limited
<b>Auditors</b>	The Auditor-General of South Africa
<b>Company Secretary</b>	Mashumi Mzaidume (retired 31 December 2023) Adv. B. Raseroka (1 November 2023)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**GENERAL INFORMATION**

**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.

**Bankers**

LBLIC: ABSA Bank Limited

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

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 statement 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 robust 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 is above reproach in all reasonable circumstances.

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 and Finance Committee and various other risk-monitoring committees. Management enables the Directors to meet these responsibilities.

The consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) (with consent from the Accounting Standards Board per Directive 12 of 2015) 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 consolidated annual financial statements were prepared under the supervision of the Bank's Chief Financial Officer.

The financial statements which have been prepared on the going concern basis, were approved by the board of directors on 25 September 2024 and were signed on their behalf by:



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**Ms. Rethabile N. Nkosi**  
*Chairman of the Board*  
25 September 2024



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**Mr Themba Rikhotso**  
*Chief Executive Officer*  
25 September 2024

The Directors have the pleasure of presenting this report on the Annual Financial Statements of the Land and Agricultural Bank of South Africa for the year ended 31 March 2024.

The Board would like to highlight achievements and areas of concern which required their main focus during the year under review.

## ACHIEVEMENTS

Under the guidance of the Board, Land Bank has achieved the following:

### Leadership and Capacity

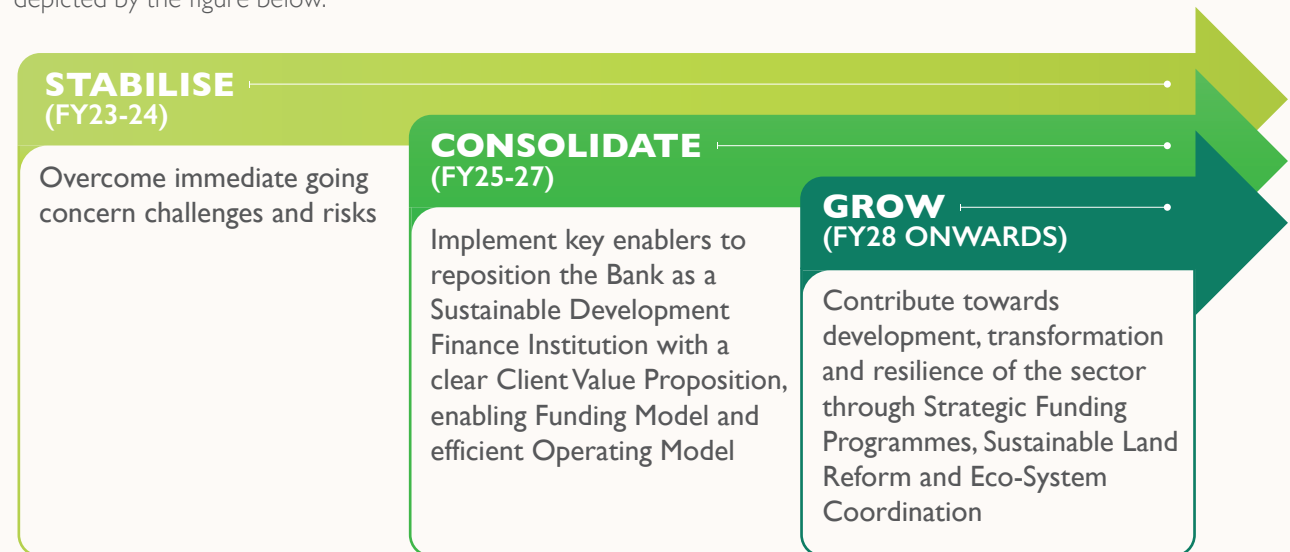
A permanent CEO, Mr Themba Rikhotso, was appointed and joined the Bank on 01 April 2023. Mr Rikhotso's appointment has brought much-needed stability to the organisation.

The new operating model and organisational structure were approved, and implementation has commenced. The new organisational structure is aimed at ensuring the placement of fit-for-purpose skills and capabilities, which is critical to improving the execution capabilities of the organisation for the successful implementation of its strategy. The Board has prioritised Human Capital management interventions as pivotal to the Bank's strategic turnaround.

### Strategic direction

A new strategy was developed and approved and is being implemented to ensure continued support of the sector even in a state of default, in advancement of its mandate.

Land Bank's FY24 performance indicates the extent of the challenges it is confronting as it implements priority actions that are part of the Bank's three-phased strategy. The period under review forms part of the stabilisation phase as depicted by the figure below.



The first phase (i.e. stabilisation [FY23 to FY24]) of Land Bank's strategic restructuring and repositioning focuses on the Bank's immediate priorities, which are required to achieve stability. Initiatives undertaken in this phase are focused on curbing the Bank's further deterioration in key identified areas and developing a solid basis upon which enhanced mandate alignment and improved financial and operational performance will be built.

## **DIRECTORS' REPORT**

A critical part of this phase involves key interventions aimed at achieving amongst others, the following key outcomes:

- Conclusion of the Liability Solution with lenders that will take the Bank out of its current debt default status;
- Building a baseline/new loan book portfolio of transformation and development clients which will become a significant part of the Bank's future loan portfolio;
- Preserving the quality of the Bank's current loan book;
- Building a fit for purpose operating model; and
- Maintaining an acceptable level of financial and operational performance.

### **Funding model**

The Bank has to date not been appropriately funded to fulfil its developmental mandate as articulated in the Land Bank Act. To address this, the Board developed and approved a proposed funding model that appropriately aligns to the Bank's mandate. The Bank has initiated consultations on this model with National Treasury and any favourable outcomes of these consultations will be incorporated into the Bank's FY2025 Medium Term Expenditure Framework (MTEF) application.

### **Debt restructuring process**

The Board continued to exercise enhanced oversight to enable the timely conclusion of the Bank's debt restructuring process, which was subsequently implemented on the 16th of September 2024.

### **Strategic banking initiatives**

Whilst lending is being undertaken in both the commercial and development market segments, evident progress is being realised under the Blended Finance Scheme. Since the introduction of the Scheme in October 2022, disbursements have increased gradually and a relatively healthy pipeline of applications has been built up. For the year under review, the Bank disbursed a total amount of R723m under the Blended Finance Scheme, comprised of R358m in loans and R365m in grants. Although the disbursed amount fell below the set targets, this level of support to the sector represents the highest amount ever directly deployed by the Bank towards individual Black (and majority Black-owned) clients over the past decade. The Bank will continue to enhance its delivery capabilities to enable fulfilment of its mandate and build on the gains that have been made to date.

The Agro Energy Fund, which was launched in partnership with the Department of Agriculture during FY24 experienced a slow start. However, a pipeline of transactions is being built, and the required support mechanisms for the implementation of the Fund are being put in place.

### **The year under review has not been without challenges, the Board continues to focus on the following areas of concern:**

#### **State of default and impact on the going concern of the bank**

The debt restructuring process has been concluded post the year end, and was subsequently implemented on the

16th of September 2024. The Shareholder has continued to be very supportive through this process as evidenced by the continued engagements with all stakeholders through the debt restructuring process as well as by the R10bn which was allocated to recapitalise the Bank since the occurrence of the debt default. The full R10bn allocation has been transferred by the shareholder with R5.6bn of the allocation being held in Escrow until the condition precedent has been met (curing of the state of default). All the other equity conditions have already been met by the Bank. The Bank continues to receive the support of its lenders.

Despite its challenges the Bank has accumulated sufficient cash that enabled the repayment of approximately 60% of debt outstanding at the time of the default, the Bank continues to service interest payments, pay its suppliers and staff and the Bank has been able to continue its business operations. It is on this basis and in light of the forecast of healthy cash resources, that the directors have reasonable belief that the Bank has adequate resources to continue as a going concern for the foreseeable future.

During the 2021 financial year, the Minister of Finance invoked Section 92 of the Public Finance Management Act No. 1 of 1999, to exempt Land Bank from submitting a 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 the Bank. Owing to the state of default that the Bank is still operating under, the exemption remains in place. The Bank, however, continues to contract with

## **DIRECTORS' REPORT**

the Shareholder on annual performance targets and to account to Parliament as appropriate.

### **Macro environment**

The South African economy expanded by 0.7% year-on-year in 2023 (upwardly revised from 0.6% previously) as momentum from the post-pandemic recovery dissipated. While the first half of the year saw modest upside surprises, growth in the second half was derailed by logistical challenges and electricity supply constraints. On average based on several economic forecasters, the 2024 GDP growth outlook for South Africa has the potential to be revised lower to around 1% or slightly below, compared to prior forecasts, based on the updated 2023 data and weaker than expected Q1 2024 performance. In May 2023, the South African Reserve Bank (SARB) forecast 1.2% GDP growth in 2024.

Looking ahead, economic activity levels may pick up as load-shedding eases further. SARB indicated that the implementation of structural reforms in the energy and logistics sectors remains key to restoring the economy's full productive potential.

Throughout the review period, the Bank faced substantial macro-economic challenges, primarily influenced by environmental factors and global health issues impacting the agricultural sector. Detailed impacts include:

### **El Niño-related drought**

During South Africa's 2023/24 summer, grain production was severely affected by El Niño, leading to extensive heat stress and dry conditions across key agricultural regions. This critical period saw a significant reduction in rainfall and elevated temperatures, stressing crops during essential growth phases.

### **Grains Sector Challenges**

The Crop Estimate Committee projected a significant decrease in grain and oilseed production, approximately 20% less than the previous year, due to the adverse weather conditions. While grain prices have held high, potentially offsetting some revenue losses at the farm level, the overall productivity was heavily impacted by the harsh climatic conditions tied to El Niño.

### **Livestock Sector Challenges**

Similarly, the livestock industry is impacted by the drought, with notable declines in beef and weaner calf prices. Producers are adjusting herd sizes in response to feed availability challenges especially going into the winter months.

### **Bird Flu (H5 & H7)**

There has been a notable reduction in bird flu infections, with no new cases reported since November 2023. Although vaccines are available, they have not yet been widely tested, leaving some risk of future outbreaks. The

industry remains on alert, with improved preparedness plans in place based on past experiences.

### **Foot and Mouth Disease**

Foot and Mouth Disease remains an ongoing concern with several active outbreaks, particularly in KwaZulu Natal. The government and agricultural bodies are intensifying vaccination efforts and maintaining strict quarantines to manage and hopefully eradicate the disease in affected zones.

### **Energy**

The South African economy experienced modest growth of 0.6% in 2023, hindered by persistent energy shortages and logistical challenges. Predictions for 2024 suggest a slight improvement in economic activity, with growth anticipated to reach 1.2%, aided by reduced load-shedding and a rebound in consumer spending.

### **Western Cape Floods 2023**

The end of September 2023 brought severe flooding to the Western Cape, particularly impacting the Southern Overberg region. Despite considerable damage to infrastructure, the impact on the Bank's clients was minimal, with subsequent weather conditions proving beneficial for the upcoming winter grain season.

#### **Cape Town ports**

Efforts to enhance operational efficiency at Cape Town ports have yielded positive results, reducing disruptions during peak export periods for table grapes and stone fruits. These improvements have mitigated previous logistical challenges, presenting a lower risk to the Bank.

#### **African Swine Fever (ASF)**

While ASF continues to pose a threat, recent outbreaks have been mostly contained to specific regions, primarily affecting communal and peri-urban areas. The overall risk to the commercial farming sector remains low, thanks to effective surveillance and control measures.

#### **Geopolitical tensions**

Rising oil prices and geopolitical tensions, particularly due to conflicts in the Middle East, have strained global markets and tightened oil markets remained tight and supply chains were strained by geopolitical tensions. Oil prices averaged \$83.10 per barrel for the quarter from January to March 2024 and have increased, reaching \$90.10 per barrel in early April against a backdrop of intensifying concerns about the conflict in the Middle East.

#### **False Codling Moth**

Challenges with EU regulations on False Codling Moth have continued to disrupt South Africa's orange exports. The Citrus Growers Association is actively contesting these regulations, seeking relief through international trade bodies. This is a risk that is specific to oranges. Diversifying into new markets, such as recently approved protocols by the Department of Agriculture with Vietnam is an important step industry to mitigate the impact.

#### **Covid-19**

With all COVID-19 restrictions lifted, and normal operations resumed across the agricultural sector, the Bank continues to support its clients in recovering from the pandemic's impacts, ensuring continuity and stability.

The Bank continues to monitor any potential risk that may potentially impact the quality of the loan book and deploys various risk mitigation strategies such as a forbearance program such that you not only measure the risk and its impact but assist farmers well in advance. This type of action ensures that the impact of any disaster is mitigated

## **INTERNAL CONTROLS AND AUDIT OUTCOME**

During the past financial year Land Bank obtained an unqualified audit opinion with findings related to the reporting of collateral, cash-flow statement and disclosure notes. All the findings were addressed by management. The focussed and extensive remedial plan under the Audit and Finance sub-committee of the Board continues being implemented to address any remaining identified control deficiencies are addressed. This will ensure the Bank maintains a clean audit in relation to the 2023/24 financial year.

It is on this basis as well as information and explanations received from management that the Directors are confident 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.

## **FINANCIAL RESULTS**

The financial results of the group are fully disclosed from page 172. The key financial indicators are as outlined below. The performance of the bank was largely driven by the following factors:

The Gross Loan Book decreased by 7% year-on-year driven largely by customer settlements. This has continued to improve the cash position of the bank, as well as enable further funding debt reduction. This together with improved nominal value of non-performing loans owing to the NPL remediation programme implemented by the Bank resulted in the profits realised this year.

The Bank has continued to implement focused efforts in reducing overall operating expenditure. This resulted in the Bank realising profits, albeit reduced year-on-year owing to the loan book starting to stabilize (reduced settlements) post the event of default.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**DIRECTORS' REPORT**

**The financial indicators are:**

- Expected credit losses on financial assets at amortised cost increased to R4,1 billion (31 March 2023: R4,0 billion);
- NPL ratio increased to 53,1% (31 March 2023: 51,9%); nominally the NPL book has decreased by 5.1% year-on-year;
- ECL Coverage Ratio increased to 23.7% (31 March 2023: 21,6%);
- Cash flows generated from operations reduced to R2,2 billion (31 March 2023: R6.2 billion), although total cash equivalents reduced to R12.6 billion, inclusive of the ring-fenced capital injection from the shareholder;
- Net interest income increased by more than 16% to R704 million (31 March 2023: R607 million);
- Net profit of R60m (31 March 2023: R482m profit);
- Cost to income ratio for the Bank regressed to 79% (31 March 2023: 81%);
- Banking Gearing Ratio has improved to 364% (31 March 2023: 576%);
- Solvency Ratio improved to 119.6% (31 March 2023: 113.8%);
- Basel II CAR significantly improved to 19.6% (31 March 2023: 13,9%);
- LCR declined to 52.4% (31 March 2023: 68.7%);
- NSFR dropped to 84.7% (31 March 2023: 94,6%);

The Land Bank Board with its management are still committed to seeing the Land Bank successfully implement its strategic mandate sustainably as it continues to strengthen its internal control environment.



**Ms Rethabile Nkosi**  
*Chairman of the Board*  
25 September 2024



**Mr. Themba Rikhotso**  
*Chief Executive Officer*  
25 September 2024



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**GROUP SECRETARY'S CERTIFICATION**

In terms of section 88(2)(e) of the Companies Act 71 of 2008, hereafter referred to as the Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2024 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.



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**Adv. B. Raseroka**  
*Company Secretary*  
25 September 2024



**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**AUDIT & 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 2024. 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 the entity's governance, in particular, that the internal audit function is adequately resourced and capacitated.
- The entity's information and technology (IT) functions. In this regard, the Committee reviews management's IT reports, IT Governance, and IT systems controls.
- Review and make recommendations to Board about the entity's financial risk, liquidity risk, and capital risk management practices.

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.

## **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 no.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 regarding all the duties that the Board assigns to it and has been delegated extensive powers to perform its functions per 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, IT Governance, and IT systems controls.
- The Committee has adopted appropriate formal terms of reference in our charter, in line with the requirements of section 51(1)(a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with this 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 Audit and Finance Committee has continued to include in its workplan, oversight and monitoring of the Board approved audit remediation plan intended to ensure integrity of the Annual Financial Statements and that the Bank improves the unqualified with findings audit outcome obtained in the FY2023 financial year. Accordingly, this remained 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 any residual risks remaining or that arise during the year, and to ensure embedding of processes of internal controls to avoid a regression in future.

## **COMPOSITION**

The Committee comprises of independent non-executive directors who are elected annually at the company's Annual General Meeting (AGM). The Committee members are Ms. Michelle Pillay (Chairperson), Ms. Mathane Makgatho (term ended November 2023), Prof. JF Kirsten (appointed December 2023) and Ms. Thulisile Mashanda. The qualifications of the members 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.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**AUDIT & FINANCE COMMITTEE REPORT**

Executive directors comprising of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are permanent 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 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 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. The debt restructuring process was concluded with lenders post year end and the Bank has sufficient liquidity to carry its

operations for the foreseeable future as a going concern. Conclusion of the debt restructuring process has allowed the release of the funds in escrow to Land Bank. Despite operating in a state of default the Bank has been able to accumulate sufficient cash reserves amounting to R6.2bn at year end. Over and above that, the bank was able to repay over R24,0 billion in capital to its lenders to date along with servicing all interest due.

The committee presided over the Board instituted audit remediation plan over the past four financial years. The remedial plan was instituted to address deficiencies identified on the loan book management through the audit process. The committee together with the Credit and Investment Committee (CIC) through oversight on the work conducted by management has seen continuous improvement in the internal control environment pertaining to the management of the loan book and this is evidenced by the unqualified audit outcome for the previous financial year. In addition, the insourcing of the land Bank book previously managed by intermediaries has been concluded with under 2% remaining outsourced. This has brought management closer to the root cause of the previously identified deficiencies. This insourcing also contributed to the improved control environment and the committee is pleased with the success and is currently monitoring its continued sustainability.

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 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 (AGSA) 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 external auditor's independence and has obtained the assurance that the auditor's independence is not impaired.

## **INTERNAL AUDIT**

The Chief Audit Executive reports to 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 internal audit function's independence and is satisfied with its independence.

The permanent CAE commenced his duties on 01 July 2023. His appointment has further strengthened the internal audit function in the Bank.

## EXPERTISE AND EXPERIENCE OF THE FINANCE FUNCTION AND THE CHIEF FINANCIAL OFFICER

The Committee has considered the expertise and experience of the Chief Financial Officer, and has concluded that the appropriate requirements have been met.

All critical roles in the Finance function are filled. The only movement in the year under review was that the GM: Supply Chain Management resigned and exited the Bank during the last quarter of the financial year. The role has since been filled with the new Head of Supply Chain Management joining the Bank on the 6th of May 2024. An acting arrangement was instituted in between.

## INFORMATION TECHNOLOGY FUNCTION

In order to enhance oversight over the effectiveness of the Information Technology function; the Board has instituted the IT Steering Committee overseen by the Audit and Finance Committee. The IT Steering Committee is comprised on non-executive directors and an independent IT advisor. Members of management are permanent invitees to the committee. Meetings are scheduled to take place on a quarterly basis.

## EXTERNAL AUDIT REPORT

### *External Audit Opinion*

Land Bank received an “Unqualified opinion with findings” audit outcome from the AGSA on the FY24. The audit outcome has remained constant over the past two years. The Board instituted remediation plan shall continue being implemented to address any specific residual deficiencies that remain. The committee will continue to monitor progress regarding those matters.

## IN CONCLUSION

The Committee is pleased with the audit outcome and the evident successful results of the work covered by the remedial plan. The Committee will continue to ensure there is continuous improvement regarding the controls around overall management of the loan book to ensure that these results are sustained and improved even further towards helping the Land Bank achieve its mandate.

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.

*Egashnee Pillay*

**Ms Egashnee Pillay**  
*Chairman Audit and Finance Committee*

25 September 2024

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

### **REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

#### **Opinion**

1. I have audited the consolidated and separate financial statements of the Land and Agricultural Development Bank of South Africa (the Land Bank) and its subsidiaries (the group) set out on pages 181 to 387, which comprise the consolidated and separate statement of financial position as at 31 March 2024, 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 material accounting policy information .
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and sections 27 to 31 of the Companies Act 71 of 2008.

#### **Basis for opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

### Key audit matters

Key audit matter	How matter was addressed
<p><b>Expected credit losses on loans and advances to customers</b></p> <p>The group determines the ECL relating to loans and advances in line with the requirements of IFRS 9, Financial instruments (IFRS 9). The group uses various models and assumptions to estimate the ECL. This determination is complex and requires a high level of judgement and assumptions.</p> <p>The major components of the ECL include the probability of default (PD), exposure at default (EAD), loss given default (LGD) and Forward Looking Information (FLI). The PD is defined as an estimate of the likelihood of default over a given time horizon. The EAD is an estimate of the exposure at a future default date considering expected changes in the exposure after the reporting date. The LGD is an estimate of the loss arising in the case where default occurs at a given time.</p> <p>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.</p> <p>The disclosures associated with the expected credit loss allowance on development loans are set out in the following notes to the financial statements:</p> <p>Note 9 – Loans and advances to customers</p>	<p>In line with the requirements of ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, I performed risk assessment procedures relating to obtaining an understanding of the expected credit losses and its related disclosures using the principles from IFRS 9.</p> <p>After considering the requirements of ISA 540 Revised and ISA 330, and following a process of risk assessment, a substantive audit approach was followed to respond to the risk identified in ECL.</p> <p>My audit procedures included the following:</p> <ul style="list-style-type: none"> <li>○ evaluating the design and implementation of controls relating to the ECL process;</li> <li>○ performing detailed testing of the data that is used as ECL inputs which include collateral, staging and Significant Increase in Credit Risk (SICR);</li> <li>○ considering the credit policy and their application on collateral and staging when testing these inputs;</li> <li>○ engaging an auditor's ECL expert to assess the appropriateness and reasonability of the credit risk models and assumptions used by management in determining the ECL; and</li> <li>○ performing an assessment of the independence and competence of the expert in line with ISA 620, Using the work of an auditor's expert.</li> </ul> <p>The work performed by my auditor's expert included the following procedures:</p> <ul style="list-style-type: none"> <li>○ reviewing the ECL methodology for compliance with IFRS 9 principles;</li> <li>○ reviewing the ECL model calculations for accuracy and consistency with the methodology; and</li> <li>○ performing independent recalculation of the ECL model for the PDs, EADs, LGDs and FLI.</li> </ul> <p>Following the results of the above mentioned procedures, I determined management's estimate to be within a reasonable range of my expectations.</p> <p>I have assessed the related disclosures included in the financial statements for compliance with IFRS 9 Financial Instruments and IFRS 7, Financial Instruments Disclosures, and are satisfied that the disclosures are consistent with the IFRS requirements.</p>

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

### **Emphasis of matter**

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

### **Going concern**

7. I draw attention to note 3.2 in the financial statements, which deals with the events and circumstances with possible effects on going concern of the public entity. Management have described how they have dealt with these events and circumstances. Our opinion is not modified in respect of this matter.

### **Restatement of corresponding figures**

8. As disclosed in note 38 to the consolidated and separate financial statements, the corresponding figures for 31 March 2023 have been restated as a result of error in the financial statements of the public entity at, and for the year ended, 31 March 2024.

### **Responsibilities of the accounting authority for the consolidated and separate financial statements**

9. 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 PFMA and Companies Act; 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.
10. 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.

### **Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements**

11. 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.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 177, forms part of our auditor's report.

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

### **Report on the audit of the annual performance report**

13. The Land Bank is not required to prepare a report on its performance against predetermined objectives, as it was exempt from submitting its corporate plan in terms of section 92 of the PFMA. As a result of the exemption, I did not audit and report on the usefulness and reliability of the performance information for the public entity. The exemption was published in the Government Gazette 44799 dated 2 July 2021.

### **Report on compliance with legislation**

14. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
15. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
16. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
17. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Annual financial statements**

18. 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.
19. The financial statements submitted for auditing were not fully prepared in accordance with the IFRS, as required by section 55(1) (b) of the PFMA. Material misstatements were identified on funds under administration, related parties, cash flow statement, commitments, segment reporting and insurance contracts and investments. The misstatements identified by the auditors in the submitted financial statement were subsequently corrected.

### **Other information in the annual report**

20. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements and the auditor's report.
21. My opinion on the consolidated and separate financial statements, and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

## **REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**

22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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.

### **Internal control deficiencies**

24. I considered internal control relevant to my audit of the consolidated and separate financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
26. Management did not implement adequate quality assurance processes over the preparation and review of the financial statements before submission for audit.
27. Management did not implement adequate controls to ensure timeous implementation of IFRS 17 (Insurance Contracts) which resulted in late submission of annual financial statements.

### **Other reports**

28. I draw attention to the following engagement conducted by AGSA. This report did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.
29. 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 34 of 2005 was conducted for the twelve months ended 31 March 2023. The report was submitted to the accounting authority on 29 September 2023.

*Auditor General*

Pretoria

26 September 2024



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT**

### **Professional judgement and professional scepticism**

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 public entity's compliance with selected requirements in key legislation.

### **Financial statements**

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 public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate 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 public entity 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate 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 2024**  
**ANNEXURE TO THE AUDITOR’S REPORT**

**Communication with those charged with governance**

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

**Compliance with legislation – selected legislative requirements**

1. The selected legislative requirements are as follows:

2. Legislation	3. Sections or regulations
Public Finance Management act 1 of 1999 (PFMA)	Section 50(3); Section 50(3)(a); Section 50(3)(b) Section 51(1)(a)(ii); Section 51(1)(a)(iii); Section 51(1)(a)(iv); Section 51(1)(b);Section 51(1)(b)(i); Section 51(1)(b)(ii); Section 51(1)(e)(iii) Section 52(b) Section 54(2)(c) Section 54(2)(d) Section 55(1)(a); Section 55(1)(b); Section 55(1)(c)(i) Section 56; Section 57(b) Section 66(3)(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; Regulation 29.1.1(a); Regulation 29.1.1(c); Regulation 29.2.1; Regulation 29.2.2; Regulation 29.3.1 Regulation 31.2.5; Regulation 31.2.7(a) Regulation 33.1.1; Regulation 33.1.3
Preferential Procurement Policy Framework Act 5 of 2000	Section 1(i); Section 2(1)(a); Section 2(1)(b); Section 2(1)(f)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**ANNEXURE TO THE AUDITOR'S REPORT**

2. Legislation	3. Sections or regulations
Preferential procurement regulation of 2017 (PPR)	Regulation 4(1); Regulation 4(2) Regulation 5(1); Regulation 5(3); Regulation 5(6); Regulation 5(7) Regulation 6(1); Regulation 6(2); Regulation 6(3); Regulation 6(5); Regulation 6(6); Regulation 6(8) Regulation 7(1); Regulation 7(2); Regulation 7(3); Regulation 7(5); Regulation 7(6); Regulation 7(8) Regulation 8(2); Regulation 8(5) Regulation 9(1); Regulation 9(2) Regulation 10(1); Regulation 10(2) Regulation 11(1); Regulation 11(2) Regulation 12(1) and Regulation 12(2)
Preferential procurement regulation of 2022 (PPR)	Regulation 3(1) Regulation 4(1); Regulation 4(2); Regulation 4(3); Regulation 4(4) Regulation 5(1); Regulation 5(2); Regulation 5(3); Regulation 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
National Treasury SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c); 4.4(d); 4.6 Paragraph 5.4
National Treasury SCM Instruction 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
National Treasury SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1; 6.2; 6.7
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2; Paragraph 4.3.2; 4.3.3.
Competition Act 89 of 1998	Section 4(1)(b)(ii)
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of National Treasury instruction 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum National Treasury instruction 5 of 202/21	Paragraph 1
Erratum National Treasury instruction 5 of 202/21	Paragraph 2

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**ANNEXURE TO THE AUDITOR'S REPORT**

2. Legislation	3. Sections or regulations
National Treasury instruction note 5 of 2020/21	Paragraph 5.1 and 5.3
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	Regulation 17; 18(1A)1; 25(1); 25 (5) & 25(7A)
Companies Act 71 of 2008	Section 27; Section 28; Section 29; Section 30; Section 31

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024**

	Notes	Group			Company	
		2024	2023*	2022*	2024	2023*
		R'000	R'000	R'000	R'000	R'000
<b>Assets</b>						
Cash and cash equivalents	4	13,029,825	15,757,355	10,231,485	12,601,200	15,355,038
Trade and other receivables	5	268,174	497,669	493,426	183,901	412,395
Insurance contract asset - Non-Life	6	30,412	84,449	85,352	-	-
Reinsurance contract asset - Non - life	6	43,363	5,892	21,505	-	-
Reinsurance contract asset -Life	6	277	2,462	2,544	-	-
Investments	7	2,152,792	1,959,513	1,885,659	1,414,202	1,280,455
Derivatives	8	654	1,321	9,896	654	1,321
Loans and advances	9	13,331,936	14,765,230	20,488,496	13,331,936	14,765,230
Non-current assets held-for-sale and assets of disposal groups	10	9,208	11,359	9,609	9,208	11,359
Investment property	11	106,000	98,010	97,400	106,000	98,010
Property, plant and equipment	12	59,614	34,768	29,154	59,593	34,720
Right of use assets	13.1	23,753	28,296	3,909	23,753	28,296
Intangible assets	14	1,062	1,555	1,615	1,062	1,555
<b>Total assets</b>		<b>29,057,070</b>	<b>33,247,879</b>	<b>33,360,050</b>	<b>27,731,510</b>	<b>31,988,379</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Accumulated loss	15	(2,657,276)	(2,678,632)	(3,194,054)	(3,713,830)	(3,773,401)
Capital Fund	15	8,784,325	8,286,785	7,397,655	8,784,325	8,286,785
Revaluation reserve	15	145,258	143,058	140,941	145,258	143,058
Fair Value Through Other Comprehensive Income (FVTOCI)	15	(661,962)	(748,351)	(737,412)	(661,961)	(748,351)
<b>Total equity</b>		<b>5,610,345</b>	<b>5,002,860</b>	<b>3,607,131</b>	<b>4,553,791</b>	<b>3,908,090</b>
<b>Liabilities</b>						
Trade and other payables	16	209,702	190,666	224,557	149,848	138,863
Other financial liabilities	16.1	6,085,486	5,110,870	-	6,085,486	5,110,870
Insurance contract liability - Non-Life	6	92,768	3,034	-	-	-

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF FINANCIAL POSITION**

	Notes	Group			Company	
		2024	2023*	2022*	2024	2023*
		R'000	R'000	R'000	R'000	R'000
Reinsurance contract liability - Non - life	6	36,291	56,603	3,818	-	-
Insurance contract liability- Life	6	74,584	47,994	35,799	-	-
Funding liabilities	17	16,567,460	22,495,625	29,162,958	16,567,460	22,495,625
Lease liabilities	13.2	25,064	28,966	4,933	25,064	28,966
Provisions	18	73,053	32,398	34,181	67,544	27,100
Post-retirement obligation	19	282,317	278,864	286,655	282,317	278,864
<b>Total Liabilities</b>		<b>23,446,725</b>	<b>28,245,021</b>	<b>29,752,921</b>	<b>23,177,719</b>	<b>28,080,288</b>
<b>Total equity and liabilities</b>		<b>29,057,070</b>	<b>33,247,879</b>	<b>33,360,050</b>	<b>27,731,510</b>	<b>31,988,379</b>

\*The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Net interest income</b>		<b>714,192</b>	<b>616,155</b>	<b>704,748</b>	<b>607,233</b>
Interest income	20	2,590,232	2,765,925	2,580,788	2,757,002
Interest expense	21	(1,876,041)	(2,149,770)	(1,876,041)	(2,149,770)
Net impairment charges, release, claims, write-offs and recoveries	9	(114,049)	368,324	(114,049)	368,324
<b>Total income from lending activities</b>		<b>600,142</b>	<b>984,479</b>	<b>590,698</b>	<b>975,556</b>
Non-interest expense	22	(2,098)	(13,555)	(2,098)	(13,555)
Non-interest income	23	33,645	24,366	33,645	24,366
<b>Operating income from banking activities</b>		<b>631,690</b>	<b>995,290</b>	<b>622,245</b>	<b>986,367</b>
Other income	23	29,047	32,893	29,525	32,386
Insurance revenue	6	806,425	778,313	-	-
Insurance service expense	6	(971,388)	(750,270)	-	-
Net expense from reinsurance contracts held	6	18,055	(81,991)	-	-
Net finance income/expense from reinsurance contracts held	6	-	(2)	-	-
Net finance income/expense from insurance contracts issued	6	(4,805)	(1,578)	-	-
Investment income and fees	24	130,068	102,669	23,626	17,909
Interest on post-retirement obligation	19	(27,912)	(27,823)	(27,912)	(27,823)
Interest on lease liabilities	13	(765)	(547)	(765)	(547)
(Losses) on financial instruments	25.1	(451)	(2,933)	(451)	(2,933)
Fair value gains	25.1	49,245	(2,778)	40,182	(5,297)
<b>Operating income</b>		<b>659,208</b>	<b>1,041,243</b>	<b>686,451</b>	<b>1,000,062</b>
Operating expenses	26	(596,037)	(507,100)	(585,055)	(499,156)
<b>Net operating income</b>		<b>63,171</b>	<b>534,144</b>	<b>101,395</b>	<b>500,906</b>
Non-trading and capital items	27	11,285	685	11,285	697
<b>Income before taxation</b>		<b>74,455</b>	<b>534,828</b>	<b>112,680</b>	<b>501,603</b>
Indirect taxation	28	(53,097)	(19,407)	(53,097)	(19,407)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Income for the year</b>		<b>21,358</b>	<b>515,421</b>	<b>59,583</b>	<b>482,196</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified into profit or loss</b>					
Revaluation gains of land and buildings	12 & 25.2	2,199	2,117	2,199	2,117
Actuarial Gain on the post-retirement obligation	19 & 25.2	4,061	17,811	4,061	17,811
<b>Total items that will not be reclassified to profit or loss</b>		<b>6,260</b>	<b>19,928</b>	<b>6,260</b>	<b>19,928</b>
<b>Items that may be reclassified to profit or loss:</b>					
Net gains/losses on financial assets designated at fair value through other comprehensive income	25.2	82,330	(28,752)	82,330	(28,752)
<b>Total comprehensive income for the year</b>		<b>109,948</b>	<b>506,597</b>	<b>148,173</b>	<b>473,372</b>

\*The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**STATEMENTS OF CHANGES IN EQUITY**

**Group**

	Notes	Capital fund R'000	Revaluation reserve R'000	Fair Value through Other Comprehensive income R'000	Accumulated loss R'000	Total Equity R'000
<b>Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(3,221,566)</b>	<b>3,579,618</b>
IFRS 17 Transition	3.1	-	-	-	27,512	27,512
Correction of prior period error		-	-	-	-	-
<b>Restated Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(3,194,054)</b>	<b>3,607,130</b>
Shareholder Equity Injection*	16.1	889,130				889,130
Restated profit for the year <sup>1</sup>					515,421	515,421
Other comprehensive income/loss for the year			2,117	(10,941)	-	(8,824)
<b>Total comprehensive income/loss for the year</b>		<b>889,130</b>	<b>2,117</b>	<b>(10,941)</b>	<b>515,421</b>	<b>1,395,726</b>
<b>Opening Balance at 01 April 2023</b>	<b>16.1</b>	<b>8,286,785</b>	<b>143,058</b>	<b>(748,353)</b>	<b>(2,678,632)</b>	<b>5,002,860</b>
Shareholder Equity Injection*		497,540				497,540
Profit for the year					21,358	21,358
Other comprehensive income for the year			2,199	86,391	-	88,590
<b>Total comprehensive income for the year</b>		<b>497,540</b>	<b>2,199</b>	<b>86,391</b>	<b>21,358</b>	<b>607,489</b>
<b>Balance at 31 March 2024</b>		<b>8,784,325</b>	<b>145,258</b>	<b>(661,962)</b>	<b>(2,657,276)</b>	<b>5,610,345</b>
<b>Company</b>						
<b>Opening Balance at 01 April 2022</b>		<b>7,397,655</b>	<b>140,941</b>	<b>(737,412)</b>	<b>(4,255,606)</b>	<b>2,545,578</b>
Shareholder Equity Injection*	16.1	889,130	-	-	-	889,130
Profit for the year					482,196	482,196
Other comprehensive income/loss for the year			2,117	(10,941)	-	(8,824)
<b>Total comprehensive income/loss for the year</b>		<b>889,130</b>	<b>2,117</b>	<b>(10,941)</b>	<b>482,196</b>	<b>1,362,502</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CHANGES IN EQUITY**

	Notes	Capital fund	Revaluation reserve	Fair Value through Other Comprehensive income	Accumulated loss	Total Equity
		R'000	R'000	R'000	R'000	R'000
<b>Opening Balance at 30 April 2023</b>		<b>8,286,785</b>	<b>143,058</b>	<b>(748,353)</b>	<b>(3,773,413)</b>	<b>3,908,080</b>
Shareholder Equity Injection*	16.1	497,540				497,540
Profit for the year					59,583	59,583
Other comprehensive income for the year			2,199	86,391	-	88,590
<b>Total comprehensive income for the year</b>		<b>497,540</b>	<b>2,199</b>	<b>86,391</b>	<b>59,583</b>	<b>645,713</b>
<b>Balance at 31 March 2024</b>		<b>8,784,325</b>	<b>145,258</b>	<b>(661,962)</b>	<b>(3,713,830)</b>	<b>4,553,791</b>

\* The shareholder repaid guaranteed lenders directly on behalf of the Land Bank during the year. The corresponding debit was a reduction of the funding liabilities. Refer to note 17 for the movement in funding liabilities and 4, 16.1 for the cash and corresponding liability.

<sup>1</sup> The two subsidiaries of the Land Bank are in their first year of implementation of IFRS 17 Insurance Contracts and thus all preceding financial years presented have been restated as if IFRS 17 has always been applied.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CASH FLOWS**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Income for the year</b>		<b>21,358</b>	<b>515,421</b>	<b>59,583</b>	<b>482,196</b>
<b>Adjustments to reconcile profit to net cash flows:</b>					
		(688 551)	(955 098)	(572 080)	(843 791)
Interest expense	21	1,876,041	2,149,770	1,876,041	2,149,770
Interest income	20	(2 590 232)	(2,765,925)	(2,580,788)	(2,757,002)
Net impairments raised/ released	9	143,083	(264,650)	143 083	(264,650)
Interest on lease liabilities	13	765	547	765	547
Fair value movement (financial instruments)	25.1	451	2,993	451	2,933
(Losses)/gains on financial instruments	25.2	(49 245)	2,778	(40,182)	5,297
Dividends received	24	(28 066)	(37,600)	(6 262)	(13,184)
Interest received	24	(80 678)	(56 862)	(4,306)	(4,725)
Depreciation and amortisation	12&14	14,047	(11,772)	14,047	11,736
Loss on transfer of asset	12	-	83	-	-
Fair value adjustments on properties	11	(7,990)	610	(7,990)	610
Movement in provisions	18	8,655	(2,755)	8,443	(2,860)
Movement in post-retirement medical aid liability	19	27 912	27,832	27,912	27,823
Profit on properties	10	(3,291)	(90)	(3,291)	(90)
Losses on Foreign exchange		(3)	3	(3)	3
Impairment of other assets		-	1	-	1

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**STATEMENTS OF CASH FLOWS**

	Note	Group		Bank	
		2024	* 2023	2024	* 2023
		R'000	R'000	R'000	R'000
<b>Changes in working capital</b>		<b>363 422</b>	<b>187 577</b>	<b>239,479</b>	<b>87 164</b>
(Increase)/decrease in Trade and other receivables	5	229,495	(4,243)	228,494	9,012
(Decrease)/Increase in Trade and other payables	16	19,036	107 217	10,985	78 152
Movement insurance contract asset and liability	6	146 086	4 020	-	-
Movement reinsurance contract asset and liability	6	(31 195)	80 583	-	-
<b>Cash generated from operations</b>		<b>(303 771)</b>	<b>(252 101)</b>	<b>(273 019)</b>	<b>(274 431)</b>
<b>Cash flows from operations</b>		<b>2 509 268</b>	<b>6 461 486</b>	<b>2 469 742</b>	<b>6 461 104</b>
Interest expense paid	21	(1 826 875)	(2 094 619)	(1 826 875)	(2,094,619)
Interest income received	20	2 910 190	2 965 925	2 901 924	2 965 544
Non-interest income	23	62 448	12 740	31 189	12 740
Non-interest expense	22	(2 098)	(13 555)	(2 098)	(13 555)
Interest on lease liabilities paid	13	(765)	(547)	(765)	(547)
Decrease in funding to clients	17	1 366 368	5 591 542	1 366 368	5,591,542
<b>Cash inflow from operating activities</b>		<b>2 205 497</b>	<b>6 209 385</b>	<b>2 196 725</b>	<b>6 186 673</b>
<b>Cash flow from investing activities</b>					
Purchase of property and equipment	12	(28,350)	(6,559)	(28,350)	(6,559)
Proceeds from sale of non-current assets held-for-sale	10	5,517	-	5,517	-
Dividends received	24	13 058	6 041	13 058	6 041
Proceeds from disinvestment <sup>2</sup>	25,1	-	25 000	-	-
Movement in money market instruments <sup>3</sup>	38	50 492	28 335	-	-
Purchase of financial instruments	25.1	-	(60,000)	-	-
<b>Cash inflow/(outflow) from investing activities</b>		<b>40 717</b>	<b>(7 183)</b>	<b>(9 775)</b>	<b>(518)</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**STATEMENTS OF CASH FLOWS**

Note	Group		Bank		
	2024	* 2023	2024	* 2023	
	R'000	R'000	R'000	R'000	
<b>Cash flow from financing activities</b>					
Decrease in funding received from funders	17	(5 430 585)	(5,778,203)	(5 430 585)	(5,778,203)
Lease liability repaid	13	(8,202)	(9,000)	(8,202)	(9,000)
Equity injection	16.1	498 000	5,110,870	498 000	5,110,870
		<b>(4 940 787)</b>	<b>(676,333)</b>	<b>(4 940 787)</b>	<b>(676,333)</b>
<b>Cash outflows from financing activities</b>					
<b>Net (decrease) in cash and cash equivalents</b>		<b>(2 694 574)</b>	<b>5 525 870</b>	<b>(2 753 837)</b>	<b>5,509,822</b>
Cash and cash equivalents at beginning of year	4	15 724 398	10 231 485	15,355,038	9,845,216
Cash and cash equivalents at end of year <sup>1</sup>	4	13 029 825	15 757 355	12,601,200	15,355,038

- 1 Included in cash equivalents and other financial liabilities, is R5.6 billion received from National Treasury, however, it has certain conditions attached to it for the funds to be available to the Land Bank. A corresponding financial liability has been raised as the funds will be returned to the shareholder if the conditions are not met. Refer to notes 3.2, 4 and 16.1 on the details around the appropriated cash to the Land Bank by the Shareholder.
- 2 The proceeds from investing activities does not relate to the sale of bonds or equity instruments but relates to the liquidation of money market instrument portfolio.
- 3 Refer to note 38.

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### 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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, supported by the executive committee. The four segments are:

- 1) Commercial Development Banking, which consists of 9 Regional Offices and 16 satellite branches spread across the country, provides finance to developing and commercial farmers.
- 2) Corporate Banking, which consists of two branches, provides finance to the corporate agri-related businesses.
- 3) Group capital consists of the treasury, finance and other central functions.
- 4) Insurance Operations consists of LBLIC and LBIC which provides Life and Non-Life Crop Insurance respectively.
- 5) Not all segments are allocated costs.

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.

#### Group - 2024

#### Statement of profit or loss and other comprehensive income

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Net interest income/(expense)</b>	<b>506,216</b>	<b>198,532</b>	-	<b>704,748</b>	<b>9,444</b>	<b>714,192</b>
Interest income	1,707,927	872,861	-	2,580,788	9,444	2,590,232
Interest expense	(1,201,711)	(674,329)	-	(1,876,041)	-	(1,876,041)
Impairment releases/(charges) on loans and advances	53,695	(167,744)	-	(144,049)	-	(144,049)
<b>Total income/(loss) from lending activities</b>	<b>559 910</b>	<b>30 788</b>	-	<b>590 698</b>	<b>9 444</b>	<b>600 142</b>
Non-interest expense	(2,098)	-	-	(2,098)	-	(2,098)
Non-interest income	14,028	5,209	14,409	33,646	-	33,646
<b>Operating income/(loss) from banking activities</b>	<b>571,840</b>	<b>35,997</b>	<b>14,409</b>	<b>622,246</b>	<b>9,444</b>	<b>631,690</b>
Other income	-	-	29,525	29,525	(478)	29 047
Insurance revenue					806 425	806 425
Insurance service expense					(971,388)	(971,388)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Net expense from reinsurance contracts held					18 055	18 055
Net finance income/expense from insurance contracts issued					(4,805)	(4,805)
Investment income	-	-	23 626	23 626	106,442	130 068
Interest in Post Retirement Obligation	-	-	(27,912)	(27,912)	-	27,912
Interest on Lease Liability	(511)	-	(253)	(765)	-	(765)
Gains and losses on financial instruments	(451)	-	-	(451)	-	(451)
Fair value loss	-	-	40 182	40 182	9 063	49 245
<b>Operating income/(loss)</b>	<b>570,877</b>	<b>35,997</b>	<b>79,577</b>	<b>686,451</b>	<b>(27,243)</b>	<b>659,208</b>
Operating expenses	(19,180)	(483)	(191,204)	(210,867)	(10,980)	(221,847)
Staff costs	(73,201)	(8,527)	(278,415)	(360,143)	-	(360,143)
Depreciation and amortisation	(4,368)	(17)	(9,662)	(14,047)	-	(14,047)
<b>Net operating (loss)/income</b>	<b>474,129</b>	<b>26 970</b>	<b>(399 705)</b>	<b>101 395</b>		<b>63,171</b>
					-	
Non-trading and capital items	(62)	-	11 347	11 285	-	11 285
<b>Net profit/(loss) before indirect taxation</b>	<b>474,066</b>	<b>26,970</b>	<b>(388,358)</b>	<b>112,679</b>	<b>(38,223)</b>	<b>74,456</b>
					-	
Indirect taxation	-	-	-53 097	-53 097	-	-53 097
<b>Net profit/(loss)</b>	<b>474,066</b>	<b>26,970</b>	<b>(441,455)</b>	<b>59,582</b>	<b>(38,223)</b>	<b>21,360</b>
					-	
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>88,590</b>	<b>88,590</b>	<b>-</b>	<b>88,590</b>
Actuarial losses on the post-retirement obligation	-	-	4,061	4,061	-	4,061
Revaluation of land and buildings	-	-	2,199	2,199	-	2,199
Profit on financial assets at fair value through other comprehensive income	-	-	82,330	82,330	-	82,330
<b>Total comprehensive income/(loss) for the year</b>	<b>474,066</b>	<b>26,970</b>	<b>(352,865)</b>	<b>148,173</b>	<b>(38,223)</b>	<b>109,949</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

**Group - 2023**

**Statement of profit or loss and other comprehensive income**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter-segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
	<b>394,422</b>	<b>212,811</b>	<b>-</b>	<b>607,233</b>	<b>8,923</b>	<b>616,155</b>
Interest income	1,823,306	933,697	-	2,757,003	8,923	2,765,926
Interest expense	(1,428,884)	(720,886)	-	(2,149,770)	-	(2,149,770)
Impairment releases/(charges) on loans and advances	395,322	(26,997)	-	368,325	-	368,324
<b>Total income/(loss) from lending activities</b>	<b>789,744</b>	<b>185,814</b>	<b>-</b>	<b>975,558</b>	<b>8,923</b>	<b>984,479</b>
Non-interest expense	(13,555)	-	-	(13,555)	-	(13,555)
Non-interest income	12,481	7,288	36,983	24,366	-	24,366
<b>Operating income/(loss) from banking activities</b>	<b>788 670</b>	<b>193 102</b>	<b>36 983</b>	<b>986 369</b>	<b>8 923</b>	<b>995,290</b>
Other income	-	-	-	32 386	507	32 893
Insurance revenue					778 313	778 313
Insurance service expense					(750 270)	(750 270)
Net expense from reinsurance contracts held					(81 991)	(81 991)
Net finance income/expense from reinsurance contracts held					(2)	(2)
Net finance income/expense from insurance contracts issued					(1 578)	(1 578)
Investment income	13 184	-	4 725	17 909	85,726	103,635
Interest in Post Retirement Obligation	-	-	(27 823)	(27 823)	-	(27 823)
Interest on Lease Liability	(211)	(97)	(239)	(547)	-	(547)
Gains and losses on financial instruments	(2 933)	-	-	(2 933)	-	(2 933)
Fair value loss	-	-	(5 297)	(5 297)	2 519	(2 778)
<b>Operating income/(loss)</b>	<b>798 710</b>	<b>193 005</b>	<b>8 349</b>	<b>1 000 064</b>	<b>41 181</b>	<b>1 041 244</b>
Operating expenses	(13 127)	694	(128,405)	(140,838)	-	(140,838)

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENT REPORTING BUSINESS**

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Staff costs	(71,492)	(13,660)	(261,428)	(346,580)	(7 944)	(354,524)
Depreciation and amortisation	(3 000)	(1 809)	(6 928)	(11 737)	-	(11 737)
<b>Net operating (loss)/income</b>	<b>711,091</b>	<b>178,230</b>	<b>(380,448)</b>	<b>499,365</b>	<b>34,779</b>	<b>534 143</b>
Non-trading and capital items	(131)	-	829	698	(13)	685
<b>Net profit/(loss) before indirect taxation</b>	<b>710,960</b>	<b>178,230</b>	<b>(387 583)</b>	<b>501 607</b>	<b>33 223</b>	<b>534 829</b>
Indirect taxation	-	-	(19 407)	(19 407)	-	(19 407)
<b>Net profit/(loss)</b>	<b>710,960</b>	<b>178,230</b>	<b>(406 990)</b>	<b>482 200</b>	<b>33 223</b>	<b>515 421</b>
<b>Other comprehensive income</b>	-	-	<b>(8,824)</b>	<b>(8,824)</b>	-	<b>(8,824)</b>
Actuarial losses on the post-retirement obligation	-	-	17,811	17,811	-	17,811
Revaluation of land and buildings	-	-	2,117	2,117	-	2,117
Profit on financial assets at fair value through other comprehensive income	-	-	(28,752)	(28,752)	-	(28,752)
<b>Total comprehensive income/(loss) for the year</b>	<b>710,960</b>	<b>178,230</b>	<b>(415 814)</b>	<b>473 376</b>	<b>33 223</b>	<b>506 596</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**SEGMENT REPORTING BUSINESS**

Group - 2024

Statement of financial position

	Commercial Development and Business Banking	Corporate Banking and structured Investment	Group Capital and Inter-segment eliminations <sup>1</sup>	Total Bank	Insurance Operations <sup>2</sup>	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>						
<b>Segment assets</b>	<b>9,794,387</b>	<b>61,732,105</b>	<b>(43,143,627)</b>	<b>28,032,895</b>	<b>1,674,204</b>	<b>29,057,070</b>
Working capital (incl. net loans and advances)	9,763,661	61,399,974	(44,720,804)	26,442,830	211,512	26,654,342
Investments	-	322,588	441,584	764,172	1,388,620	2,152,792
Investment properties	31,244	-	74,756	106,000	-	106,000
Property and equipment	(517)	9,544	50,567	59,593	20	59,613
Non-current assets held-for-sale	-	-	9,208	9,208	-	9,208
Intangible assets	-	-	1,062	1,062	-	1,062
Insurance assets	-	-	-	-	74,053	74,053
<b>Liabilities</b>						
<b>Segment liabilities</b>	<b>10,428,846</b>	<b>5,299,046</b>	<b>7,449,826</b>	<b>23,177,719</b>	<b>269,007</b>	<b>23,446,725</b>
Working capital (incl. funding liabilities)	10,414,140	5,286,901	7,101,753	22,802,794	59,614	22,862,408
Provisions	12,064	2,267	53,213	67,544	5,750	73,294
Post-retirement obligation	-	-	282,317	282,317	-	282,317
Lease liabilities	2,641	9,878	12,543	25,063	-	25,063
Insurance liabilities	-	-	-	-	203,643	203,643

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
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**SEGMENT REPORTING BUSINESS**

**Group - 2023**

**Statement of financial position**

	<b>Commercial Development and Business Banking</b>	<b>Corporate Banking and structured Investment</b>	<b>Group Capital and Inter- segment eliminations <sup>1</sup></b>	<b>Total Bank</b>	<b>Insurance Operations <sup>2</sup></b>	<b>Total Group</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>						
<b>Segment assets</b>	<b>11,375,060</b>	<b>53,907,669</b>	<b>(34,169,335)</b>	<b>31,113,394</b>	<b>2,134,485</b>	<b>33,247,879</b>
Working capital (incl. net loans and advances)	11,343,420	53,761,309	(34 767 404)	30 337 325	712 546	31,049,879
Investments	-	136,800	493 625	630 425	1 329 087	1 959 513
Investment properties	31,244	-	66,766	98,010	-	98,010
Property and equipment	396	9,560	24,764	34,720	48	34,768
Non-current assets held-for-sale	-	-	11,359	11,359	-	11,359
Intangible assets	-	-	1,555	1,555	-	1,555
Insurance assets	-	-	-	-	92,803	92,803
<b>Liabilities</b>						
<b>Segment liabilities</b>	<b>14,485,407</b>	<b>7,187,312</b>	<b>6,407,569</b>	<b>28,080,288</b>	<b>164,733</b>	<b>28,245,021</b>
Working capital (incl. funding liabilities)	14,473,062	7,175,244	6,097,054	27,745,360	51,804	27,797,164
Provisions	9,723	2,190	15,187	27,100	5,298	32,398
Post-retirement obligation	-	-	278,864	278,864	-	278,864
Lease liabilities	2,622	9,878	16,464	28,964	-	28,964
Insurance liabilities	-	-	-	-	107,631	107,631

<sup>1</sup> Includes reconciliation to Group results in terms of IFRS 8.

<sup>2</sup> The Insurance Operations consists of LBLIC (Life Insurance) and LBIC (Short term asset and Crop Insurance).

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
**AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**  
**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. In addition, the 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 2024. The identified reportable segments are how the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

**SEGMENTAL REPORTING GEOGRAPHIC**

According to the client's location, 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. 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 - 2024**

**Statement of profit or loss and other comprehensive income**

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense) and Other income	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Interest on Post-Retirement Medical Aid and Lease Liability	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Other Comprehensive Income <sup>1</sup>	Total comprehensive income
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern region	1,985,065	(1,854,499)	130,566	(141,880)	57,344	(38,160)	75,155	(266,213)	(28,226)	(10,731)	(318,711)	(540,857)	88,590	(452,266)
Southern region	605,167	(21,541)	583,626	27,831	6,959	-	(513)	(10,468)	(451)	(3,317)	(41,452)	562,214	-	562,214
<b>Total operations</b>	<b>2,590,232</b>	<b>(1,876,041)</b>	<b>714,192</b>	<b>(114,049)</b>	<b>64,303</b>	<b>(38,160)</b>	<b>74,642</b>	<b>(276,681)</b>	<b>(28,677)</b>	<b>(14,047)</b>	<b>(360,164)</b>	<b>21,358</b>	<b>88,590</b>	<b>109,948</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENTAL INFORMATION**

**Statement of financial position**

	<b>Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment</b>	<b>Working Capital (incl. loans and advances)</b>	<b>Total assets</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>			
Northern region	1,598,386	5,400,948	6,999,335
Southern region	15,433	22,042,302	22,057,735
			-
<b>Total operations</b>	<b>1,613,819</b>	<b>27,443,251</b>	<b>29,057,070</b>
	<b>Working Capital (incl. funding)</b>	<b>Other liabilities</b>	<b>Total liabilities</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Liabilities</b>			
Northern region	17,270,464	358,140	17,628,604
Southern region	5,801,336	16,785	5,818,121
<b>Total operations</b>	<b>23,071,800</b>	<b>374,925</b>	<b>23,446,725</b>

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Group - 2023

Statement of profit or loss and other comprehensive income

	Interest income	Interest expense	Net interest income	Impairment (charges)/ releases, claims and recoveries	Non-interest income/ (expense) and Other income	Operating income from insurance activities	Fair value gains, investment income and non-trading and capital items	Operating expenses and indirect taxes excluding depreciation and amortisation	Interest on Post-Retirement Medical Aid and Lease Liability	Depreciation and amortisation	Staff costs	Net profit/ (loss)	Other Comprehensive Income <sup>1</sup>	Total comprehensive income/ (loss)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Northern region	2,032,141	(2,130,031)	(97,890)	394,537	47,577	(24,931)	91,423	(170,172)	(28,118)	(8,461)	(323,068)	(119,103)	(8,824)	(127,927)
Southern region	733,784	(19,738)	714,046	(26,212)	5,645	-	(1,864)	(6,357)	(252)	(3,714)	(46,768)	634,524		634,524
<b>Total operations</b>	<b>2,765,925</b>	<b>(2,149,769)</b>	<b>616,156</b>	<b>368,325</b>	<b>53,222</b>	<b>(24,931)</b>	<b>89,559</b>	<b>(176,529)</b>	<b>(28,370)</b>	<b>(12,175)</b>	<b>(369,836)</b>	<b>515,421</b>	<b>(8,824)</b>	<b>506,597</b>

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**SEGMENTAL INFORMATION**

**Statement of financial position**

	<b>Non-current assets held-for-sale, investments, intangible assets, investment properties and property and equipment</b>	<b>Working Capital (incl. loans and advances)</b>	<b>Total assets</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>			
Northern region	2,736,805	9,432,457	12,169,262
Southern region	15,604	21,063,013	21,078,617
<b>Total operations</b>	<b>2,752,409</b>	<b>30,495,470</b>	<b>33,247,879</b>
	<b>Working Capital (incl. funding)</b>	<b>Other liabilities</b>	<b>Total liabilities</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Liabilities</b>			
Northern region	19,641,656	902,716	20,544,372
Southern region	7,685,289	15,360	7,700,649
<b>Total operations</b>	<b>27,326,945</b>	<b>918,076</b>	<b>28,245,021</b>

## **ACCOUNTING POLICIES**

### **STATEMENT OF COMPLIANCE**

The Annual Financial Statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS Accounting Standards), as issued by the International Accounting Standards Board (IASB), the requirements of the PFMA and sections 27 to 31 of the Companies Act, being the relevant and corresponding sections of those specified in the Land Bank Act, National Treasury Regulations. These Annual Financial Statements cover the Bank and its subsidiaries.

The Land Bank is not subject to the Banks Act. The Bank is a PFMA schedule 2 entity.

#### **I. Basis of Preparation**

The consolidated and separate financial statements have been prepared by 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 Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in applying the Group's accounting policies. Accordingly, 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.

Full disclosure relating to the directors' going concern assessment can be found in Note 3.2.

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 specific notes.

#### **2.1 Functional and presentation currency**

The consolidated and separate financial statements are presented in South African Rand, 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 2023. 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.

## ACCOUNTING POLICIES

### 3.1 New standards and interpretations

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

#### New standards not yet adopted

IAS 1 Non-Current Liabilities with Covenants-Effective 01 January 2024

Entities to disclose information about covenants and carrying amounts of the related liabilities. This will be material for the Bank as the funding liabilities of the Bank have covenants. However, the estimate cannot be made currently due to the covenants not being monitored as a result of the default position of the Bank Refer to note 17.

#### Adoption of new and revised Standards

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

#### IFRS 17 Insurance Contracts (IFRS 17)

The IASB issued IFRS 17 Insurance contracts in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The company adopted the standard on 1 January 2023 and restated comparative information.

## TRANSITION APPROACH

### LBIC

On the transition date, LBIC is required to release all IFRS 4 related balance sheet balances and raise the corresponding IFRS 17 balance sheet balances. The net difference between the two amounts changes LBIC's retained income on the transition date.

The IFRS 17 balance sheet figures are determined for every liability component, both for the liability for incurred claims as well as the liability for remaining coverage. Any transition balances for the asset for insurance acquisition cash flows split by portfolio and the outstanding unamortised insurance acquisition cash flow balances per group of insurance contracts are also determined. These IFRS 17 amounts are determined retrospectively unless it is impracticable to do so.

The LBIC has adopted IFRS 17 by applying the full retrospective approach whenever practicable to do so for groups of contracts in force as at 1 April 2022. The LBIC considers a retrospective calculation to be impracticable if historical contract data, data on past assumptions and actual cash flows or calculation models do not exist, cannot be obtained or approximated without applying hindsight, or cannot be obtained, built or suitably modified by applying every reasonable effort to do so. The LBIC applied judgement in assessing these criteria.

The LBIC has determined that a full retrospective approach is able to be applied for LBIC for all insurance contracts issued and reinsurance contracts held. No other transition approaches thus needed to be considered. LBIC does not have exposure to general measurement model or variable fee approach contracts and as such does not need to consider impracticability in this regard.

The R9.6 million transition impact in retained earnings is mainly attributable to the IFRS 17 treatment of the binder fee, where 50% of the fee is now amortised and under IFRS 4 100% of the fee was amortised.

## ACCOUNTING POLICIES

	FY2022	FY2022	
	IFRS 17	IFRS 4	Impact
Total assets	564 719	1 579 961	(1 015 242)
Insurance contract assets	85 352	266 040	(180 688)
Reinsurance contract asset	21 505	368 558	(347 053)
Insurance contract liabilities	-	373 907	(373 907)
Reinsurance contract liabilities	3 818	574 265	(570 447)
<b>Retained Earnings</b>	<b>535 546</b>	<b>545 141</b>	<b>(9 596)</b>

### LBLIC

At the transition date, 1 April 2022, LBLIC has released its IFRS 4 assets and liabilities and established its IFRS 17 net carrying amounts. LBLIC was able to apply IFRS 17 retrospectively to determine its IFRS 17 figures for its groups of insurance contracts measured under the premium allocation approach and for its new groups measured under the general measurement model. The older groups of insurance contracts were measured using a mixture of the modified retrospective approach and the fair value approach.

LBLIC has adopted the IFRS 17 standard for reporting purposes for its accounting period starting on 1 April 2023. This is the date of initial application as defined by paragraph IFRS 17.C2. In accordance with this paragraph, the transition date is set to the beginning of the annual reporting period immediately preceding this date, i.e. 1 April 2022.

On the transition date, LBLIC released all IFRS 4 related balance sheet balances and raised the corresponding IFRS 17 balance sheet balances. The net difference between the two amounts changed LBLIC's retained income on the transition date.

The IFRS 17 balance sheet figures was determined for every liability component, both for the liability for incurred claims ("LIC") as well as the liability for remaining coverage

("LRC"). The use of the word "liability" here includes any obligations that are in a negative liability (or asset) position. Any transition balances for the asset for insurance acquisition cash flows split by portfolio and the outstanding unamortised insurance acquisition cash flow balances per group of insurance contracts was also be determined.

The transition assessment was performed on a product-by-product basis (or a groups of products together if the availability of information is expected to be similar across the products). The impracticality is assessed following an identification of the information gaps per product.

The FV was calculated based on LBLIC's IFRS 17 Accounting Policies and assumes a market-related expense assumption (i.e. of a potential competitor) to provide a reasonable representation of the expected costs. This is in line with the FV calculation guidelines as provided in IFRS 13. Overall, the transition to IFRS 17 resulted in a R37.1 million excess assets (or NAV) increase.

	FY2022	FY2022
	IFRS 4	IFRS 17
	R '000	R '000
Total value of assets as per balance sheet	1 249 878	1 247 567
Less reinsurance asset	(4 855)	(2544)
Current assets	590	
<b>Total Assets</b>	<b>1 245 613</b>	<b>1 245 023</b>
Actuarial liabilities	75 805	35 799
Reduction in actuarial liabilities due to reinsurar	(4 855)	(2544)
Current liabilities	5 596	5596
<b>Total Liabilities</b>	<b>76 546</b>	<b>38 851</b>
<b>Excess Assets over Liabilities</b>	<b>1 169 067</b>	<b>1 206 172</b>
<b>Transition Impact</b>		<b>37 105</b>

## ACCOUNTING POLICIES

### Changes to presentation and disclosure

For presentation in the statement of financial position, the group aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

### 3.1. 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. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Since Land Bank went into default in April 2020, the Bank with the help of its corporate advisors and the support of the Shareholder has been working on a solution to cure the default. The Bank under the leadership of the Board has been working in close collaboration with the lenders to construct a solution that will be acceptable to all

stakeholders including the Bank, the Shareholder and the lenders. Continuous engagements including workshops with lenders and bi-lateral engagements continue in order to conclude a viable solution for all. This allows for quick resolution of problematic areas and ensures alignment as the solution is being constructed.

The debt restructuring process, was subsequently concluded post year end with all lenders, implementation took effect on 16 September 2024 curing the event of default for the Bank. Refer to note 35 on the events after reporting date.

Despite the default event, 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.
- The Bank collected over R4.0 bn from own customers.
- At 31 March 2024 Land Bank Group had a cash balance of R12.6 billion, compared to R15.2 billion at 31 March 2023. R5.6 billion of this cash is held in Escrow and is not available for use to the Group.

## ACCOUNTING POLICIES

- Interest on funding liabilities continues to be serviced.
- A total of R1.4 billion has been paid to Guaranteed lenders on behalf of the Bank by the Shareholder;
- Therefore, capital repayments totaling R24.0 billion have been made to reduce funding liabilities since default. The last capital voluntary repayment was paid in June 2023 which is a cumulative reduction of 60%. There is a final planned capital repayment as part of the conclusion of the Liability Solution 5, this will further improve this ratio.
- For the year under review, the Bank managed to disburse a total amount of R723m under the Blended Finance Scheme, comprised of R358m in loans and R365m grants. Although the disbursed amounts fell below the set targets, this level of support to the sector represents the highest amount ever directly deployed by the Bank towards individual Black (and majority Black-owned) clients over the past decade.
- During the FY2023 and FY2024 financial periods, the Shareholder transferred the R7bn that was appropriated in favour of Land Bank during February 2021. In total R10bn appropriated to Land Bank since default has been transferred by the Shareholder with ~R4.5bn paid to the Bank and directly settling guaranteed debt and the balance transferred to the Escrow account pending conclusion of the liability solution
- The revised operating model was approved by board. Consultation on the Funding Business Case has been initiated with National Treasury.
- The funds on the Escrow account have been released as the remaining equity condition was met, which was the curing of the default.

- The Land Bank has sufficient and adequate cash flows to meet its obligations in the foreseeable future.
- 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.

### 3.2. Consolidation process

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.

Consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC and LBIC as at 31 March 2024. Intra-group transactions are eliminated upon consolidation.

Investments in subsidiaries are measured at cost at acquisition and subsequent measurement on each reporting date.

The financial statements of LBLIC and LBIC are prepared using consistent accounting policies to the Land Bank. Furthermore, the annual financial statements have been prepared in accordance with the requirements of the Insurance Act 18 of 2017.

### 3.3. Critical accounting judgements and key sources of estimation uncertainty

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 and 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 36 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

## ACCOUNTING POLICIES

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.

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.

### 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.

### Management expense provisions

At each statement 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.

### Insurance contracts

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are highlighted below with more detail provided in the specific notes to which they relate:

Insurance contracts – note 3.17 and 3.18:

- Unit of account
- Premium allocation approach eligibility
- Liability for incurred claims
- Discount rates
- Confidence Levels
- Risk adjustment for non-financial risk

Determining the present value of future cash flows

### 3.4. Critical judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS requires that management make use of estimates, assumptions and judgements that affect the application of the accounting principles and reported amounts of assets and liabilities at the statement of financial position date as well as the reported income and expenses for the year.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although estimates are based on management's best knowledge, experience, insight and judgement of current facts at the statement of financial position date, the actual outcome may deviate from these estimates, possibly significantly.

### 3.5. Determining the probability-weighted mean

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

### 3.6.1 Insurance Liabilities

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 insurance company, principally in respect of the insurance liabilities of the company.

The present value of future cash flows of these insurance liabilities is required under the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). Where the premium allocation approach is applied to a group of insurance contracts, the requirement to determine the present value of future cash flows under the LRC is only needed if the contract is onerous or in some cases to demonstrate the eligibility of approach to the group.

For the LIC, which aren't assumed to be settled within the month the claim is incurred, historic experience is used to derive the balance of claims still to be settled and the settlement pattern. Where data is insufficient, a point estimate of the ultimate claim ratio is used often in combination with the historic data.

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 known facts and experience from a variety of sources as well as statutory requirements.

**Fair value of non-current assets held for sale** – At each balance sheet date, the fair value is determined through valuation by an independent expert and then set against the carrying amount less costs to sell, which include a degree of estimation.

Where significant past events have resulted in experience in that year differing from the "norm", this experience is separated out for analysis purposes and assessed separately for inclusion in the projection assumptions at an appropriate level given the likelihood of this experience repeating itself in the future. Large claims are also analysed separately from the main body of claims due to the different pattern of claim development from the date the claim incurred. Relevant historic data is chosen and it used to inform the underlying assumption to produce a reasonable estimate of the probability weighted mean.

Estimation of expected claim and claim-related expense cash flows

The LIC is the notified outstanding claims provision i.e., claims pending plus the incurred but not reported claim reserve ("IBNR") and the incurred but not enough reported ("IBNER") reserve. The latter is set using an average cost of claims approach for claims that occurred and are currently being assessed (i.e. where number is known but not the severity). Claims-related expenses are also calculated and added to the LIC.

### 3.6.2. Liability for incurred claims

The best estimate provision for LIC relates to claim events that have occurred before or at the reporting date – whether the claims arising from these events have been reported or not (incurred but not reported – IBNR). The best estimate liability also includes directly attributable claims management expenditures to account for the cost of managing the final run-off of the claims provisions. The claims expected to be paid during the reporting period in respect of the prior year's closing LIC are estimated using an analysis of historic settlement patterns.

### 3.6.3 Claims incurred but not reported (IBNR)

The IBNR Claims Provision is held in respect of those claims that have occurred but are yet to be reported by the measurement date. The number IBNR claims are determined with reference to claim reporting delays patterns as per recent claims experience, to which the severity of the claims is applied to arrive at the IBNR Claims Provision. A separate calculation is carried out to calculate the reinsurance portion of the IBNR reserve. A joint bootstrap simulation of the number of IBNR claims and the inflated cost of claims is performed to determine the IBNR Claims Provision at a 75% sufficiency level, to derive the risk adjustment.

The IBNR for LBIC's crop business is not large as claims are required to be reported within seven days. IBNR claims therefore hardly exist for periods longer than three months and the IBNR is not expected to be large, except

## ACCOUNTING POLICIES

possible in the month of calculation. Due to limited asset historical data, an asset IBNR is held by calculating loss ratio over the past five years and applying that a pricing loss ratio to gross written premium of the past three months.

### 3.6.4 Notified Outstanding Claims Provision

Notified Outstanding Claims Provisions ("NOCP") within LBIC include estimates for Pending Claims and Incurred But Not Enough Reported ("IBNER").

Outstanding Claims 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 case by case basis with due regard to the specific circumstances, information available from the insured and/or assessor and past experience with similar cases. The company'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 process are reflected in the statement of comprehensive income as and when identified.

The assessed claims are the "Pending Claims" part of the NOCP. Where a claim has been adequately assessed, it is unlikely that there is further variation to the claim estimate. As the claims are assessed by suitable qualified,

trained and competent assessors, there are hardly significant differences between the case estimates and what is eventually paid. The pending claims as reported are taken as they are and no further actuarial assessment is conducted. The provision for outstanding claims is estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries.

In instances where a notified claim is pending assessment and/or has a nil claim provision, it is considered as IBNER. Where there are nil claims provisions, LBIC's actuarial team estimates the IBNER by applying the average cost per claim to the number of IBNER claims using inflated historical claims.

For the claims that remained unassessed, the sufficiency of the IBNER claims provision is tested by applying the average claim cost to the number of IBNER claims. A bootstrap simulation of the claim amounts is done to test the IBNER at a 75% sufficiency level, to determine the risk adjustment.

### 3.6. Claims-related expenses

Claims handling expenses are expenses that LBIC pays in relation to the processing and payment of claims. Both the ALAE and ULAE are expressed as percentage of claims incurred in the applicable financial year, in line with the underwriting reports. No allowance is made for policy maintenance expenses that are not related to claims as these are provided for by the fee to the UMA. LBIC expenses, if any, are insignificant in this regard.

Allocated Loss Adjustment Expenses ("ALAEs") are claim handling expenses attributed to the processing of a specific insurance claim. These are claim assessment fees paid to claim assessors, but could also include legal fees if applicable. The ALAE is added on top of the IBNR and IBNER since pending claims are already assessed. A separate calculation is carried out to estimate reinsurance recoveries.

Unallocated Loss Adjustment Expenses ("ULAEs") are claim handling expenses that cannot be attributed to specific claims, such as the cost of the general time management spends on claims related matters, overheads, salaries and investigations. These expenses are more of a general nature and not directly related to claims.

In LBIC's case, ULAE are largely incurred in respect of claims that have already been assessed, and therefore it is reasonable to estimate these based on claims paid in a period. No reinsurance applies on the ULAE and thus no reinsurance recoveries are calculated on the ULAE. The same risk adjustment for the outstanding claims applies for the ALAE and ULAE.

Liability for remaining coverage

### 3.7.1 Unearned Premium Provision

The company raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. The estimate for unearned premium provision ("UPP") is the portion of claims not incurred

## **ACCOUNTING POLICIES**

as yet by the end of March each year. The UPP 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 policies.

The non-uniform nature in which crop exposure is earned (by calendar year or policy duration) is analysed in relation to the historic frequency and timing of the perils and the severity of the resulting claims, and a functional relationship established using the Premium Earnings Curve. The unearned premium for crop policies is calculated according to the claims occurring patterns based on a recent historic claims analysis of claims incurred.

The unearned premium for the agri-asset ("asset") portfolio is calculated assuming a straight-line earnings pattern, spreading the premiums evenly throughout the contractual term. No UPP is held for monthly policies as the term is short and premiums earned as they are written, with the business expected to be profitable.

The earnings curve assumption is not entirely critical on its own since an assessment for the need to set-up the additional unexpired risk provision is more important in ensuring sufficiency of reserves than the earning of written premiums. At each statement 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 statement of financial position date, to cover the anticipated claims and operating expenses, a

separate provision (LC") is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and claims severity and other factors affecting the need for a provision for unexpired risk and performed annually. Simulations of aggregate claims are done by simulating both the number of claims that may arise from a Poisson distribution as well as the claim amounts thereto (historical bootstrapping), utilizing the inflated claims data. The average of the simulated aggregate claims is the best estimate unexpired risk provision and a risk adjustment is held at a 75% confidence interval.

The provision for unearned premiums is first determined on a gross level and thereafter the reinsurance impact is recognized based on the relevant reinsurance contract. The UPP is calculated gross of DAC using the Premium Earnings Curve. The final UPP net of DAC is then calculated by netting the acquisition costs for brokers and the UMA fee (where applicable).

### **3.7.2 Deferred Acquisition Cost**

The deferred acquisition cost ("DAC") can be thought of as the amount of commission recoverable from intermediaries if the company had to refund premiums to all its policyholders. The company calculates the DAC based on the premium earnings curve in a similar manner as the UPP calculation, using the percentage of premium payable to. LBIC calculates the DAC based on the Premium Earnings Curve in a similar manner as the UPP calculation, using the percentage of premium payable to

UMAs and to brokers. DACs are amortized at incidence of risk basis and are deferred over the period in which the related premiums are earned.

From the time that a group of insurance contracts is considered to be onerous until the end of coverage period (as determined by the IFRS 17 contract boundary), all future valuations of the group will include the determination of the LC.

### **3.7.3. Loss Component**

The UPP and the loss component raised are utilised together with the written premium, premium receivables and bad debts to obtain earned premium or revenue under the PAA approach. This is obtained through the IFRS 17 implementation tool.

Where the PAA is used as the measurement approach, onerosity is established through the presence of facts and circumstances that indicate this to be the case. Only then are calculations performed (again, either at initial recognition or subsequently). As per the aggregation policy facts and circumstances would include the process to set premium rates or from business-as-usual profitability monitoring and internal reporting processes.

PV\_Cf<sub>t</sub> and RAt are the present value of future cash flows and risk adjustment for non-financial risk measured at time t respectively measured as per the GMM requirements; and LRC\_PAA<sub>t</sub> is equal to the measurement of liability for remaining coverage described in paragraph IFRS 17.55.

## ACCOUNTING POLICIES

PV\_Cf<sub>t</sub> would include the balance of any premium debtors and commission creditors that were included in the calculation of LRC\_PAAt. The cash flows for PV\_Cf<sub>t</sub> and RA<sub>t</sub> are produced in the cash flow projection model off IFRS 17 implementation tool.

The loss component ("LC") at initial recognition and subsequently is determined using the formula:

$$LC_t = PV\_Cf_t + RA_t - LRC\_PAA_t$$

where

PV\_Cf<sub>t</sub> and RA<sub>t</sub> are the present value of future cash flows and risk adjustment for non-financial risk measured at time t respectively measured as per the GMM requirements; and

LRC\_PAAt is equal to the measurement of liability for remaining coverage described in paragraph IFRS 17.55.

PV\_Cf<sub>t</sub> would include the balance of any premium debtors and commission creditors that were included in the calculation of LRC\_PAAt. The cash flows for PV\_Cf<sub>t</sub> and RA<sub>t</sub> are produced in the cash flow projection model off IFRS 17 implementation tool.

The assumptions underpinning the LC feed into the IFRS 17 implementation tool are the incurred loss ratio, ALAE, ULAE and the Risk Adjustment for summer crops (no loss component was raised for winter crops and fruit and asset portfolios).

The LRC is a forward-looking reserve and therefore includes more uncertainty relating to non-financial risk than retrospective reserves held for events that have already occurred and for which experienced has emerged. The liability for remaining coverage is then determined as follows:

$$LRC = UPP - \text{Premium Receivables} + \text{Premium Payable} - DAC + \text{Commission Payable} - \text{Commission Receivables}$$

All claims incurred are paid or received in one year or less from the date the claims are incurred. Thus, LBIC's claim settlement pattern is under one year and LBIC applies no discounting. The amount of earned premium or payments due after one-year are immaterial to LBIC.

### 3.7.4 Incorporation of premium and commission debtors and creditors

Under IFRS 17, premium and commission debtors and creditors are no longer separately held on the balance sheet. Any provision for bad debts in respect of premiums is also no longer held separately.

All other things being equal, under the PAA, if premium due is earned prior to it being received, the LRC will be in a negative, asset position. Thus, a premium debtor is only held on the balance sheet to the extent that it has been earned.

The treatment of commission creditors depends on the option chosen by LBIC with respect to expensing

insurance acquisition cash flows as they are incurred versus amortising them over the coverage period. LBIC amortises commission but expensing all other insurance acquisition cash flows.

In light of this, commission creditors are thus treated in the same way for premium debtors under IFRS 17. Only commission creditors related

to amounts already amortised are held in the LRC and hence on the balance sheet. For the amount still to be amortised, both the amounts already paid as well as the amounts still outstanding are taken into account.

## 3.7. 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 amortization 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.

## **ACCOUNTING POLICIES**

### **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.

#### **(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

### **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.

### **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.

## ACCOUNTING POLICIES

Land and buildings comprise owner occupied property. Land and buildings are shown at fair value, based on valuations by external independent valuers, 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 Statement 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; to the extent that decreases exceed the Revaluation reserve the 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.

Reversals of impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus of the asset. However, to the extent that an impairment loss on that asset was recognised directly in profit and loss, that reversal shall be to profit and loss. 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 equity is reclassified to profit and loss.

Land and Buildings are revalued annually at balance sheet date.

### 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

## **ACCOUNTING POLICIES**

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 programmes are recognised as an expense as incurred. Computer software license 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 license agreement extend beyond 12 months, the software license would be capitalised as an intangible asset and amortised on a straight-line basis over the period of the license agreement.

### **I. 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 been added. Other - Commodity software.

Residual values are reviewed at each financial year end and adjusted if appropriate.

<b>Item</b>	<b>Depreciation Method</b>	<b>Average useful life</b>
Tier 1 asset	Straight line	10 years
Tier 2 asset	Straight line	5 years
Other	Straight line	3 years

## ACCOUNTING POLICIES

### 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 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.

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.

#### 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.

## ACCOUNTING POLICIES

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 36.

### 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 or 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.

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 amortization 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 is reclassified into 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.
- Financial guarantee contracts and loan commitments.

### 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

## ACCOUNTING POLICIES

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 statement 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 statement 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 movements in FVTOCI.

All strategic trading asset and repurchase agreements are recognised in the statement 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.

### 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 4.

### Derecognition of financial asset

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:

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

- (2) 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

## ACCOUNTING POLICIES

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 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.

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".

## FINANCIAL INSTRUMENTS

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 exists.

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 I: 12months 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.

### 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".

## ACCOUNTING POLICIES

The group considers its historical loss experience and adjusts this for current observable data. In addition, 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.

### 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 3 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.

### 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 statement of financial position of the Group.

### Trade and other receivables

For trade and other receivables only, the Bank applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables if there is no significant financing component. Under this approach the tracking of changes in credit risk is not required, instead lifetime expected credit losses are recognised. ECLs are

## **ACCOUNTING POLICIES**

recognised in profit or loss. The provision matrix will be used to calculate the impairment for credit losses. The Bank will use the historically observed default rates (actual write-off) over the expected life of the trade and other receivables adjusted as necessary to reflect current conditions to calculate the default rate in the provision matrix. Adjustments will be made for forward-looking information based on economic conditions. The default rate calculated in the provision matrix will be adjusted for economic conditions. The total book debt is segregated into different categories of trade and other receivables and the default percentage is applied on the balance per category to calculate the ECL allowance

### **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.

### **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.

### **3.14. Leases**

#### **Lessee accounting policies**

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. At inception of a contract, the Group assesses whether a contract is, 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 recognizes 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.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from

## ACCOUNTING POLICIES

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 recognize 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 recognized 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 statement 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.

## **ACCOUNTING POLICIES**

### **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, 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 statement of financial position date. Realisable value is determined using market-based valuations performed by a sworn appraiser at the statement 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.

#### **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.

## **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.

#### **(ii) 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.

## ACCOUNTING POLICIES

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

### (iii) 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 statement 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 statement of financial position and in the statement 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 statement of financial position in respect of defined benefit medical plan is the present value of the defined benefit obligation at the statement of financial position date. The benefit obligation at the statement 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. 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

## ACCOUNTING POLICIES

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.

### 3.18. 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.

### 3.19. Insurance Contracts LBLIC

LBLIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

Contractual Assessment – Direct Business:  
LBLIC underwrites the following products:

- Level Individual Term Assurance
- Decreasing Individual Term Assurance · Group Credit Life

Each product's contractual terms are assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. In particular, in accordance with the application guidance IFRS 17. B3, and IFRS 17. B5 – IFRS 17. B35, the contractual terms are assessed to establish whether:

- i. The policyholder is a separate party to LBLIC,
- ii. There is insurance risk transfer where the policyholder was exposed to the non-financial risk(s) insured prior to issuance of an insurance contract,
- iii. There is at least one plausible scenario, where, on a present value basis, the premium paid by the policyholder was materially insufficient to cover the expected benefit payments and directly attributable expenses,
- iv. The benefit payment is compensating the policyholder (whether in part or in full) for being adversely affected by the occurrence of an insured risk event; and
- v. The event is itself is a future event and is uncertain (either in amount and/or timing). This would include events where the event is defined in terms of reporting the incident rather than the occurrence of the insured risk itself.

All products meet the above-listed requirements and hence qualify as insurance contracts.

Contractual Assessment – Reinsurance Agreements:

LBLIC previously reinsured its business using a single Quota Share Reinsurance Arrangement, i.e. there's no reinsurance on existing and new business as the LBLIC is currently optimising its reinsurance arrangement. However, reinsurance was assessed as follows:

## ACCOUNTING POLICIES

The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. Of particular importance was the establishment whether the insurance risk transferred to the reinsurer was first transferred to LBLIC from the policyholder. If this test was to fail, the agreement would not fall within the scope of an insurance contract and be treated as an expense for accounting purposes.

The reinsurance agreement qualifies as a reinsurance contract held.

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. In particular, this relates to:

Distinct investment components,

Embedded derivatives not closely related to host insurance contract, and

Distinct goods and services.

LBLIC does not have exposure to investment components, embedded derivatives and distinct goods and services within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

### 2. Level of Aggregation

LBLIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty, further splits each underlying product type assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable insurance contracts between those with no significant possibility of becoming onerous from those with a possibility of becoming onerous. For insurance contracts measured under the premium allocation approach and where an insurance contract issued for a particular product has been loss-making in the past, the profitability bucket for insurance contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the present value of net cash flows calibrated to a 95th percentile is still profitable, then contracts will be assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio

Step 2: Assign the contract to a group such that the issues dates are not more than a year apart

Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

Portfolio recommendation

Based on the above, the chosen portfolios are:

- Individual Credit Life (Level)
- Individual Credit Life (Decreasing) · Group Credit Life

The reinsurance treaty for group credit life is an annual policy and is renewed each year based on updated reinsurance terms. Group renewals thereof where these are of a similar structure together in a portfolio. The treaty provides reinsurance cover for multiple insurance contract portfolios where the treaty is combined into one for convenience purposes. The treaty is split into multiple portfolios per product type to allow for internal management reporting to view the business on a net of reinsurance basis.

## ACCOUNTING POLICIES

The portfolios are:

- Term Assurance (Level and Decreasing)
- Group Credit Life

### Cohort Period

IFRS 17 requires portfolios of contracts to be divided into time buckets, referred to as cohorts. For LBLIC's group business, overall scheme performance is measured on a financial year basis (i.e. 1 April – 31 March). The Term Assurance (Level and Decreasing) and Group Credit Life reinsurance agreement is aligned to the financial period. All cohorts are thus aligned with the financial year.

### Profitability Buckets

- Insurance contracts issued – Level of granularity

There are no legal or insurance regulations that prevent LBLIC from having the practical ability to set a different price or level of benefits for policyholders with different characteristics. As such the minimum level of aggregation required, after allocating contracts to portfolios and ensuring that issues dates are not more than one year apart, is to assign each insurance contract based on the profitability expectations at initial recognition to a profitability bucket:

No significant possibility of becoming onerous ("NSPBO")

Onerous  
 Remaining

- Insurance contracts issued – Premium allocation approach

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For LBLIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

### Threshold for NSPBO

In order to divide the current profitable insurance contracts into those with no significant possibility of becoming onerous and those with a possibility of becoming onerous, the volatility of prior claim experience was analysed on a per product basis. If, in any of these years, a contract was loss making, the product is automatically assumed to not have a NSPBO profitability bucket. Only two profitability buckets are therefore established (i.e. Remaining and Onerous).

- Insurance contracts issued – General Measurement Model and Variable Fee Approach

For the general measurement model, an actuarial projection is carried out on a per contract basis. For all new insurance contracts written in the reporting

period, the prior year IFRS 17 assumptions are used to value the present value of expected cash flows and the risk adjustment for non-financial risk at the date of initial recognition. Where this amount is positive (i.e. expected outflows are greater than expected inflows), the contract is assigned to an onerous group. Where the amount is negative, an additional step is required to assign the profitable contract in either the "remaining" bucket or the "NSPBO" bucket.

For each product, a profit threshold is set such that expected profitability above the threshold is assigned to the NSPBO and the rest is assigned to the remaining bucket. The profitability metric is defined as:

$$\text{profitability metric} = \frac{\text{present value of risk} - \text{adjusted cash flows}}{\text{present value of premiums}}$$

Where the present value of risk-adjusted cash flows is the present value of future cash flows plus the risk adjustment for non-financial risk.

The threshold percentage is set at a 95th percentile which is determined using the same technique used to determine the confidence level for the risk adjustment for non-financial risk.

- Reinsurance contracts held

The accounting treatment for reinsurance contracts held is the same regardless of whether a group of insurance contracts is classified as a net gain, no significant possibility of a net gain ("NSPBG") and the remaining category. As

## ACCOUNTING POLICIES

such, where a reinsurance agreement is in a group of its own after applying the portfolio and cohort year split, there is no need to assess the profitability of the agreement. All of these groups will be assigned a “Remaining” category.

### 3. Contract Recognition and Derecognition

LBLIC's insurance contracts are mostly recognised from their commencement or renewal date, except where the first premium is due earlier than in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBLIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

The Standard requires a contract to be derecognised when LBLIC is no longer at risk and is therefore no longer

required to transfer any economic resources to satisfy the insurance contract. The practical application of contract derecognition within LBLIC is specific to the liability component in question.

The general principals are as follows:

1. For contracts measured under the liability for remaining coverage,
  - a. when the contract's coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim and/or policyholder death if the latter isn't an insured benefit,

and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:
  - a. Where a claim has been reported and this claim is fully settled or repudiated, and
  - b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.

The requirement to derecognise a contract from a group due to a contract modification is not necessary for LBLIC as there were no contract modifications identified that would result in a change in the allocation of the IFRS 17 group.

### 4. Expense allocation

IFRS 17 provides principle-based guidance on the determination of expenses which should be included in the measurement of insurance contracts and how each expense category should be measured. Expenses which are regarded as “directly attributable” are within the scope of IFRS 17 (as per paragraph IFRS 17. B65 and IFRS 17. B66).

LBLIC's expenses are largely considered to be directly attributable to insurance contracts. These costs are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable costs are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBLIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach and will amortise the remainder of its insurance acquisition cash flows over the passage of time using the number of policies expected to be in force over the coverage period of each group of insurance contracts. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

## ACCOUNTING POLICIES

### LBLIC has adopted an all-in approach in terms of expense allocation.

This approach is useful to “exclusively” insurance and reinsurance companies writing only insurance contract business. The starting point is to assume 100% of all expenses are directly attributable to insurance activities and then these are reduced by expenses that do not qualify for being directly attributable on the nature of the expense and any IFRS 17 specific exclusions.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBLIC, these include:

- insurance acquisition cash flows;
- claim handling costs;
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements).
- value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

LBLIC has defined four expense categories:

#### i. Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued or reinsurance contract issued.

The general principle under IFRS 17 is that insurance acquisition cash flows must be amortised over the coverage period. The exception for insurance contracts measured under the premium allocation where every contract has a coverage period under one year is that there is an option to rather expense these costs when they incur. LBLIC is proposing to adopt this accounting policy option for all insurance acquisition cash flows where these relate to groups measured under the premium allocation approach

Theoretically, where these costs are incurred prior to the commencement of an insurance contract that is to be measured under the general measurement model, these amounts are capitalised as an “insurance acquisition cash flow asset” which is held at an IFRS 17 portfolio level (see the aggregation policy for more details). As the insurance contracts to which these costs are to be allocated are recognised, these costs are derecognised from this asset and recognised within the group of insurance contract’s liability.

Both for the above allocated insurance acquisition cash flows and those that are incurred on or after the date of insurance contract recognition, these costs are included

as part of the fulfilment cash flows within the liability for remaining coverage. A portion of the premiums receivable under the contracts are set aside to cover these insurance acquisition cash flows and these costs and the corresponding premium are recognised together over the coverage period.

LBLIC does not incur material insurance acquisition cash flows prior to the recognition of an insurance contract. The lead-time from the incurrence of these costs until the contracts for which these costs were incurred are recognised is also typically under one month. As such, LBLIC is proposing not to incorporate the use of the insurance acquisition cash flow asset. Insurance acquisition cash flows with thus be allocated directly to groups of insurance contracts as they are incurred.

#### ii. Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

## ACCOUNTING POLICIES

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as “policy administration and maintenance expenses”. As the expenses are paid, the liability for incurred claims is released

### iii. Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first needs an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads

### iv. Non-Attributable Expenses

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard

## Expense allocation principles

Under IFRS 17, insurance acquisition cash flows and other directly attributable expenses must be allocated down to a group of (re)insurance contracts level.

The following principles shall guide the allocation of expenses under IFRS 17:

- 1.1 Expenses are considered to not be attributable if the cost would not have been incurred if LBLIC was not an insurance entity.
- 1.2 Expenses are considered to be directly attributable if the cost is incurred only as a result of entering or attempting to enter into an insurance contract or due to a contract being in-force.
- 1.3 Expenses shall be allocated to the insurance contract that generates the expense. The allocation shall be based on the relative benefit that the contract receives from the expense.
- 1.4 Insurance acquisition cash flows shall be allocated to the contract at the inception of the contract. The allocation shall be based on the expected benefits that the contract will provide over its lifetime.
- 1.5 A reasonable method must be used to allocated expenses where the costs are not incurred at a group of (re)insurance contracts level.

The allocation of expenses shall be reviewed periodically to ensure that it remains reasonable and consistent.

## Allocation Methods

The following methods are used to allocate expenses under IFRS 17:

### Direct Tracing:

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

### Proportional Allocation:

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract

### General Allocation:

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For example, the time spent and level of skill level required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

## ACCOUNTING POLICIES

### 5. Measurement and approach principles

The contract boundary is the policy term for the Individual Decreasing Term Assurance and Individual Level Term Assurance products, while it is one year for the Group Credit Life. The contract boundary for the aggregated reinsurance agreements is 1 year.

The GMM is used for the Individual Decreasing Term Assurance and Individual Level Term Assurance products due to their long duration, while the PAA is applied to the Group Credit Life and Quota Share reinsurance agreements due to their coverage period not exceeding a year (12 months).

The default measurement approach specified by the IFRS 17 Standard is the general measurement model ("GMM"). This applies to insurance contracts issued as well as reinsurance contracts issued and held.

Where the contract boundary is one year or less, an entity has the unrestricted option to choose whether to apply the simplified approach called the Premium Allocation Approach which shall be referred to as "PAA". Contracts with a contract boundary greater than one year do not automatically qualify for the PAA but, where LBLIC does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred, the PAA may be applied in accordance with IFRS 17.53.

As a general rule, LBLIC wishes to minimise the impact of moving to IFRS 17 and thus maximise the use of existing actuarial valuation methodology. Short duration contracts will be measured using the PAA, where possible, and long duration contracts will be measured using the GMM.

**Contract Boundary of Insurance Contracts Issued**  
 When determining the contract boundary of a contract, LBLIC reviews the contractual terms of a contract.

The contract boundary assessed for each product is listed below:

Product	Contract boundary
Individual	Full policy term (determined at policy level)
Individual	Full policy term (determined at policy level)
Group	1 Year (determined at policy level)

#### Contract Boundary of Reinsurance Contracts Held

The contract boundary considerations are similar to those applied to insurance contracts issued with some differences.

Non-proportional agreements, such as excess of loss, catastrophe and stop loss agreements, have a defined coverage period and no ability to terminate the agreement prior to the end of the coverage period. The contract boundary is thus the end of the coverage period in all cases.

For proportional reinsurance contracts held, which include surplus and quota share agreements, there are two contract boundaries to consider. For annual agreements, there are typically no early termination clauses or the ability for the reinsurance to amend premium rates. The reinsurer in each agreement is obliged to provide cover for all insurance contracts issued that fall within the scope of the agreement and are issued over the coverage period of the reinsurance agreement. Once ceded, each insurance contract will remain reinsured until the end its coverage term.

The contract boundary for existing ceded contracts is the latest contract boundary on all ceded contracts.

With respect to new underlying insurance contracts still to be issued, LBLIC is obliged to cede these contracts to the reinsurer under the reinsurance agreement and the reinsurer is obliged to accept them until the end of the reinsurance agreement's coverage period. The contract boundary with respect to new insurance contracts is therefore the end of the reinsurance agreement's coverage period.

The contract boundary assessed for the aggregation of the reinsurance agreements is 1 year.

#### PAA eligibility testing

IFRS17.53 requires that the PAA must produce a measurement of the liability for remaining coverage for the group that would not differ materially from that produced under the GMM.

## ACCOUNTING POLICIES

- i. Assess whether the key criterion of a maximum of 12-month coverage period (paragraph IFRS17.53b) is met for all contracts within the group of contracts. If not, ii. Perform a qualitative assessment to identify and assess potential critical features to assess whether there may be a risk of a substantial mis-estimation by the PAA. If the test fails, then
- ii. Perform a quantitative assessment to validate the hypothesis that the measurement models do not substantially differ. If this test fails, then
- iii. Determine the materiality of the potential misstatement for LBLIC.

The sequential steps are only carried out until the test is successful. If, after step iii, the test has still failed, the general measurement model (“GMM”) is applied unless the product itself is not material. LBLIC will only use the PAA where it believes future annual testing of eligibility will produce a similar successful result. LBLIC may choose to move from test i down to step iv and not conduct the interim qualitative or quantitative tests.

Following the above assessments, the following recommended measurement approaches are applied:

Product/Reinsurance agreement	Contract boundary
Individual Decreasing Term Assurance	General Measurement Model
Individual Level Term Assurance	General Measurement Model
Group Credit Life	Premium Allocation Approach
Quota share agreement	Premium Allocation Approach

For the long duration contracts (Individual Decreasing Term Assurance and Individual Level Term Assurance) to maximise the use of existing actuarial valuation methodology. These products were thus not assessed for PAA eligibility.

As the Group Credit Life length of coverage is a year, it is eligible for the PAA approach, and no further eligibility testing is required. Similarly, the aggregated reinsurance agreement has a contract boundary of a year, and thus the PAA is applied without further need for eligibility assessment.

### 6. Discount rates

LBLIC has adopted a bottom-up approach for its discount rate methodology under IFRS 17. This will involve the use of the JSE's monthly risk-free yield curve that takes the term structure of the underlying government bonds into account. To this curve, a liquidity risk premium adjustment is applied based on the liquidity characteristics of the products. Four product liquidity characteristic buckets have been defined, namely: Fully Liquid, Partially Liquid, Moderately Illiquid and Fully Illiquid.

For all new insurance contracts written during the reporting period, the discount rate at initial recognition, prior to the addition of the liquidity risk premium, will be set equal to the prior financial year's closing discount rate. No adjustments have been made to the curve in respect of credit risk.

### 7. Risk adjustment for non-financial risk methodology and the application of this methodology

The IFRS 17 carrying amount includes an explicit component called the risk adjustment (“RA”) for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBLIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also included.

## **ACCOUNTING POLICIES**

For the Level Term Assurance and Decreasing Term Assurance products, a Margins for Adverse Deviation Technique is used to determine the Liability for Remaining Coverage risk adjustment. A Value at Risk (“VaR”) approach is used for the Group Credit Life Liability for Remaining Coverage risk adjustment.

For PAA business, the RA is based on the confidence interval approach. The best estimate loss ratios are determined and assumed to represent a 99.5% confidence interval. Assuming that the loss ratios are normally distributed, the corresponding loss ratio at a 75% confidence interval is calculated. The RA is then set to the difference between the best estimate loss ratio and the ratio at a 75% confidence level.

The risk adjustment for the Liability for Incurred claims is determined through the VaR approach. The risk adjustment is calculated at a confidence level of 75%.

Using the VaR approach, a “target” VaR is derived. The SAM stresses are used as a reference point assuming that they correspond to a 99.5% confidence interval. It is further assumed that risks are normally distributed where the best estimate liabilities reflect a 50% confidence interval (i.e. 50% chance of being insufficient). Based on these assumptions, a 75% VaR is derived using the 99.5% VaR from the SAM calibrations. This is then disaggregated by IFRS 17 portfolio level and risk type whilst still accounting for any diversification benefits.

The following risks have been included in the derivation of the RA: mortality risk, longevity risk, expense risk and disability risk. Mass Lapse and Catastrophe Risks were excluded from the calculation. This was deemed reasonable given that the RA has been calibrated for a 1-in-10-year event (90% confidence interval). Operational Risk has been excluded based on the assessment that the Operational Risk LBLIC is exposed to is not directly attributable to any contract under IFRS 17, but rather entirely general operational risk.

### **8. Reinsurer Risk of Non - Performance**

LBLIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivables.

Paragraph 63 of IFRS 17 Insurance Contracts, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

#### **Contractual Service Margin (CSM) Methodology**

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that LBLIC expects to recognise as it provides insurance contract service.

At initial recognition, the CSM has been determined at an individual contract level based on the profitability of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net inflows at initial recognition) or onerousness of the contract (i.e. fulfilment cash flows allocated to the contract and all cash flows arising from the contract are net outflows at initial recognition).

For contracts regarded as profitable at initial recognition (i.e.  $BEL + RA < 0$ ), the CSM is set equal to  $-(BEL + RA)$  to ensure the entity does not recognise the expected profit under the contract at inception. For contracts regarded as onerous at initial recognition (i.e.  $BEL + RA > 0$ ), a Loss Component for the LRC is set-up equal to the  $(BEL + RA)$  thereby recognising the loss immediately at initial recognition in accordance with paragraph 49 of the Standard.

The determination of either the CSM or loss components on initial recognition is identical for all contracts regardless of the measurement approach used.

### **9. Coverage Units**

The IFRS 17 liability for expected future profits, called the contractual service margin, is held in respect of LBLIC's insurance products and reinsurance agreements where these are measured under the general measurement model. The contractual service component is released over the coverage period for each group of insurance contracts as the insurance contract services are provided

## ACCOUNTING POLICIES

in respect of these contracts. The metric (termed a coverage unit) used to determine the amount of service provided in each period is the total sum assured or total sum reinsured in respect of that period.

The impact of the time value of money on the contractual service margin is material for LBLIC and has therefore chosen to discount the coverage units used to spread the contractual service margin over the coverage term. The discount rate applied to products measured under the general measurement model approach is the rate applicable at the initial recognition of each group of insurance contracts.

### Insurance Revenue

The insurance revenue recognised for insurance contract services provided in the period, for contracts measured under PAA, is the portion of expected premium receipts allocated to (i.e. earned in) the period.

LBLIC calculates the expected premium receipts allocated to the current period as the sum of:

- The portion of premiums due in current period, that are earned in the current period; and,
- The portion of the premiums that were due in previous reporting periods, that are earned in the current period.

LBLIC allocates expected premiums equally to each period of related insurance contract services – i.e. based on the passage of time.

### Insurance Revenue and LRC Under GMM

LBLIC has used actuarial software to produce the IFRS 17 expected cash flows – best estimate cash flows and the RA whilst the IFRS 17 whole account was produced using an externally sourced IFRS 17 software. LBLIC undertook an assessment of its experience to develop the expense assumption that were utilised in the cash flow projection.

LRC is determined as the sum of Best Estimate Liability (“BEL”), RA, and the CSM/Loss Component (“LC”). To determine its LRC, the cash flows generated were discounted at the appropriate discount rate to generate the BEL and RA at the valuation date.

For the CSM/LC computation, the CSM/LC was recognised at contract recognition as the difference between the CSM at initial recognition (i.e. BEL+RA).

The CSM amortisation was based on the coverage units proposed for the various lines of business. The coverage units were adjusted for decrements and for the time value of money.

Insurance revenue is determined as the sum of:

- Expected claims;
- Expenses;
- Amount of deferred acquisition expenses amortised over the period;
- The release of RA over the period; and,
- The amount of CSM amortised for profitable businesses.

### 10. PAA Insurance Revenue Recognition

The pattern applied to recognise revenue over time for Group Credit Life is set to take into account past claims incidence and severity based on the outstanding loan amount. These patterns are determined by the actuarial team. Premium debtors are adjusted to allow for the probability of being written off.

The premium allocation approach (“PAA”) whether applied to groups of insurance contracts issued or groups of reinsurance contracts held requires the expected premium receipts to be recognised over time in accordance with the expected insurance service expenses provided over the period.

The application of PAA methodology in calculating the IFRS 17 LRC implies that the provision comprises the IFRS 4 Unearned Premium Reserve (“UPR”) (as calculated on the 365ths method), with a deduction of gross Deferred Acquisition Cost (“DAC”) and premiums receivable in the case of gross LRC. A LC is added for loss-making IFRS 17 groups. LBLIC has opted to expense its insurance acquisition cash flows as incurred and will not set up a DAC asset.

LBLIC uses the PAA for all reinsurance contracts held.

Loss Component

LBLIC has decided to hold one profitability cohort for its group business annual cohorts. Due to the high

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expense assumption all business has been classified as onerous. Once the expense assumption normalises, we recommend LBLIC assesses the book's combined ratio to test whether the group is onerous. The assessment is carried out as follows:

**Onerosity Assessment = {Combined Ratio >100%; Possibly Onerous}**

The LC is then determined as follows:

**$LC = (\text{Combined Ratio} - 1) \times \text{Premium}$**

The LC at subsequent measurement is determined as the difference between LRC and the net fulfilment cash flows expected from the contract.

The LC is therefore released based on the passage of time or the expected release of risk. This should be similar to the recognition pattern selected for LRC.

Allowance was not made for the reinsurance share of LC (LRECC) since the reinsurance agreement was annually renewable (before it was cancelled) i.e. the LRECC would be released during the financial year resulting in an impact of 0 in the financials.

Liability for Incurred Claims

For the liability for incurred claims, which aren't assumed to be settled within the month the claim is incurred, historic experience was used to derive the balance of claims still to be settled and the settlement pattern.

The claims reserves (incurred but not reported ("IBNR") and outstanding claim reserve ("OCR")) were subjected to the settlement pattern to come up with the projected claim payment cash flows.

LBLIC holds an IBNR reserve with respect to all business. Incurred claims data is preferred over paid claims data for the purpose of quantifying the IBNR reserve due to the quicker settlement pattern informed by incurred claims. To determine the IBNR claims reserve as at 31 March 2024, ultimate claims for each loss quarter were projected using the Bornheutter-Ferguson method (previously used an average claim and delay assumption).

The OCR used in the valuation was obtained from LBLIC's claims registered.

### II. Disaggregation of Insurance Finance Income and Expenses

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact will not be disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement.

## 12. Presentation of Reinsurance Income and Expenses

LBLIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

### 3.20. Insurance Contracts LBIC

#### I. Scope and Separation

LBIC contracts are assessed individually. LBIC's insurance products, including all product features, meet the insurance risk transfer requirements and thus fall within the scope of IFRS 17 to be accounted for as insurance contracts. Likewise, all reinsurance agreements are treated as reinsurance contracts held under the same IFRS standard.

#### SCOPE

Contractual Assessment – Direct Business:

Each product's contractual terms were assessed to establish whether the products meet the requirements to be considered insurance contracts which require one party (the issuer) to accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain

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future event (the insured event) adversely affects the policyholder. All LBIC products qualify as insurance contracts.

Contractual Assessment – Reinsurance Agreements:  
The following reinsurance agreements were in place.

- Crop Quota Share Agreement
- Fruit Quota Share Agreement
- Aggregate Stop Loss Arrangement

As at 31 March 2024, no reinsurance currently exists for asset all-risk policies. The contractual terms for reinsurance agreements were assessed using the same list of requirements used for the assessment of the direct business products. All reinsurance agreements qualify as reinsurance contracts held.

### SEPARATION OF INSURANCE COMPONENTS

LBIC does not have exposure to investment components within any of its insurance contracts or reinsurance contracts held and has no plans to offer this product feature in the foreseeable future.

### 2. Level of Aggregation of insurance contracts

LBIC's insurance contracts are aggregated into separate groups for the purpose of determining the IFRS 17 profit recognition in respect of each financial reporting period. A group is defined to include contracts issued or renewed in a particular financial year that use the same measurement approach and have a similar level of expected profitability split at a product type level. Each reinsurance treaty is assigned to a group of its own. A contract is assigned to a group at initial recognition and this is not reassessed until the contract boundary has been reached. Where the premium allocation approach is applied, due to similar expected profitability, each portfolio cohort year's contracts are assigned to a group as a whole and not on a contract-by-contract basis.

Judgement is required to split profitable contracts between those with no significant possibility of becoming onerous and those with. For contracts measured under the premium allocation approach and where a contract group issued for a particular product has been loss-making in the past, the profitability bucket for contracts with no significant possibility of becoming onerous is not used. Where there is no historic data and where the combined ratio calibrated to a 95th percentile is still profitable, then contracts are assigned to the no significant possibility of becoming onerous.

A 3-step process is followed to assign an insurance contract issued to a group:

Step 1: Allocate the contract to a portfolio

Step 2: Assign the contract to a group such that the issue dates are not more than a year apart

Step 3: Assign the contract to a profitability bucket, which at a minimum, subject to certain conditions, must be "Onerous", "No significant possibility of becoming onerous" ("NSPBO") or "Remaining".

Insurance Contracts that have similar risks and are managed together need to be grouped together in what is defined as a portfolio under IFRS 17.

For LBIC, four products are written, namely Winter Crop Insurance, Summer Crop Insurance, Fruit and Nut Insurance, as well as Asset All Risks Insurance. Each of the former three products have their own seasonal variation and varying risk patterns. Thus, LBIC separates these products into their own groups. In addition, the Asset All Risks Insurance product exhibits its own risk pattern and is therefore also treated as its own group.

### Portfolio recommendation

- Winter Crop Insurance
- Summer Crop Insurance
- Fruit and Nut Insurance
- Asset All Risks Insurance

#### Reinsurance

For each year, the reinsurance treaties held (where LBIC is the protected party) are unique from each other in respect of their structure, the risks covered and the cash flows expected as a result of these risks. Each treaty is also managed separately.

Reinsurance treaties are a mix of annual and multi-year policies and are renewed based on updated reinsurance terms (and reinsurance participants where there is more than one reinsurer sharing the risk under the agreement). LBIC combines the grouping of the annual and multi-year treaties where these are of a similar structure together in a portfolio, where the eligibility tests indicate that the Premium Allocation Approach (“PAA”) may be used for multi-year treaties.

#### The portfolios are:

- Crop Quota Share
- Fruit Quota Share
- Aggregate Stop Loss

IFRS 17 requires portfolios of contracts to be divided into time buckets, referred to as cohorts. The cohorts will be

based on the season for the underlying contracts. For the reinsurance contracts the cohorts will be based on the underwriting year per the treaties.

#### Profitability Buckets

Under the premium allocation approach, no contracts are assumed to be onerous at initial recognition unless facts and circumstances indicate otherwise. For LBIC, these facts and circumstances are informed by the process to set policy premium rates or from business-as-usual profitability monitoring and internal reporting processes.

### 3. Contract Recognition and Derecognition

LBIC’s insurance contracts are mostly recognised from their commencement or renewal date, except where the first premium is due earlier than this in which case, this date is used. Contracts expected to be onerous are usually recognised from the commencement date as this date is closely aligned to the date when LBIC accepts the risk contained under such contracts.

The Standard requires that contracts be recognised from the earlier of one of three dates:

1. the contract start date,
2. the premium due date, or
3. the date of acceptance of risk if the contract is onerous.

In absence of a contractual due date, the first payment from a policyholder is deemed to be due when it is received [IFRS17 17.26]. Premiums paid before their due date are not recognised as part of the insurance liability, but as current financial liability.

For all product types, the contract terms and conditions were assessed to determine the recommended contract recognition dates. The outcome is summarised in the table below.

Product Type	IFRS 17 contract recognition date
Winter Crop Insurance	Beginning of coverage period
Summer Crop Insurance	Beginning of coverage period
Fruit and Nut Insurance	Beginning of coverage period
Asset All Risks Insurance	Beginning of coverage period
Crop Quota Share	Initial recognition of any underlying contract
Fruit Crop Quota Share	Initial recognition of any underlying contract
Stop Loss	Beginning of coverage period

Contract derecognition for all contracts issued or held

The Standard requires a contract to be derecognised when LBIC is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the

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insurance contract. The practical application of contract derecognition within LBIC is specific to the liability component in question. This level of granularity is dealt with fully under the Measurement Approach Application policy. The general principals are as follows:

- I. For contracts measured under the liability for remaining coverage,
  - a. when the contract's coverage period has come to an end,
  - b. the policy has been cancelled, or
  - c. the policy has contractually terminated due to a claim,

and all premium debtors or commission creditors directly related to that contract have been settled (or written off), the contract is derecognised from the liability for remaining coverage and not included in the calculations for any IFRS 17 group.

2. Under the liability for incurred claims, any liability in respect of the contract is derecognised when all of the following are true:
  - a. Where a claim has been reported and this claim is fully settled or repudiated and,
  - b. Where the full coverage period up until the renewal or expiry date has passed and the claim notification period for reporting claims has passed.

### 4. Expense allocation

LBIC's expenses are largely considered to be directly attributable to insurance contracts. These expenses are those that are incurred as a result of being an insurance entity and those incurred to write, renew or service its insurance contracts. Directly attributable expenses are allocated down to a group of insurance contract level in a way that reflects the relative benefit that each group receives from the expense incurred. LBIC has chosen to expense its insurance acquisition cash flows for groups measured under the premium allocation approach. The liability for expenses incurred that are yet to be settled is held within the liability for remaining coverage.

LBIC has chosen to adopt an all-in approach.

Paragraph IFRS 17.65 lists the expenses that would be considered directly attributable. For LBIC, these include:

- insurance acquisition cash flows;
- claim handling costs;
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements).
- value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis; and
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support) directly attributable to fulfilling insurance contracts.

The accounting treatment of expenses depends on the category to which it is allocated. LBIC has defined four expense categories:

#### 4.1 Insurance Acquisition Cash Flows

Insurance acquisition cash flows are the costs incurred to sell, underwrite or start an insurance contract issued. These costs may be attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs or may need to be split first. The allocation down to an IFRS 17 group level must be done in a systematic and rational manner (see paragraph IFRS 17.28A).

Commission is included as part of the fulfilment cash flows within the liability for remaining coverage. These costs are required to be amortised in a systematic way on the basis of the passage of time. LBIC uses the same pattern as its premiums earning's pattern.

#### 4.2 Specific Directly Attributable (Re) Insurance Expenses Excluding Insurance Acquisition Cash Flows

These are non-insurance acquisition expenses that are deemed to be directly attributable to an insurance contract, product or portfolio without needing to first ratio or split the costs.

These costs are expensed as they are incurred. The expected future specific directly attributable expenses will be held within the liability for remaining coverage

## **ACCOUNTING POLICIES**

and released when they are expected to be incurred. A corresponding expense incurred liability will be established within the liability for incurred claims.

There are two types of specific directly attributable costs. The first category are claim-related costs that are incurred to administer, measure and settle incurred claims. The second category relates to the balance of the expenses and are referred to for the purpose of this expense allocation policy as “policy administration and maintenance expenses”. As the expenses are incurred, the liability for incurred claims is released.

### **4.3 Non-Specific Directly Attributable (Re)Insurance Expenses Excluding Insurance Acquisition Cash Flows**

These are non-insurance acquisition expenses that are deemed to be directly attributable to fulfilling the obligations under insurance contracts but first need an allocation methodology applied to split the costs.

Once allocated, the accounting treatment is the same as for the specific directly attributable expenses. The costs largely result from the allocation of fixed and variable overheads.

### **4.4 Non-Attributable Expenses**

These expenses (either in total or in part) are deemed not necessary to fulfilling insurance and reinsurance contracts and therefore must not be included with the measurement of insurance contracts under IFRS 17.

These costs are expensed as they are incurred, or under the required accounting approach defined by the relevant IFRS standard.

#### **Allocation Methods**

The following methods are used to allocate expenses under IFRS 17:

#### **4.5 Direct Tracing**

Expenses that can be traced directly to a specific (re) insurance contract are allocated to that contract.

#### **4.6 Proportional Allocation**

Where a directly attributable expense benefits more than one contract, the expense shall be allocated in proportion to the benefits received by each contract.

#### **4.7 General Allocation**

Where an expense, such as an overhead cost, benefits all or many (re)insurance contracts and non-IFRS 17 activities, the expense shall be allocated based on a reasonable method that reflects the benefits received by each contract.

The allocation metric is chosen per expense sub-category based on both the information available and based on an analysis of the drivers affecting the size of the cost. For

example, the time spent and level of skill required to issue insurance contracts are deemed to be equal across all contracts. The number of policies in force is thus chosen as the metric to allocate these costs.

### **5. Measurement Approach Methodology**

The contract boundary is the coverage period for all insurance contracts and reinsurance treaties. For direct business this is less than a year. For the reinsurance agreements this is three years.

The measurement approach applied to direct business is the PAA, as the coverage periods for each are less than a year. For the reinsurance treaties, a quantitative assessment indicates that the estimation error of the carrying amounts does not exceed the materiality limit on either the best estimate assumptions or under sensitivities. Thus, the PAA is also applied for these treaties.

The choice of which measurement approach to apply requires the determination of the contract boundary, classification of the contract as either a contract with or without direct participation features and whether the contract qualifies to be measured using the simplified approach. The latter is referred to in this policy as PAA eligibility testing.

As a general rule, LBIC wishes to maximise the use of the PAA given that the majority of contracts have a short coverage period and the change required to transition to IFRS 17 will be less.

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LBIC defines the contract boundary for insurance contracts issued, using the principles laid out in the Standard (paragraph IFRS17.34 and the application paragraphs B61-B64

The contract boundary assessed for each product is listed below:

Product	Contract boundary
Summer Crop	Coverage period (Less than or equal to one year)
Winter Crop	Coverage period (Less than or equal to one year)
Fruit & Nut	Coverage period (Less than or equal to one year)
Asset All Risks	Coverage period (1 month)

The contract boundary assessed for each reinsurance agreement is listed below:

Reinsurance Agreement	Contract boundary
Crop Quota Share	Coverage period (3 years)
Fruit & Nut Quota Share	Coverage period (3 years)
Stop Loss	Coverage period (3 years)

Measurement approached applied by LBIC

Product/Reinsurance Agreement	Measurement approach
Summer Crop	Premium Allocation Approach
Winter Crop	Premium Allocation Approach
Fruit & Nut Crop	Premium Allocation Approach
Asset All Risk	Premium Allocation Approach
Crop Quota Share	Premium Allocation Approach
Fruit & Nut Quota Share	Premium Allocation Approach
Stop Loss	Premium Allocation Approach

### 6. Measurement Approach Application

LBIC does not include discounting within either its liabilities held for remaining coverage or incurred claims. The application of IFRS 17 to LBIC is relatively straightforward. As such, there are no specific significant judgement requirements that have been identified as this time that would not already have been disclosed under IFRS 4.

### 7. Risk adjustment for non-financial risk methodology and the application of this methodology

Risk Adjustment for Non-financial risk is the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

The IFRS 17 carrying amount includes an explicit component called the risk adjustment for non-financial risk that allows for the compensation required for being exposed to the insurance, lapse and expense risks contained within LBIC's products. Operational risk specific to the fulfilment of contractual obligations with policyholders is also excluded.

For the Winter, Summer and Fruit and Nut and Asset products, the risk adjustment for non-financial risk is applied using a Value at Risk technique, where the percentile on a reserve distribution is determined to derive the risk adjustment. The Crop quota share, Fruit quota share, and Stop-Loss structures are applied to these reserve distributions to determine the reinsurance risk adjustments.

The risk is adjustment is determined at a 75% confidence level based on LBIC's risk appetite and historical experience.

### 8. Reinsurance risk of non - performance

Paragraph 63 of IFRS 17, requires the estimates of the present value of the future cash flows for the group of reinsurance contracts held to be adjusted for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

## **ACCOUNTING POLICIES**

LBIC adjusts its expected recoveries from reinsurers downwards to allow for the risk of the reinsurers defaulting on their obligations. This adjustment is reinsurer specific and reflects the credit quality of that reinsurer, the size and duration of the expected receivable.

### **9. PAA Insurance Revenue recognition**

The pattern applied to recognise revenue over time for each insurance group is set to take into account past claims incidence and severity for the Summer Crop Insurance, Winter Crop Insurance and Fruit and Nut Insurance. These patterns are determined by the actuarial team, based on past experience. Asset All Risk Insurance uses a 365ths approach, given the uniform nature of the business. Premiums debtors are adjusted to allow for the probability of default.

### **10. Disaggregation of Insurance Finance Income and Expenses**

The impact of the time value of money on the net carrying amount of insurance contracts is presented under insurance finance income and expenses. This impact is not disaggregated between the statement of profit or loss and other comprehensive income but instead shown in full through the profit or loss statement

Given the short - term nature (i.e. less than 12 months) of LBIC insurance contracts, no discounting is applied resulting in no finance income and expenses to be recognised.

### **II. Presentation of Reinsurance Income and Expenses**

LBIC has chosen to separately present its reinsurance income and expenses in the statement of financial performance. Amounts contingent on claim experience are presented within reinsurance income, whilst amounts not contingent on claim experience are presented as a reduction of premiums which is a reinsurance expense.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
 AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024  
**NOTES TO THE FINANCIAL STATEMENTS**

**4. Cash and cash equivalents\*\*\***

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Bank balances*	390,347	349,006	288,276	222,803
Short term deposits**	12,639,478	15,408,295	12,312,924	15,132,235
	<b>13,029,825</b>	<b>15,757,355</b>	<b>12,601,200</b>	<b>15,355,038</b>

\*Cash at banks are primarily held to mitigate the Bank's refinancing/liquidity risk. Refer to note 36. for the credit risk ratings of the counterparties where bank accounts are held. 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 FY2024 is 8.776% (FY2023: 5.56%). Due to the short-term nature of cash and cash equivalents, their carrying amount is considered to be the same as their fair value.

\*\*Included in short term deposits is an amount of R5.6 billion, which is an equity injection transferred during the current and preceding years (FY2023 and FY2024), by the Shareholder. The Shareholder also repaid R497 directly to guaranteed lenders during the year. The R5.6bn is in an ESCROW account pending fulfilment of attached conditions, which include amongst other, the curing of the state of default with lenders. The R5.6 billion is not available for use by the group until all the conditions are met

\*\*\*Cash and cash equivalents are stated at carrying amount which is deemed fair value.

Refer to note 16 for the corresponding liability as well as note 3.2 for further details on the appropriation including the Directors' report.

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**5. Trade and other receivables (at amortised cost)**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Trade receivables	100,300	125,495	46,433	70,199
Accrued income*	45,059	69,027	45,059	69,027
Accrued interest - hedging**	1,374	1,172	1,374	1,172
Premium receivable***	6,806	7,314	-	-
Reinsurance receivable***	47,062	47,982	-	-
Other receivables****	167,874	372,174	137,469	342,196
	<b>268,174</b>	<b>497,669</b>	<b>183,901</b>	<b>412,395</b>

\*Accrued income comprises of accrued interest on short-term investments and accrued fees from funds under admin.

\*\*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.

\*\*\*The reinsurance and premium receivables have a low probability of default as the recovery is close to 100% year-on-year.

\*\*\*\*Other receivables consists of prepaid expenses, 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, because recoverability is close to 100%, staff loans are collected from staff salaries month-on-month, second loss recovery is recovered from the SLA partners' month-on-month.

**Classification of trade and other receivables**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Prepaid expenses	10,060	10,039	10,060	10,038
Accrued income	45,059	69,027	45,059	69,027
Accrued interest – hedging	1,374	1,172	1,374	1,172
<b>Trade and other receivables net of non-financial instruments</b>	<b>211,681</b>	<b>417,431</b>	<b>127,410</b>	<b>332,158</b>

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**6. Insurance Contracts**

**6.1 Movement in Carrying Amounts - By LRC and LIC - Direct – PAA – Life**

**2024**

31 March 2024	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Opening Insurance contract liabilities	-	(2 623)	(1 141)	(833)	(4 597)
Net Opening balance	-	(2 623)	(1 141)	(833)	(4 597)
Post transition	2 628				2 628
Insurance Service Expenses					
Incurred insurance service expenses:		(5)	(2 045)	(0)	(2 049)
Claims		(5)	0	(1 943)	(1 948)
Expenses			(2 045)	-	(2 045)
Other movements related to current service				1 943	1 943
Changes that relate to past service (changes in fulfilment cash flows re LIC)			679	528	1 207
Changes that relate to future service		63			63
Losses for the net outflow recognized on initial recognition		(2 565)			(2 565)
Losses and reversal of losses on onerous contracts - subsequent measurement		2 628			2 628
<b>Total Insurance Service Expenses</b>	<b>-</b>	<b>58</b>	<b>(1 365)</b>	<b>528</b>	<b>(780)</b>
<b>Total Insurance Service result</b>	<b>2 628</b>	<b>58</b>	<b>(1 365)</b>	<b>528</b>	<b>1 848</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(28)	-	-	(28)
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>2 628</b>	<b>30</b>	<b>(1 365)</b>	<b>528</b>	<b>1 820</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	(2 628)				(2 628)

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Claims and other insurance service expenses paid, including investment components

Insurance acquisition cash flows

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
R'000	R'000	R'000	R'000	R'000
			2 045	2 045
	-			-
	<b>(2 628)</b>		<b>2 045</b>	<b>(583)</b>
	-	<b>(2 593)</b>	<b>(462)</b>	<b>(306)</b>
	-	(2 593)	(462)	(306)
	-	<b>(2 593)</b>	<b>(462)</b>	<b>(306)</b>
				<b>(3 361)</b>
				(3 361)
				<b>(3 361)</b>

**6.1 Movement in Carrying Amounts - By LRC and LIC - Direct – PAA – Life 2023**

31 March 2023

Opening Insurance contract liabilities

**Net Opening balance**

Post transition

Insurance Service Expenses

Incurred insurance service expenses:

Claims

Expenses

Other movements related to current service

Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
R'000	R'000	R'000	R'000	R'000
-	(2 079)	(1 141)	(915)	(4 135)
-	<b>(2 079)</b>	<b>(1 141)</b>	<b>(915)</b>	<b>(4 135)</b>
2 472				2 472
	(393)	(4 138)	(833)	(5 365)
	(393)	(2 877)	(1 217)	(4 487)
		(1 262)	-	(1 262)
			384	384

**NOTES TO THE FINANCIAL STATEMENTS**

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	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Changes that relate to past service (changes in fulfilment cash flows re LIC)			1 015	915	1 930
Changes that relate to future service		(159)			(159)
Losses for the net outflow recognized on initial recognition		-			-
Losses and reversal of losses on onerous contracts - subsequent measurement		(159)			(159)
<b>Total Insurance Service Expenses</b>	<b>-</b>	<b>(552)</b>	<b>(3 124)</b>	<b>82</b>	<b>(3 594)</b>
<b>Total Insurance Service result</b>	<b>2 472</b>	<b>(552)</b>	<b>(3 124)</b>	<b>82</b>	<b>(1 122)</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	8	-	-	8
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>2 472</b>	<b>(544)</b>	<b>(3 124)</b>	<b>82</b>	<b>(1 114)</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax received	(2 472)				(2 472)
Claims and other insurance service expenses paid, including investment components			3 124		3 124
Insurance acquisition cash flows	-				-
<b>Total Cash flows</b>	<b>(2 472)</b>		<b>3 124</b>		<b>652</b>
<b>Net Closing balance</b>	<b>-</b>	<b>(2 623)</b>	<b>(1 141)</b>	<b>(833)</b>	<b>(4 597)</b>
Closing Insurance contract liabilities	-	(2 623)	(1 141)	(833)	(4 597)
<b>Net Closing balance</b>	<b>-</b>	<b>(2 623)</b>	<b>(1 141)</b>	<b>(833)</b>	<b>(4 597)</b>

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**6.2 Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA - Life**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening reinsurance contract assets	-	507	1 403	550	2 461
Net opening balance	-	507	1 403	550	2 461
Allocation of the premiums paid:					
Post transition	(548)				(548)
<b>Total Allocation of premiums paid</b>	<b>(548)</b>				<b>(548)</b>
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expense		-	702	-	702
Changes related to past service (changes related to incurred claims component)			(1 156)	(487)	(1 643)
Changes that relate to future service:		(507)			(507)
Recoveries of losses on onerous underlying contracts on initial recognition		-			-
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement		(507)			(507)
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 449)</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(548)</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 997)</b>
Insurance Finance Income or Expense					
<b>Total Changes in the Statement of Financial Performance</b>	<b>(548)</b>	<b>(507)</b>	<b>(454)</b>	<b>(487)</b>	<b>(1 997)</b>
Cash flows (Actual cash flows in the period)					
Premiums and premium tax paid	548				548
Amounts recovered			(735)		(735)
<b>Total cash flows</b>	<b>548</b>		<b>(735)</b>		<b>(187)</b>
<b>Net Closing balance</b>	<b>-</b>	<b>-</b>	<b>214</b>	<b>63</b>	<b>277</b>
Closing reinsurance contact assets	-	-	214	63	277
<b>Net Closing balance</b>	<b>-</b>	<b>-</b>	<b>214</b>	<b>63</b>	<b>277</b>

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**6.2 Movement in Carrying Amounts - By LRC and LIC - Reinsurance - PAA Life**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Opening reinsurance contract assets	-	412	1 527	604	2 544
Net opening balance	-	412	1 527	604	2 544
Allocation of the premiums paid:					
Full retrospective approach	(2 272)				(2 272)
Modified retrospective approach	-				-
Fair value approach	-				-
Post transition	-				-
<b>Total Allocation of premiums paid</b>	<b>(2 272)</b>				<b>(2 272)</b>
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expense		78	2 271	550	2 899
Changes related to past service (changes related to incurred claims component)			(1 464)	(604)	(2 068)
Changes that relate to future service:		19			19
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement		19			19
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>97</b>	<b>806</b>	<b>(54)</b>	<b>849</b>
Effect of changes in Non-performance risk of Reinsurers			0,267		0
<b>Total Net Expenses from Reinsurance</b>	<b>(2 272)</b>	<b>97</b>	<b>807</b>	<b>(54)</b>	<b>(1 423)</b>
Insurance Finance Income or Expense					
The effect of and changes in time of time value of money and financial risk	-	(2)	-	-	(2)
<b>Total Insurance Finance Income or Expense</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(2 272)</b>	<b>95</b>	<b>807</b>	<b>(54)</b>	<b>(1 425)</b>
Cash flows (Actual cash flows in the period)					

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	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Premiums and premium tax paid	2 272				2 272
Amounts recovered			(931)		(931)
<b>Total cash flows</b>	<b>2 272</b>		<b>(931)</b>		<b>1 341</b>
<b>Net Closing balance</b>	<b>-</b>	<b>507</b>	<b>1 403</b>	<b>550</b>	<b>2 461</b>
Closing reinsurance contract assets	-	507	1 403	550	2 461

**6.3 Movement in Carrying Amounts – Component - Direct - General Measurement Model (GMM) - Life 2024**

	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>							
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(42 142)	(1 255)	-	-	-	-	(43 397)
<b>Net Opening balance</b>	<b>(42 142)</b>	<b>(1 255)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43 397)</b>
Changes that relate to current services	(7 214)	387	-	-	-	-	(6 827)
CSM recognized for services provided			-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired		387					387
Experience adjustments not related to future service	(7 214)						(7 214)
Restatement and Other Changes	-	-					-
Changes that relate to future services	(33 601)	(953)	-	-	-	-	(34 553)

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	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Contracts initially recognised in the year	(17 201)	(573)	-	-	-	-	(17 774)
Changes in estimates that adjust the CSM	-	-	-	-	-	-	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(16 399)	(379)					(16 779)
Changes that relate to past services	608	(25)					583
Changes in estimates in LIC fulfilment cash flows	(662)	(25)					(687)
Experience adjustments in claims and other insurance service expenses in LIC	1 271	-					1 271
<b>Total Insurance Service result</b>	<b>(40 206)</b>	<b>(590)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40 797)</b>
Insurance Finance Income or Expense							
The effect of and changes in time of time value of money and financial risk	(4 650)	(128)	-	-	-	-	(4 777)
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	-	-	-	-	-	-	-
<b>Total Insurance Finance Income or Expense</b>	<b>(4 650)</b>	<b>(128)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 777)</b>
Cash flows (Actual cashflows in the period)							
Premiums and premium tax received	(1 536)						(1 536)
Claims and other insurance service expenses paid	19 283						19 283
Insurance acquisition cash flows	-						-
<b>Total Cash flows</b>	<b>17 747</b>						<b>17 747</b>
<b>Net Closing balance</b>	<b>(69 251)</b>	<b>(1 973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71 224)</b>
Closing Insurance contract liabilities	(69 251)	(1 973)	-	-	-	-	(71 224)
<b>Net Closing balance</b>	<b>(69 251)</b>	<b>(1 973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71 224)</b>

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**6.3 Movement in Carrying Amounts - By Component - Direct - General Measurement Model (GMM) - Life 2023**

	Estimates of Present	Risk Adjustment for	CSM				Total
	Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach	Fair Value Approach	Post Transition	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>							
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	(28 539)	(984)	(2 141)	-	-	-	(31 664)
<b>Net Opening balance</b>	<b>(28 539)</b>	<b>(984)</b>	<b>(2 141)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31 664)</b>
Changes that relate to current services	(5 727)	233	-	-	-	-	(5 494)
CSM recognized for services provided	-	-	-	-	-	-	-
Change in risk adjustment for non-financial risk for risk expired	-	233	-	-	-	-	233
Experience adjustments not related to future service	(5 727)	-	-	-	-	-	(5 727)
Restatement and Other Changes	-	-	-	-	-	-	-
Changes that relate to future services	(18 386)	(450)	2 266	-	-	-	(16 570)
Contracts initially recognised in the year	(414)	(17)	-	-	-	-	(431)
Changes in estimates that adjust the CSM	(2 214)	(52)	2 266	-	-	-	0
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(15 757)	(381)	-	-	-	-	(16 138)
Changes that relate to past services	1 514	-	-	-	-	-	1 514
Changes in estimates in LIC fulfilment cash flows	-	-	-	-	-	-	-
Experience adjustments in claims and other insurance service expenses in LIC	1 514	-	-	-	-	-	1 514
<b>Total Insurance Service result</b>	<b>(22 598)</b>	<b>(217)</b>	<b>2 266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20 549)</b>
Insurance Finance Income or Expense							

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The effect of and changes in time of time value of money and financial risk

**Total Insurance Finance Income or Expense**

Premiums and premium tax received

Claims and other insurance service expenses paid

**Total Cash flows**

Closing Insurance contract assets

Closing Insurance contract liabilities

**Net Closing balance**

Estimates of Present	Risk Adjustment for	CSM				Total	
		Value of Future Cash Flows	Non-financial Risk	Full Retrospective Approach	Modified Retrospective Approach		Fair Value Approach
R'000	R'000	R'000	R'000	R'000	R'000	R'000	
		(1 407)	(54)	(125)	-	-	(1 586)
<b>(1 407)</b>	<b>(54)</b>	<b>(125)</b>	-	-	-	-	<b>(1 586)</b>
(1 861)							(1 861)
12 263							12 263
<b>10 402</b>	-	-	-	-	-	-	<b>10 402</b>
-	-	-	-	-	-	-	-
(42 142)	(1 255)	(0)	-	-	-	-	(43 397)
<b>(42 142)</b>	<b>(1 255)</b>	<b>(0)</b>	-	-	-	-	<b>(43 397)</b>

**6.4 Movement in Carrying Amounts - By LRC and LIC - Direct – GMM – Life 2024**

31 March 2024

Opening insurance contract liabilities

**Net Opening balance**

Insurance revenue – Full Retrospective Approach

CSM recognized for services provided

Change in risk adjustment for non-financial risk for risk expired

Expected insurance service expenses incurred:

Excluding loss component	Loss component	Liabilities for Remaining Coverage	Liabilities for	Total
		Incurring claims	Incurred claims	
R'000	R'000	R'000	R'000	R'000
(25 830)	(16 297)	(1 271)		(43 397)
<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>		<b>(43 397)</b>
2				2
-				-
0				0
13				13

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**31 March 2024**

	Liabilities for Remaining Coverage		Liabilities for	Total
	Excluding loss component	Loss component	Incurred claims	
	R'000	R'000	R'000	
Claims	5			5
Expenses	9			9
Experience adjustment not related to future service	(12)			(12)
Restatement and Other Changes	-			-
Insurance revenue – Fair Value Approach	7 439			7 439
Change in risk adjustment for non-financial risk for risk expired	205			205
Expected insurance service expenses incurred:	6 959			6 959
Claims	894			894
Expenses	6 064			6 064
Experience adjustments not related to future service	276			276
Insurance revenue – Post Transition	(128)			(128)
Change in risk adjustment for non-financial risk for risk expired	8			8
Expected insurance service expenses incurred:	223			223
Claims	81			81
Expenses	142			142
Experience adjustments not related to future service	(359)			(359)
<b>Total Insurance revenue – All Transition Methods</b>	<b>7 313</b>			<b>7 313</b>
Incurring insurance service expenses:		5 144	(19 283)	(14 139)
Claims		881	(1 153)	(272)
Expenses		4 262	(18 155)	(13 892)
Changes that relate to past service (changes in fulfilment cash flows re LIC)			583	583
Changes that relate to future service		(34 553)		(34 553)
Losses for the net outflow recognized on initial recognition		(17 774)		(17 774)
Losses and reversal of losses on onerous contracts - subsequent measurement		(16 779)		(16 779)

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**Total Insurance Service Expenses**

**Total Insurance Service result**

The effect of and changes in time of time value of money and financial risk

Total Insurance Finance Income or Expense

Total Changes in the Statement of Financial Performance

Premiums and premium tax received

Claims and other insurance service expenses paid, including investment components

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
-	(29 410)	(18 700)	(48 109)
<b>7 313</b>	<b>(29 410)</b>	<b>(18 700)</b>	<b>(40 797)</b>
(2 136)	(2 641)	-	(4 777)
(2 136)	(2 641)	-	(4 777)
5 177	(32 050)	(18 700)	(45 574)
(1 536)			(1 536)
		19 283	19 283
<b>(1 536)</b>	<b>-</b>	<b>19 283</b>	<b>17 747</b>
<b>(22 189)</b>	<b>(48 347)</b>	<b>(687)</b>	<b>(71 224)</b>
(22 189)	(48 347)	(687)	(71 224)
<b>(22 189)</b>	<b>(48 347)</b>	<b>(687)</b>	<b>(71 224)</b>

**6.4 Movement in Carrying Amounts - By LRC and LIC - Direct – GMM - Life 2023**

31 March 2023

Opening insurance contract liabilities

**Net Opening balance**

Insurance revenue – Full Retrospective Approach

Expected insurance service expenses incurred:

Claims

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
(29 980)	(169)	(1 514)	(31 664)
<b>(29 980)</b>	<b>(169)</b>	<b>(1 514)</b>	<b>(31 664)</b>
1			1
12			12
6			6

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	Liabilities for Remaining Coverage		Liabilities for	Total
	Excluding loss component	Loss component	Incurred claims	
	R'000	R'000	R'000	
Expenses	6			6
Experience adjustment not related to future service	(12)			(12)
Insurance revenue – Modified Retrospective Approach	-			-
Insurance revenue – Fair Value Approach	7 969			7 969
CSM recognized for services provided	-			-
Change in risk adjustment for non-financial risk for risk expired	229			229
Expected insurance service expenses incurred:	7 300			7 300
Claims	1 684			1 684
Expenses	5 617			5 617
Experience adjustments not related to future service	439			439
Restatement and Other Changes	-			-
Insurance revenue – Post Transition	(410)			(410)
CSM recognized for services provided	-			-
Change in risk adjustment for non-financial risk for risk expired	0			0
Expected insurance service expenses incurred:	(404)			(404)
Claims	(407)			(407)
Expenses	4			4
Experience adjustments not related to future service	(7)			(7)
Restatement and Other Changes	-			-
<b>Total Insurance revenue – All Transition Methods</b>	<b>7 560</b>			<b>7 560</b>
Incurred insurance service expenses:		479	(13 533)	(13 054)
Claims		453	(1 271)	(817)
Expenses		26	(12 263)	(12 237)
Changes that relate to past service (changes in fulfilment cash flows re LIC)			1 514	1 514

NOTES TO THE FINANCIAL STATEMENTS

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Changes that relate to future service

Losses for the net outflow recognized on initial recognition

Losses and reversal of losses on onerous contracts - subsequent measurement

**Total Insurance Service Expenses**

**Total Insurance Service result**

The effect of and changes in time of time value of money and financial risk

**Total Insurance Finance Income or Expense**

Other Comprehensive Income

**Total Changes in the Statement of Financial Performance**

Premiums and premium tax received

Claims and other insurance service expenses paid, including investment components

**Total Cash flows**

**Net Closing balance**

Closing Insurance contract liabilities

**Net Closing balance**

Liabilities for Remaining Coverage		Liabilities for	
Excluding loss component	Loss component	Incurred claims	Total
R'000	R'000	R'000	R'000
	(16 570)		(16 570)
	(431)		(431)
	(16 138)		(16 138)
<b>-</b>	<b>(16 090)</b>	<b>(12 019)</b>	<b>(28 109)</b>
<b>7 560</b>	<b>(16 090)</b>	<b>(12 019)</b>	<b>(20 549)</b>
(1 548)	(38)	-	(1 586)
<b>(1 548)</b>	<b>(38)</b>	<b>-</b>	<b>(1 586)</b>
-	-	-	(1 586)
<b>6 011</b>	<b>(16 128)</b>	<b>(12 019)</b>	<b>(22 135)</b>
(1 861)			(1 861)
		12 263	12 263
<b>(1 861)</b>	<b>-</b>	<b>12 263</b>	<b>10 402</b>
<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>	<b>(43 397)</b>
(25 830)	(16 297)	(1 271)	(43 397)
<b>(25 830)</b>	<b>(16 297)</b>	<b>(1 271)</b>	<b>(43 397)</b>

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**6.5 Movement in Carrying Amounts - By LRC and LIC - Direct – Non-life**  
**2024**

	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening Insurance contract assets	452 988	-	(368 064)	(475)	84 449
Opening Insurance contract liabilities	29 467	-	(31 001)	(1 500)	(3 034)
<b>Net Opening balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>
Insurance Revenue					
Post transition	796 484	-	-	-	796 484
<b>Total Insurance revenue – All Transition Methods</b>	<b>796 484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796 484</b>
Incurred insurance service expenses:	(125 233)	-	(677 360)	(4 589)	(807 182)
Claims	-	-	(608 190)	(4 618)	(612 808)
Expenses	-	-	(69 170)	(6 213)	(75 383)
Other movements related to current service	-	-	-	6 243	6 243
Amortisation of insurance acquisition cash flows	(125 233)	-	-	-	(125 233)
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(91 800)	1 976	(89 824)
Changes that relate to future service	-	(25 493)	-	-	(25 493)
Losses for the net outflow recognized on initial recognition	-	-	-	-	-
Losses and reversal of losses on onerous contracts - subsequent measurement	-	(25 493)	-	-	(25 493)
<b>Total Insurance Service Expenses</b>	<b>(125 233)</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(922 499)</b>
<b>Total Insurance Service result</b>	<b>671 250</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(126 016)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>671 250</b>	<b>(25 493)</b>	<b>(769 160)</b>	<b>(2 613)</b>	<b>(126 016)</b>
Premiums and premium tax received	755 162	-	-	-	755 162
Claims and other insurance service expenses paid, including investment components	-	-	(615 334)	-	(615 334)
Insurance acquisition cash flows	(122 072)	-	-	-	(122 072)
<b>Total Cash flows</b>	<b>633 089</b>	<b>-</b>	<b>(615 334)</b>	<b>-</b>	<b>17 755</b>

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31 March 2024	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>Net Closing balance</b>	<b>520 617</b>	<b>(25 493)</b>	<b>(552 890)</b>	<b>(4 589)</b>	<b>(62 356)</b>
Closing Insurance contract assets	44 369	-	(11 889)	(2 068)	30 412
Closing Insurance contract liabilities	476 247	(25 493)	(541 001)	(2 521)	(92 768)
<b>Net Closing balance</b>	<b>520 617</b>	<b>(25 493)</b>	<b>(552 890)</b>	<b>(4 589)</b>	<b>(62 356)</b>

**6.5 Movement in Carrying Amounts - By LRC and LIC - Direct – Non-life 2023**

31 March 2023	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
Opening Insurance contract assets	401 026	-	(313 103)	(2 571)	85 352
<b>Net Opening balance</b>	<b>401 026</b>	<b>-</b>	<b>(313 103)</b>	<b>(2 571)</b>	<b>85 352</b>
Post transition	768 281	-	-	-	768 281
Total Insurance revenue – All Transition Methods	768 281	-	-	-	768 281
Incurred insurance service expenses:	(121 540)	-	(518 138)	(1 976)	(641 654)
Claims	-	-	(462 787)	(3 754)	(466 541)
Expenses	-	-	(55 351)	(835)	(56 186)
Other movements related to current service	-	-	-	2 614	2 614
Amortisation of insurance acquisition cash flows	(121 540)	-	-	-	(121 540)

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	Liabilities for Remaining Coverage		Liabilities for Incurred claims		Total R'000
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Changes that relate to past service (changes in fulfilment cash flows re LIC)	-	-	(79 482)	2 571	(76 911)
<b>Total Insurance Service Expenses</b>	<b>(121 540)</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>(718 564)</b>
<b>Total Insurance Service result</b>	<b>646 741</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>49 717</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>646 741</b>	<b>-</b>	<b>(597 620)</b>	<b>596</b>	<b>49 717</b>
Premiums and premium tax received	675 344	-	-	-	675 344
Claims and other insurance service expenses paid, including investment components	-	-	(511 658)	-	(511 658)
Insurance acquisition cash flows	(110 032)	-	-	-	(110 032)
<b>Total Cash flows</b>	<b>565 312</b>	<b>-</b>	<b>(511 658)</b>	<b>-</b>	<b>53 654</b>
<b>Net Closing balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>
Closing Insurance contact assets	452 988	-	(368 064)	(475)	84 449
Closing Insurance contract liabilities	29 467	-	(31 001)	(1 500)	(3 034)
<b>Net Closing balance</b>	<b>482 455</b>	<b>-</b>	<b>(399 065)</b>	<b>(1 976)</b>	<b>81 415</b>

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**6.6 Movement in Carrying Amounts - By LRC and LIC - Reinsurance – PAA – Non-life  
 2024**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2024</b>					
Opening reinsurance contact assets	(19 985)	-	24 836	1 041	5 892
Opening reinsurance contact liabilities	(335 294)	-	278 362	330	(56 603)
<b>Net opening balance</b>	<b>(355 280)</b>	<b>-</b>		<b>1 371</b>	<b>(50 710)</b>
Post transition	(464 549)	-	-	-	(464 549)
<b>Total Allocation of premiums paid</b>	<b>(464 549)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(464 549)</b>
Recoveries of incurred claims and other insurance service expense	-	-	397 968	2 523	400 491
Changes related to past service (changes related to incurred claims component)	-	-	67 636	(1 371)	66 265
Changes that relate to future service:	-	17 845	-	-	17 845
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	17 845	-	-	17 845
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>484 601</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(464 549)</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>20 052</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(464 549)</b>	<b>17 845</b>	<b>465 604</b>	<b>1 152</b>	<b>20 052</b>
Premiums and premium tax paid	(423 228)	-	-	-	(423 228)
Amounts recovered	-	-	385 498	-	385 498
<b>Total cash flows</b>	<b>(423 228)</b>	<b>-</b>	<b>385 498</b>	<b>-</b>	<b>(37 730)</b>
<b>Net Closing balance</b>	<b>(396 600)</b>	<b>17 845</b>	<b>80 106</b>	<b>2 523</b>	<b>(296 126)</b>
Closing reinsurance contact assets	(350 631)	17 845	375 047	1 101	43 363
Closing reinsurance contact liabilities	(45 970)	-	8 257	1 422	(36 291)
<b>Net Closing balance</b>	<b>(396 600)</b>	<b>17 845</b>	<b>383 304</b>	<b>2 523</b>	<b>7 072</b>

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**6.6 Movement in Carrying Amounts - By LRC and LIC - Reinsurance – PAA Non-life  
2023**

	Remaining Coverage Component		Incurred Claims Component		Total
	Excluding Loss Component	Loss Component	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Non-financial risk	
	R'000	R'000	R'000	R'000	
<b>31 March 2023</b>					
Opening reinsurance contact assets	(284 591)	-	304 315	1 781	21 505
Opening reinsurance contact liabilities	(3 818)	-	-	-	(3 818)
<b>Net opening balance</b>	<b>(288 409)</b>	<b>-</b>	<b>304 315</b>	<b>1 781</b>	<b>17 687</b>
Full retrospective approach	(461 105)	-	-	-	(461 105)
Recoveries of incurred claims and other insurance service expense	-	-	349 917	1 371	351 288
Changes related to past service (changes related to incurred claims component)	-	-	31 030	(1 781)	29 249
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>380 538</b>
<b>Total Net Expenses from Reinsurance</b>	<b>(461 105)</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>(80 568)</b>
<b>Total Changes in the Statement of Financial Performance</b>	<b>(461 105)</b>	<b>-</b>	<b>380 947</b>	<b>(410)</b>	<b>(80 568)</b>
Cash flows (Actual cashflows in the period)					
Premiums and premium tax paid	(394 235)	-	-	-	(394 235)
Amounts recovered	-	-	382 064	-	382 064
<b>Total cash flows</b>	<b>(394 235)</b>	<b>-</b>	<b>382 064</b>	<b>-</b>	<b>(12 171)</b>
<b>Net Closing balance</b>	<b>(355 280)</b>	<b>-</b>	<b>303 198</b>	<b>1 371</b>	<b>(50 710)</b>
Closing reinsurance contact assets	(19 985)	-	24 836	1 041	5 892
Closing reinsurance contact liabilities	(335 294)	-	278 362	330	(56 603)
<b>Net Closing balance</b>	<b>(355 280)</b>	<b>-</b>	<b>303 198</b>	<b>1 371</b>	<b>(50 710)</b>

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**6.7.1 Insurance revenue - Life Insurance**

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**Contracts not measured under the PAA**

Change in risk adjustment for non-financial risk for risk expired

**Expected insurance service expenses incurred:**

Claims

Expenses

Other expenses under the VFA

Experience adjustments not related to future service

Restatement and Other Changes

**Total Revenue from Contracts Not Measured Under PAA**

**Contracts Measured Under the PAA**

Expected premium receipts allocation under the PAA

Experience adjustments not related to future service

**Total Revenue from Contracts Measured Under PAA**

**Total Revenue from Insurance contracts**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
188	25	-	213
<b>6 437</b>	<b>757</b>	<b>-</b>	<b>7 195</b>
754	225	-	980
5 683	532	-	6 215
-	-	-	-
354	(449)	-	(95)
-	-	-	-
<b>6 980</b>	<b>333</b>	<b>-</b>	<b>7 313</b>
-	-	2 628	2 628
-	-	-	-
<b>-</b>	<b>-</b>	<b>2 628</b>	<b>2 628</b>
<b>6 980</b>	<b>333</b>	<b>2 628</b>	<b>9 941</b>

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**6.7.1 Insurance revenue - Life Insurance**

31 March 2023

**Contracts not measured under the PAA**

Change in risk adjustment for non-financial risk for risk expired

**Expected insurance service expenses incurred:**

Claims

Expenses

Other expenses under the VFA

Experience adjustments not related to future service

**Total Revenue from Contracts Not Measured Under PAA**

**Contracts Measured Under the PAA**

Expected premium receipts allocation under the PAA

Experience adjustments not related to future service

**Total Revenue from Contracts Measured Under PAA**

**Total Revenue from Insurance contracts**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
230	-	-	230
<b>6 909</b>	<b>-</b>	<b>-</b>	<b>6 909</b>
1 283	-	-	1 283
5 626	-	-	5 626
-	-	-	-
421	-	-	421
<b>7 560</b>	<b>-</b>	<b>-</b>	<b>7 560</b>
-	-	2 472	2 472
-	-	-	-
<b>-</b>	<b>-</b>	<b>2 472</b>	<b>2 472</b>
<b>7 560</b>	<b>-</b>	<b>2 472</b>	<b>10 032</b>

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**6.7.2 Insurance Revenue Non-Life Insurance**

31 March 2024

	Insurance				Reinsurance			Total
	Assets	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Insurance revenue	881	70 410	670 006	55 187	-	-	-	796 484
Expected premium receipts allocation under the PAA	881	70 410	670 006	55 187	-	-	-	796 484
Insurance service expenses	(1 437)	(47 421)	(846 155)	(27 487)	-	-	-	(922 499)
<b>Incurred insurance service expenses:</b>	<b>(1 395)</b>	<b>(35 270)</b>	<b>(626 731)</b>	<b>(18 552)</b>	-	-	-	<b>(681 949)</b>
Claims	(901)	(27 465)	(570 362)	(14 080)	-	-	-	(612 808)
Expenses	(415)	(6 287)	(64 209)	(4 473)	-	-	-	(75 383)
Other movements related to current service	(80)	(1 518)	7 841	(0)	-	-	-	6 243
Amortisation of insurance acquisition cash flows	(42)	(11 024)	(105 391)	(8 777)	-	-	-	(125 233)
<b>Changes that relate to past service:</b>	-	<b>(1 126)</b>	<b>(88 541)</b>	<b>(157)</b>	-	-	-	<b>(89 824)</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	(1 126)	(88 541)	(157)	-	-	-	(89 824)
<b>Changes that relate to future service:</b>	-	-	<b>(25 493)</b>	<b>(0)</b>	-	-	-	<b>(25 493)</b>
Losses and reversal of losses on onerous contracts – subsequent measurement	-	-	(25 493)	-0	-	-	-	(25 493)
<b>Income or expense from reinsurance contracts held</b>	-	-	-	-	<b>(28 250)</b>	<b>71 616</b>	<b>(23 313)</b>	<b>20 053</b>
Allocation of the premiums paid	-	-	-	-	(39 335)	(401 901)	(23 313)	(464 549)
<b>Amounts recovered from reinsurance:</b>	-	-	-	-	<b>11 085</b>	<b>473 517</b>	-	<b>484 602</b>
<b>Incurred insurance service expenses:</b>	-	-	-	-	<b>9 875</b>	<b>390 616</b>	-	<b>400 491</b>
Claims	-	-	-	-	8 469	392 281	0	400 750
Expenses	-	-	-	-	369	4 265	0	4 635
Other movements related to current service	-	-	-	-	1 037	(5 930)	0	(4 893)
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	-	-	-	-	<b>1 210</b>	<b>65 055</b>	-	<b>66 265</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	-	-	-	1 210	65 055	-	66 265

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**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Insurance service result**

Assets	Insurance			Reinsurance			Total
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
-	-	-	-	-	17 845	-	17 845
-	-	-	-	0	17 845	0	17 845
<b>(556)</b>	<b>22 989</b>	<b>(176 149)</b>	<b>(27 487)</b>	<b>(28 250)</b>	<b>71 616</b>	<b>(23 313)</b>	<b>(161 150)</b>

**6.7.2 Insurance Revenue Non-Life Insurance**

Portfolio information is derived from internal reports regularly reviewed by the Executive Committee. These reports guide resource allocation and performance assessment within the company. The operating segments are identified based on these reports, which management uses to make strategic and operational decisions. The company conducts mainly insurance and investment activities.

31 March 2023

Insurance revenue

Insurance service expenses

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

Changes in estimates in LIC fulfilment cash flows

Experience adjustments in claims and other insurance service expenses in LIC

Assets	Insurance			Reinsurance			Total
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
14	57 559	630 113	80 595	-	-	-	768 281
668	(65 678)	(600 441)	(53 114)	-	-	-	(718 564)
<b>(5)</b>	<b>(51 872)</b>	<b>(427 206)</b>	<b>(41 030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(520 113)</b>
(4)	(45 714)	(384 708)	(36 114)	-	-	-	(466 541)
(1)	(4 959)	(46 310)	(4 916)	-	-	-	(56 186)
-	(1 198)	3 812	-	-	-	-	2 614
(3)	(9 103)	(100 131)	(12 303)	-	-	-	(121 540)
<b>676</b>	<b>(4 703)</b>	<b>(73 103)</b>	<b>220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(76 911)</b>
-	0	0	-	-	-	-	0
676	(4 703)	(73 103)	220	-	-	-	(76 911)
-	-	-	-	-	-	-	-

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Assets	Insurance			Reinsurance			Total	
	Fruit and Nut	Summer Crop	Winter Crop	Fruit QS	Winter and Summer QS	Stop Loss		
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Income or expense from reinsurance contracts held	-	-	-	-	7 126	(58 797)	(28 897)	(80 568)
Allocation of the premiums paid	-	-	-	-	(32 362)	(399 847)	(28 897)	(461 105)
<b>Amounts recovered from reinsurance:</b>	-	-	-	-	<b>39 488</b>	<b>341 050</b>	-	<b>380 538</b>
<b>Incurred insurance service expenses:</b>	-	-	-	-	<b>36 441</b>	<b>314 848</b>	-	<b>351 288</b>
Claims	-	-	-	-	33 310	302 534	-	335 844
Expenses	-	-	-	-	2 256	14 824	-	17 080
Other movements related to current service	-	-	-	-	874	(2 510)	-	(1 636)
<b>Changes that relate to past service (changes in fulfilment cash flows re LIC):</b>	-	-	-	-	<b>3 047</b>	<b>26 202</b>	-	<b>29 249</b>
Experience adjustments in claims and other insurance service expenses in LIC	-	-	-	-	3 047	26 202	-	29 249
<b>Insurance service result</b>	<b>682</b>	<b>(8 119)</b>	<b>29 673</b>	<b>27 481</b>	<b>7 126</b>	<b>(58 797)</b>	<b>(28 897)</b>	<b>(30 851)</b>

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**6.7.3 Insurance Service Expenses life Insurance**

31 March 2024

**Incurred insurance service expenses:**

Claims  
 Expenses  
 Other movements related to current service  
 Reversal of Impairment Loss on Assets for Insurance Acquisition Cash Flow

**Changes that relate to past service:**

Changes in estimates in LIC fulfilment cash flows  
 Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Losses for the net outflow recognized on initial recognition  
 Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

31 March 2023

**Incurred insurance service expenses:**

Claims  
 Expenses  
 Other movements related to current service

**Changes that relate to past service:**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Losses for the net outflow recognized on initial recognition  
 Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
<b>(12 362)</b>	<b>(1 778)</b>	<b>(2 049)</b>	<b>(16 189)</b>
53	(325)	(1 948)	(2 220)
(12 440)	(1 452)	(2 045)	(15 937)
25	-	1 943	1 968
-	-	-	-
<b>702</b>	<b>(119)</b>	<b>1 207</b>	<b>1 790</b>
(476)	(211)	(767)	(1 454)
1 178	93	1 974	3 245
<b>(9 263)</b>	<b>(25 290)</b>	<b>63</b>	<b>(34 491)</b>
(1 745)	(16 030)	(2 565)	(20 340)
(7 518)	(9 261)	2 628	(14 151)
<b>(20 923)</b>	<b>(27 187)</b>	<b>(780)</b>	<b>(48 889)</b>

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
<b>(13 054)</b>	-	<b>(5 365)</b>	<b>(18 419)</b>
(817)	-	(4 487)	(5 304)
(12 237)	-	(1 262)	(13 499)
-	-	384	384
<b>1 514</b>	-	<b>1 930</b>	<b>3 444</b>
1 514	-	1 930	3 444
<b>(16 570)</b>	-	<b>(159)</b>	<b>(16 729)</b>
(431)	-	-	(431)
(16 138)	-	159	(16 298)
<b>(28 109)</b>	-	<b>(3 594)</b>	<b>(31 703)</b>

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**6.7.4 Insurance Service Expenses non-life Insurance**

The following tables present an analysis of the insurance service expenses for all measurement models applicable

31 March 2024

**Incurring insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

**Changes that relate to future service:**

Losses and reversal of losses on onerous contracts – subsequent measurement

**Total Insurance service expenses**

Insurance				
Assets	Fruit and Nut	Summer Crop	Winter Crop	Total
R'000	R'000	R'000	R'000	R'000
<b>(1,395)</b>	<b>(35,270)</b>	<b>(626,731)</b>	<b>(18,552)</b>	<b>(681,949)</b>
(901)	(27,465)	(570,362)	(14,080)	612 808
(415)	(6,287)	(64,209)	(4,473)	(75,383)
(80)	(1,518)	7 841	-	6 243
(42)	(11,024)	(105,391)	(8,777)	(125,233)
-	<b>(1,126)</b>	<b>(88,541)</b>	<b>(157)</b>	<b>(89,824)</b>
-	-	<b>(25,493)</b>	-	<b>(25,493)</b>
-	-	(25,493)	-	(25,493)
<b>(1,437)</b>	<b>(47,421)</b>	<b>(846,155)</b>	<b>(27,487)</b>	<b>(922,499)</b>

**6.7.4 Insurance Service Expenses non-life Insurance**

31 March 2023

**Incurring insurance service expenses:**

Claims

Expenses

Other movements related to current service

Amortisation of insurance acquisition cash flows

**Changes that relate to past service:**

Experience adjustments in claims and other insurance service expenses in LIC

**Total Insurance service expenses**

Assets	Fruit and Nut	Summer Crop	Winter Crop	Total
R'000	R'000	R'000	R'000	R'000
<b>(5)</b>	<b>(51 872)</b>	<b>(427 206)</b>	<b>(41 030)</b>	<b>(520 113)</b>
(4)	(45 714)	(384 708)	(36 114)	(466 540)
(1)	(4 959)	(46 310)	(4 916)	(56 186)
-	(1 198)	3 812	-	2 614
(3)	(9 103)	(100 131)	(12 303)	(121 540)
<b>676</b>	<b>(4 703)</b>	<b>(73 103)</b>	<b>220</b>	<b>(76 910)</b>
676	(4 703)	(73 103)	220	(76 910)
<b>668</b>	<b>(65 678)</b>	<b>(600 441)</b>	<b>(53 114)</b>	<b>(718 563)</b>

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**6.7.5 Insurance Finance Income or Expenses life Insurance**

31 March 2024

**The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:**

Interest accreted on present value cash flows

Interest accreted on risk adjustment

The effect of financial risk and changes in financial risk

**Total insurance finance income or expenses**

31 March 2023

Insurance finance income/(expenses) from insurance contracts issued

**The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:**

Interest accreted on the carrying amount of the CSM

Interest accreted on present value cash flows

Interest accreted on risk adjustment

The effect of financial risk and changes in financial risk

**Total insurance finance income or expenses**

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(2 774)	(1 687)	-	(4 461)
(2 693)	(1 631)	-	(4 324)
(81)	(56)	-	(137)
273	(589)	(28)	(344)
<b>(2 501)</b>	<b>(2 276)</b>	<b>(28)</b>	<b>(4 805)</b>

Individual decreasing term	Individual level term	Group life	Total
R'000	R'000	R'000	R'000
(1 596)	-	-	(1 596)
(125)	-	-	(125)
(1 418)	-	-	(1 418)
(52)	-	-	(52)
10	-	8	18
<b>(1 586)</b>	<b>-</b>	<b>8</b>	<b>(1 578)</b>

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**6.7.6 Income or Expenses from Reinsurance Contracts held - life Insurance**

31 March 2024

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Changes in estimates in LIC fulfilment cash flows

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance		Total
Individual life	Group life	
R'000	R'000	R'000
(346)	(1 650)	(1 997)
(548)	-	(548)
<b>202</b>	<b>(1 650)</b>	<b>(1 449)</b>
<b>702</b>	<b>-</b>	<b>702</b>
702	-	702
<b>(500)</b>	<b>(1 143)</b>	<b>(1 643)</b>
151	159	310
(651)	(1 302)	(1 953)
-	<b>(507)</b>	<b>(507)</b>
-	(507)	(507)
-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

**6.7.6 Income or Expenses from Reinsurance Contracts held - life Insurance**

31 March 2023

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance finance income or expenses

**31 March 2023**

Finance income/(expenses) from reinsurance contracts held

The effect of financial risk and changes in financial risk

Individual life	Group life	Total
R'000	R'000	R'000
(755)	(668)	(1 423)
(631)	(1 642)	(2 272)
<b>(125)</b>	<b>974</b>	<b>849</b>
<b>651</b>	<b>2 248</b>	<b>2 899</b>
651	1 974	2 625
-	273	273
<b>(775)</b>	<b>(1 293)</b>	<b>(2 068)</b>
(775)	(1 293)	(2 068)
-	<b>19</b>	<b>19</b>
-	19	19
-	-	-

Individual life	Group life	Total
R'000	R'000	R'000
-	(2)	(2)
-	(2)	(2)

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**6.7.7 Income or Expenses from Reinsurance Contracts held - non-life Insurance**

31 March 2024

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

Loss recovery and reversals of recoveries related to underlying insurance contracts losses - subsequent measurement

**Changes in Risk of Non-Performance**

Reinsurance			
Fruit QS	Winter and Summer QS	Stop Loss	Total
R'000	R'000	R'000	R'000
(28 250)	71 616	(23,313)	20 052
(39,335)	(401,901)	(23,313)	(464,549)
<b>11 085</b>	<b>473 517</b>	-	<b>484 601</b>
<b>9 875</b>	<b>390 616</b>	-	<b>400 491</b>
8 469	392 281	-	400 750
369	4 265	-	4 635
1 037	(5,930)	-	(4,893)
<b>1 210</b>	<b>65 055</b>	-	<b>66 265</b>
1 210	65 055	-	66 265
-	<b>17 845</b>	-	<b>17 845</b>
-	17 845	-	17 845
-	-	-	-

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**6.7.7 Income or Expenses from Reinsurance Contracts held - non-life Insurance**

31 March 2023

Income or expense from reinsurance contracts held

Allocation of the premiums paid

**Amounts recovered from reinsurance:**

**Incurred insurance service expenses:**

Claims

Expenses

Other movements related to current service

**Changes that relate to past service (changes in fulfilment cash flows re LIC):**

Experience adjustments in claims and other insurance service expenses in LIC

**Changes that relate to future service:**

<b>Fruit QS</b>	<b>Winter and Summer QS</b>	<b>Stop Loss</b>	<b>Total</b>
<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
7 126	(58,797)	(28,897)	(80,568)
(32,362)	(399,847)	(28,897)	(461,105)
<b>39 488</b>	<b>341 050</b>	-	<b>380 538</b>
<b>36 441</b>	<b>314 848</b>	-	<b>351 288</b>
33 310	302 534	-	335 844
2 256	14 824	-	17 080
874	(2,510)	-	(1,636)
<b>3 047</b>	<b>26 202</b>	-	<b>29 249</b>
3 047	26 202	-	29 249
-	-	-	-

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**7. Investments**

Investment in LBLIC  
 Investment in LBIC  
 Unlisted investments  
 Investment - Medical Fund  
 Investment in listed shares  
 Investments held by LBLIC  
 Investments held by LBIC

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
	-	-	30	30
	-	-	650,000	650,000
	254,300	209,150	254,300	209,150
	404,387	352,970	404,387	352,970
	105,486	68,306	105,486	68,306
	1,061,321	1,048,651	-	-
	327,299	280,436	-	-
	<b>2,152,792</b>	<b>1,959,513</b>	<b>1,414,202</b>	<b>1,280,455</b>
	<b>326,485</b>	<b>315,316</b>	<b>326,485</b>	<b>315,316</b>
	146,837	126,917	146,837	126,917
	40,026	59,700	40,026	59,700
	139,621	128,699	139,621	128,699
	<b>63,817</b>	<b>28,110</b>	<b>63,817</b>	<b>28,110</b>
	15,490	-	15,490	-
	4,056	3,506	4,056	3,506
	44,271	24,604	44,271	24,604
	<b>14,085</b>	<b>9,543</b>	<b>14,085</b>	<b>9,543</b>
	5,433	1,952	5,433	1,952
	8,653	7,591	8,653	7,591
	<b>404,387</b>	<b>352,970</b>	<b>404,387</b>	<b>352,970</b>

**Investment - Medical Fund**

These are investments held with Coronation Asset Managers.

**Listed investments**

Local equity  
 Local bonds  
 Foreign equity

**Other**

Commodities  
 Local Hedge Funds  
 Foreign unit trusts

**Cash**

Local  
 Foreign

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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 32 for more information on the related risks and mitigation strategies.

**Investments held with Coronation are invested as follows:**

**Local equities**

Financials (excl. real estate)  
 Financials (real estate)  
 Basic materials  
 Industrials  
 Consumer goods  
 Health care  
 Consumer services  
 Telecommunications  
 Technology  
 Other securities

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
	24%	30%	24%	30%
	10%	-	10%	-
	13%	15%	13%	15%
	2%	3%	2%	3%
	7%	15%	7%	15%
	3%	3%	3%	3%
	26%	16%	26%	16%
	2%	4%	2%	4%
	14%	14%	14%	14%
	-	3%	-	3%

Refer to note 19. for the post-retirement obligation disclosure.

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Unlisted investments</b>				
<b>Fair value</b>				
Ordinary shares in Acorn Agri (Pty) Ltd	105,600	72,850	105,600	72,850
Ordinary shares in Ideafruit (Pty) Ltd	56,900	51,100	56,900	51,100
Ordinary shares in Afgri Grain Silo Company Pty Ltd	91,800	85,200	91,800	85,200
	<b>254,300</b>	<b>209,150</b>	<b>254,300</b>	<b>209,150</b>

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.

**Acorn Agri & Food Ltd**

Land Bank holds 4.565% interest in Acorn Agri & Food Ltd. Acorn Agri & Food Ltd investment was valued as at 31 March 2024. The valuation was based on the market related Net Asset Value (NAV) of the company, resulting in an investment value of R105.6 million (FY2023 R72.8 million) for the Bank.

**Ideafruit (Pty) Ltd**

Land Bank holds 19.9% interest in Ideafruit (Pty) Ltd and the investment was valued as at 31 March 2024. The valuation was based on the DCF valuations, resulting in an investment value of R56.9 million (FY2023: R51.1 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 2024. The valuation was based on the DCF and current asset valuations, resulting in an investment value of R91.8 million (FY2023: R85.2 million) for the Bank.

**Listed investments**

Rhodes Food Group Holdings Limited was valued in March 2024 based on the listed share price. The listed share price of Rhodes Food Group Holdings Limited as at 31 March 2024, was R13.59 per share (FY2023:R11.00), resulting in an investment value of R105.4 million (FY2023: R68.31) for the Bank. The shares are traded daily hence the share price is regarded as a fair share price.

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**Investments held by LBLIC**

Equities – designated as at fair value through profit and loss  
 Investment in interest bearing assets  
 Commodities  
 Collective investment schemes

**Equities comprise:**

Designated as at fair value through profit or loss

**Commodities and derivatives (designated at FVTPL)**

**Collective investment schemes “CIS”**

Equity - domestic  
 Equity - foreign  
 Designated as at fair value through profit and loss (FVTPL)

	2024	2023
	R'000	R'000
	498,978	534,143
	430,026	399,298
	(176)	673
	132,493	114,536
	<b>1,061,321</b>	<b>1,048,651</b>
	498,978	534,143
	(176)	673
	<b>132,493</b>	<b>114,536</b>
	13,809	18,325
	118,684	96,210

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**Investments in interest bearing assets**

Bonds listed in the BESA - at market value  
 Corporate  
 Government  
 Parastatal  
 Foreign  
 Designated as at fair value through profit and loss (FVTPL)

	2024	2023
	R'000	R'000
	430 026	399 298
	92 130	200 260
	310 288	177 335
	21 493	13 663
	6 114	8 040

**8. 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.

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Derivatives are measured at fair value through profit and loss.

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Derivative Assets</b>				
The table below sets out derivative assets and liabilities by the type of hedge relationship in which they are measured at fair value				
<b>Hedging derivatives</b>				
Interest rate swap	654	1,321	654	1,321
<b>The nominal amount of derivatives in cash flow hedge relationships is as follows (measured at fair value).</b>				
Interest rate swaps				
- Asset	800,000	800,000	800,000	800,000
- Liability	(800,000)	(800,000)	(800,000)	(800,000)
	-	-	-	-

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

	0 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Total
	R'000	R'000	R'000	R'000	R'000
<b>2024</b>					
<b>Group and Bank</b>					
<b>Interest rate swaps</b>					
- Pay	700,000	100,000	-	-	800,000
- Receive	700,000	100,000	-	-	800,000
<b>2023</b>					
<b>Group and Bank</b>					
<b>Interest rate swaps</b>					
- Pay	-	800,000	-	-	800,000
- Receive	-	800,000	-	-	800,000

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**9. Loans and advances (Loans and advances are measured at amortised cost)**

**Group and Company**

Gross loans per business segment

	Gross loans	Expected Credit Loss (ECL)	Net loans
	R'000	R'000	R'000
<b>2024</b>			
Corporate Banking and Structured Investments (CB&SI)	6,312,766	(1,344,604)	4,968,162
Commercial Development and Business Banking (CDBB)	11,212,557	(2,781,879)	8,430,678
Loan commitments and guarantees	-	(6,271)	(6,271)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(25,424)	-	(25,424)
	<b>17,464,689</b>	<b>(4,132,754)</b>	<b>13,331,936</b>

**2023**

Corporate Banking and Structured Investments	6,349,861	(1,007,578)	5,342,283
Commercial Development and Business Banking	12,541,380	(3,042,929)	9,498,450
Loan commitments and guarantees	-	(15,321)	(15,321)
Loan Modifications <sup>4</sup> CB&SI	(35,210)	-	(35,210)
Loan Modifications <sup>4</sup> CDBB	(24,973)	-	(24,973)
	<b>18,831,058</b>	<b>(4,065,828)</b>	<b>14,765,230</b>

Loan type

	Nature of interest rate	Average term of repayment	Average interest rate	Average interest rate
			2024	2023
Short term loans	Variable	1 year	<b>11.79%</b>	11.83%
Medium term loans	Variable	1 to 5 years	<b>12.24%</b>	12.62%
Long term loans	Variable/ Fixed	> 5 years	<b>11.88%</b>	11.25%

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Loans by credit quality

**2024**

Corporate Banking and Structured Investments  
 Commercial Development and Business Banking  
 Loan Modifications<sup>4</sup> CB&SI  
 Loan Modifications<sup>4</sup> CDBB

**Gross loans and advances**

Expected Credit Loss (ECL)

**Net loans and advances**

**Loan commitments<sup>5</sup>**

Expected Credit Loss (ECL)

**Net loan commitments**

Performing loans <sup>1</sup>	Under performing loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
R'000	R'000	R'000	R'000
3,165,001	1,035,466	2,112,300	6,312,766
3,383,733	661,464	7,167,359	11,212,557
(21,485)	(13,725)	-	(35,210)
(12,619)	(7,941)	(4,864)	(25,424)
<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>	<b>17,464,689</b>
(23,873)	(102,386)	(4,000,223)	(4,126,482)
<b>6,490,757</b>	<b>1,572,878</b>	<b>5,274,572</b>	<b>13,338,207</b>
			<b>86,430</b>
			<b>(6,271)</b>
			<b>80,159<sup>5</sup></b>

**NOTES TO THE FINANCIAL STATEMENTS**

Performing loans <sup>1</sup>	Under performing loans <sup>2</sup>	Non-performing loans <sup>3</sup>	Total
R'000	R'000	R'000	R'000
3,190,847	945,805	2,213,208	6,349,861
4,147,118	825,657	7,568,604	12,541,380
(21,485)	(13,725)	-	(35,210)
(12,168)	(7,941)	(4,864)	(24,973)
<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>	<b>18,831,058</b>
(92,766)	(54,167)	(3,903,574)	(4,050,507)
<b>7,211,547</b>	<b>1,695,629</b>	<b>5,873,374</b>	<b>14,780,551</b>
			<b>80,852<sup>6</sup></b>
			<b>(15,321)</b>
			<b>65,531</b>

**2023**

Corporate Banking and Structured Investments  
Commercial Development and Business Banking  
Loan Modifications<sup>4</sup> CB&SI  
Loan Modifications<sup>4</sup> CDBB

**Gross loans and advances**

Expected Credit Loss (ECL)

**Net loans and advances**

**Loan commitments<sup>5</sup>**

**Expected Credit Loss (ECL)**

**Net loan commitments**

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 unlikelihood to repay the loan. Loans that are as a minimum 90 days in arrears, are classified as non-performing.

4 Refer to note 32 for modification disclosure.

5 The loan commitments are undrawn balances.

6 Refer to note 38.3 disclosure restated

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Expected Credit Loss provision: reconciliation of movement per business unit

Group and Company

**2024**

**Balance at the beginning of the year**

Movement for the year

Credit losses written off:

- Statement of financial position write off (utilisation)

- Statement of comprehensive income write off

Second loss sharing<sup>2</sup>

**Net impairment raised to the statement of comprehensive income**

**Balance at the end of the year<sup>1</sup>**

**2023**

**Balance at the beginning of the year**

Movement for the year

Credit losses written off:

- Statement of financial position write off (utilisation)

- Statement of comprehensive income write off

**Net impairment raised/(released) to the statement of comprehensive**

**Balance at the end of the year<sup>1</sup>**

<sup>1</sup> The balances exclude suspended interest of R1.309 billion (FY2023: R988.1 million).

<sup>2</sup>Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
R'000	R'000	R'000	R'000
1,043,747	2,018,614	15,321	3,077,682
(10,328)	(234,881)	-	(245,209)
(669)	(172,819)	-	(173,488)
(9,659)	(62,062)	-	(71,721)
-	-	-	-
183,055	(183,007)	(9,050)	(9,001)
1,216,474	1,600,726	6,271	2,823,472
1,073,411	3,186,505	180,260	4,440,177
(84,946)	(999,325)	-	(1,084,271)
(46,183)	(638,914)	-	(685,098)
(38,762)	(360,411)	-	(399,173)
55 282	(168 566)	(164 939)	(278 223)
1 043 747	2 018 614	15 321	3 077 682

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**Impairment releases/ (charges), claims and recoveries**

Group and Company

**2024**

Net impairments raised to the statement of comprehensive income

Recoveries in respect of amounts previously written off<sup>1</sup>

Second loss sharing<sup>2</sup>

**2023**

Net impairments raised/ (released) to the statement of comprehensive income

Recoveries in respect of amounts previously written off<sup>1</sup>

Second loss sharing<sup>2</sup>

Corporate Banking and Structured Investments	Commercial Development and Business Banking	Loan commitments and guarantees	Total
R'000	R'000	R'000	R'000
183,055	(183,007)	(9,050)	(9,001)
(11,611)	(17,423)	-	(29,034)
-	152,085	-	152,085
<b>171,444</b>	<b>(48,345)</b>	<b>(9,050)</b>	<b>114,049</b>
55,282	(168,566)	(164,940)	(278,223)
-	(40,573)	-	(40,573)
-	(49,528)	-	(49,528)
<b>55,282</b>	<b>(258,667)</b>	<b>(164,940)</b>	<b>(368,324)</b>

<sup>1</sup>Off balance sheet debt collection amounting to R15.1 million (2023 R261.6 million) that was previously written off is still subject to legal action.

<sup>2</sup>Second loss sharing is a recovery of losses incurred on loans acquired through the SLA partners.

Forward-looking information incorporated in the ECL models

The Group uses forwards looking models (part of PD models e.g. seasonality model, macro model, PD transition model) and these models are used to calculate the final ECL that is reported as the Group is required to calculate lifetime PDs for stage 2 accounts.

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

Refer to note 32 for details about the maximum exposure to credit risk for each class of financial instrument exposed to credit risk as at 31 March 2024.

At the end of the Financial year ended 31 March 2024, loans where collateral held covered the carrying amount in full amounted to R92.78 million (2023: R116.5 million).

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	Gross Exposure	Impairment Allowance	Carrying Amount	Realisable value of collateral held
	R'000	R'000	R'000	R'000
<b>2024</b>				
Loans and advances	9,274,795	(4,000,223)	5,274,572	5 448 672
<b>2023</b>				
Loans and advances	9,776,948	(3,903,574*)	5,873,374*	6,562,008

**Concentration of credit risk**

Land Bank's business is exposed to credit concentration risk in the agricultural sector, as well as to certain counterparties / group of counterparties. During the year under review the Land Bank performed review of all lending limits for credit committees in the Bank. Lending limits were aligned to the Bank's strategy enabling support to development and commercial farmers with appropriate Board oversight across loan origination.

In the year under review, the Board of Directors further revised the credit concentration limits for all banking clients from an adjustable 2.50% of the capital base to a fixed limit of R73 million which applies to all new lending activities going forward. These limits continue to be tracked by the Risk Management Division at origination and during the credit process. The approved credit exposures are also noted by the relevant credit committees on an annual basis as part of credit risk reviews.

As at financial close FY2023/2024 all top 20 CB & SI clients and 8 of the top 20 CDBB client have exposures above the single obligor limit of R73m. As indicated above the new single obligor limit applies to new loans originated in the year under review and going forward, those approved prior to new lending mandates were already condoned Board of Directors.

\* (The prior year figure was corrected in the current year)

## 10. Non-current assets held-for-sale

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Properties in possession	9,208	11,359	9,208	11,359
Reconciliation of movement				
Opening balance	11,359	9,609	11,359	9,609
Plus: Additions	-	1,750	-	1,750
Less: Disposals	(2,151)	-	(2,151)	-
<b>Closing Balance</b>	<b>9,208</b>	<b>11,359</b>	<b>9,208</b>	<b>11,359</b>

### Properties in possession

These represent the properties brought 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. Some of these properties have been on sale for more than 12 months, and this is beyond the control of the Bank, as the Group remains committed to sell these properties and continue to actively advertise them for sale. 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

BP 2121 located in Ventersburg

BP 2123 located in Fauresmith

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**II. Investment property**

**Group**

2024

Investment property

Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
98,010	-	7,990	106,000

2023

Investment property

Cost or Revaluation	Transfers	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
97,400	-	610	98,010

**Company**

2024

Investment property

Cost or Revaluation	Transfers *	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
98,010	-	7,990	106,000

2023

Investment property

Cost or Revaluation	Transfers	Fair value adjustments	Carrying value
R'000	R'000	R'000	R'000
97,400	-	610	98,010

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**Reconciliation of movement**

Opening Balance  
 Transfers  
 Fair value adjustments  
**Closing Balance**

2024	2023	2024	2023
R'000	R'000	R'000	R'000
98,010	97,400	98,010	97,400
-	-	-	-
7,990	610	7,990	610
<b>106,000</b>	<b>98,010</b>	<b>106,000</b>	<b>98,010</b>

The investment properties were valued by independent property valuers at year end. The fair value of investment property was determined by using the net income capitalisation method. This is a combination of capitalisation and discounting. The inputs used are gross market rentals, operating costs, the perpetual vacancy and market capitalisation rate. Refer to note 33.

The Bank derived income to the value of R13.8 million in rental income for the current financial year from the following investment properties:

- Bethlehem
- Calvinia
- Polokwane
- Rustenburg
- Upington
- Vryheid

There are no restrictions on the realisability of investment properties.

The Bank is responsible for repairs and maintenance of its investment properties per each contractual agreement with its tenants.

**NOTES TO THE FINANCIAL STATEMENTS**

**12. Property, plant and equipment**

**Group**

	2024			2023		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	5,499	4,479	-	4,479
Buildings	22,399	(1,398)	21,001	22,488	(1,267)	21,221
Furniture, fittings and office equipment	18,000	(15,978)	2,022	18,000	(15,844)	2,157
Motor vehicles	24,436	(671)	23,764	301	(241)	60
IT equipment	46,490	(39,552)	6,939	42,538	(36,183)	6,355
Leasehold improvements	1,313	(924)	389	1,313	(817)	496
<b>Total</b>	<b>118,137</b>	<b>(58,523)</b>	<b>59,614</b>	<b>89,120</b>	<b>(54,352)</b>	<b>34,768</b>

**Company**

	2024			2023		
	Cost/ Revaluation	Accumulated depreciation	Carrying value	Cost/ Revaluation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	5,499	-	5,499	4,479	-	4,479
Buildings	22,399	(1,398)	21,001	22,488	(1,267)	21,221
Furniture, fittings and office equipment	18,000	(15,977)	2,022	18,000	(15,843)	2,157
Motor vehicles	24,436	(671)	23,764	301	(241)	60
IT equipment	46,132	(39,213)	6,918	42,179	(35,872)	6,307
Leasehold improvements	1,313	(924)	389	1,313	(817)	496
<b>Total</b>	<b>117,778</b>	<b>(58,184)</b>	<b>59,593</b>	<b>88,760</b>	<b>(54,040)</b>	<b>34,720</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Reconciliation of property, plant and equipment - Group - 2024**

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	1,020	-	5,499
Buildings	21,220	-	-	1,179	(1,398)	21,001
Furniture, fittings and office equipment	2,160	-	-	-	(134)	2,025
Motor vehicles	60	24,134	(1)	-	(430)	23,764
IT equipment	6,355	4,215	(200)	-	(3,432)	6,938
Leasehold improvements	496	-	(1)	-	(107)	389
<b>Total</b>	<b>34,770</b>	<b>28,349</b>	<b>(202)</b>	<b>2,199</b>	<b>(5,501)</b>	<b>59,616</b>

**Reconciliation of property, plant and equipment - Group - 2023**

	Opening balance	Additions	Disposals	Revaluations/ devaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,383	-	-	96	-	4,479
Furniture, fittings and office equipment	2,074	262	(23)	-	(157)	2,156
Buildings	20,467	-	-	2,021	(1,267)	21,221
Motor vehicles	105	-	(45)	-	-	60
IT equipment	2,060	5,722	(19)	-	(1,408)	6,355
Leasehold improvements	60	576	(59)	-	(81)	496
<b>Total</b>	<b>29,149</b>	<b>6,560</b>	<b>(146)</b>	<b>2,117</b>	<b>(2,913)</b>	<b>34,767</b>

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**Reconciliation of property, plant and equipment - Company - 2024**

	Opening balance	Additions	Disposals	Transfers*	Revaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,479	-	-	-	1,020	-	5,499
Buildings	21,220	-	-	-	1,179	(1,398)	21,001
Furniture, fittings and office equipment	2,160	-	-	-	-	(134)	2,025
Motor vehicles	60	24,134	-	-	-	(430)	23,765
IT equipment	6,307	4,215	(200)	-	-	(3,406)	6,917
Leasehold improvements	496	-	-	-	-	(108)	389
<b>Total</b>	<b>34,723</b>	<b>28,349</b>	<b>(199)</b>	<b>-</b>	<b>2,199</b>	<b>(5,476)</b>	<b>59,593</b>

**Reconciliation of property, plant and equipment - Company - 2023**

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	4,383	-	-	-	96	-	4,479
Buildings	20,467	-	-	-	2,021	(1,267)	21,221
Furniture, fittings and office equipment	2,028	262	(23)	49	-	(157)	2,160
Motor vehicles	105	-	(45)	-	-	-	60
IT equipment	2,015	5,721	(19)	(37)	-	(1,374)	6,306
Leasehold improvements	60	576	(59)	-	-	(81)	496
<b>Total</b>	<b>29,058</b>	<b>6,559</b>	<b>(145)</b>	<b>12</b>	<b>2,117</b>	<b>(2,879)</b>	<b>34,722</b>

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.

The land and buildings were valued by independent property valuers 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. Please refer to note 33 for the fair values applied on the valuations.

## 13. Leases

### 13.1 Right of use of assets (ROU)

#### Group

#### 2024

#### At 1 April 2023

Additions

Depreciation

#### At 31 March 2024

Buildings*	Printers	Total
R'000	R'000	R'000
27,267	1,028	28,296
3,535	-	3,535
(7,735)	(343)	(8,078)
<b>23,067</b>	<b>685</b>	<b>23,752</b>

#### 2023

#### At 1 April 2022

Additions

Depreciation

#### At 31 March 2023

Buildings	Printers	Total
R'000	R'000	R'000
3,909	-	3,909
31,457	1,028	32,485
(8,099)	-	(8,099)
<b>27,268</b>	<b>1,028</b>	<b>28,295</b>

#### Company

#### 2024

#### At 1 April 2023

Additions

Depreciation

#### At 31 March 2024

Buildings*	Printers	Total
R'000	R'000	R'000
27,267	1,028	28,285
3,535	-	3,535
(7,735)	(343)	(8,078)
<b>23,068</b>	<b>685</b>	<b>23,752</b>

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**2023**

**At 1 April 2022**

Additions

Depreciation

**At 31 March 2023**

**13.2 Lease Liabilities**

**Group**

**2024**

**At 1 April 2023**

Additions

Interest expense

Lease payments

**At 31 March 2024**

**2023**

**At 1 April 2022**

Additions

Interest expense

Lease liability derecognised

Lease payments

**At 31 March 2023**

**Company**

Buildings	Printers	Total
R'000	R'000	R'000
3,909	-	3,909
31,457	1,028	32,485
(8,099)	-	(8,099)
<b>27,267</b>	<b>1,028</b>	<b>28,295</b>

Buildings*	Printers	Total
R'000	R'000	R'000
27,963	1,003	28,966
3,535	-	3,535
694	71	765
(7,814)	(388)	(8,202)
<b>24,378</b>	<b>686</b>	<b>25,064</b>

Buildings	Printers	Total
R'000	R'000	R'000
4,933	-	4,933
31,457	1,028	32,485
540	7	547
-	-	-
(8,967)	(32)	(9,000)
<b>27,963</b>	<b>1,003</b>	<b>28,966</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**2024**

**At 1 April 2023**

Additions  
Interest expense  
Lease liability derecognised  
Lease payments

**At 31 March 2024**

Buildings*	Printers	Total
R'000	R'000	R'000
27,963	1,003	28,966
3,535	-	3,535
694	71	765
-	-	-
(7,814)	(388)	(8,202)
<b>24,378</b>	<b>686</b>	<b>25,064</b>

**2023**

**At 1 April 2022**

Additions  
Interest expense  
Lease liability derecognised  
Lease payments

**At 31 March 2023**

Buildings	Printers	Total
R'000	R'000	R'000
4,933	-	4,933
31,457	1,028	32,485
540	7	547
-	-	-
(8,967)	(32)	(9,000)
<b>27,963</b>	<b>1,003</b>	<b>28,966</b>

Refer to note 32 for details about maturity analysis for Land Bank as a Lessee.

\*In the current year under review the Bank renewed the Vredendal, Worcester and Pietermaritzburg leases. Refer to note 32 for the lease maturities for Land Bank as Lessee.

Maturity Analysis for Land Bank as Lessor (IFRS 16.97)

**2024**

Receivable rental income

**2023**

Receivable rental income

Less than 1 year	1 - 5 years	> 5 years	Total
R'000	R'000	R'000	R'000
2,229	2,881	-	5,109
1,724	4,724	-	6,448

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**14. Intangible assets**

**Group**

Computer software

2024			2023		
Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
R'000	R'000	R'000	R'000	R'000	R'000
83,032	(81,970)	1,062	83,032	(81,477)	1,555

**Company**

Computer software

Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
R'000	R'000	R'000	R'000	R'000	R'000
83,032	(81,970)	1,062	83,032	(81,477)	1,555

**Reconciliation of Intangible assets Group - 2024**

**Group**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,555	-	(493)	1,062

**Reconciliation of Intangible assets Group - 2023**

**Group**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,615	697	(757)	1,555

**Reconciliation of Intangible assets Company - 2024**

**Company**

Computer software

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,555	-	(493)	1,062

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**Reconciliation of Intangible assets Company - 2023**

Company

Opening balance	Additions	Amortisation	Total
R'000	R'000	R'000	R'000
1,615	697	(757)	1,555

Computer software

The Group reassessed the useful lives of all the intangible assets at the beginning of the FY2024 financial year together in order to reflect the most correct estimated useful lives of all intangible assets.

**15. Distributable and other reserves**

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
Distributable reserves from continuing operations			
Capital fund	8,784,325	8,286,785	8,286,785
Accumulated loss	(2,657,276)	(2,678,632)	(3,773,401)
Total distributable reserves	6,127,049	5,608,152	4,513,384
FVTOCI	(661,962)	(748,351)	(748,351)
Revaluation reserve	145,258	143,058	143,058
<b>5,610,345</b>	<b>5,002,860</b>	<b>4,553,791</b>	<b>3,908,091</b>

**Accumulated loss**

Comprises of 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, FY2021, FY2023 and FY2024 respectively.

**FVTOCI**

The reserve relates to the fair value adjustment on the unlisted and listed investments held by the Bank and actuarial gain on the post-retirement obligation.

**LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA**  
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**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 profit and loss only once that property is disposed of.

**16. Trade and other payables**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Accrued expenses	59,221	40,222	57,517	33,882
VAT component of amounts due to reinsurers	4,363	(368)	-	-
Trade payables	30,221	34,144	28,536	25,391
Deferred Income	-	1,288	-	1,288
Loan costs and fees received in advance	26,081	31,402	26,081	31,402
Other <sup>1</sup>	54,474	45,562	8,229	15,477
Breakage penalty fee payable	21,435	28,573	21,435	28,573
Amounts due to SASRIA	5,856	6,993	-	-
Client deposits for approved loans	8,050	2,850	8,050	2,850
	<b>209,702</b>	<b>190,666</b>	<b>149,848</b>	<b>138,863</b>

<sup>1</sup> Included in the other payables are surplus amounts on client accounts.

**16.1 Other financial liability**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Conditional equity injection	6,085,486	5,110,870	6,085,486	5,110,870
	<b>6,085,486</b>	<b>5,110,870</b>	<b>6,085,486</b>	<b>5,110,870</b>

Other financial liabilities is the R5.6 billion capital injection transferred on the 31 March 2023 and 31 March 2024 by the shareholder with certain conditions attached to it. The R5.6bn is in an ESCROW account pending fulfilment of attached conditions, which include amongst other, the curing of the state of default with lenders. The Bank expects to meet these conditions at the end of September 2024. The R5.6 billion is not available for use by the group. Refer to note 3.2 for further details on the appropriation including the Directors' report.

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**17. Funding liabilities**

At amortised cost\*

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
16,567,460	22,495,625	16,567,460	22,495,625

\*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 stand still on capital and interest payments to its funders. All covenants have been breached since the event of default, as a result of this, these covenants are no longer monitored by the lenders and National Treasury. Land Bank resumed servicing of interest on funding liabilities during August 2020 to date. The significant movement on funding liabilities between current and the prior year is due to the capital reductions.

**Analysis of funding**

**2024**

**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
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Commercial Paper</b>	<b>8,471,322</b>	<b>(72,410)</b>	-	<b>(2,098,048)</b>	<b>58,961</b>	-	-	-	<b>6,359,824</b>
Bills	823,121	(7,447)	-	(203,755)	6,107	-	-	-	618,025
Call bonds	20,747	(129)	-	(5,150)	110	-	-	-	15,578
Floating rate notes - 1 year	1,038,785	(4,514)	-	(236,926)	3,609	-	-	-	800,955
Floating rate notes - 2 to 5 years	81,158	(1,442)	-	(41,348)	856	-	-	-	39,224
Promissory notes	6,507,510	(58,877)	-	(1,610,869)	48,278	-	-	-	4,886,042
<b>“Deposits”</b>	<b>304,513</b>	-	-	<b>13,367</b>	-	-	-	-	<b>317,879</b>
Agri-related business deposits	209,723	-	-	9,491	-	-	-	-	219,214
Forced stock sale deposits	94,316	-	-	3,859	-	-	-	-	98,175
Small institutional deposits	56	-	-	5	-	-	-	-	61
Rent deposits	418	-	-	12	-	-	-	-	429

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	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Facilities</b>	<b>721,242</b>	<b>(6,928)</b>	<b>-</b>	<b>(178,436)</b>	<b>4,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,520</b>
Committed	721,242	(6,928)	-	(178,436)	4,642	-	-	-	540,520
Uncommitted	-	-	-	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

<b>DMTN Issuances</b>	<b>8,476,027</b>	<b>(86,534)</b>	<b>-</b>	<b>(2,106,230)</b>	<b>65,751</b>	<b>-</b>	<b>(1,986)</b>	<b>(54)</b>	<b>6,346,975</b>
Floating rate notes	6,539,630	(31,611)	-	(1,636,238)	28,856	-	764	(34)	4,901,366
- LBK15	792,207	(3,992)	-	(196,896)	3,635	-	-	-	594,954
- LBK18	421,759	(2,125)	-	(104,825)	1,935	-	-	-	316,745
- LBK22	326,228	(1,644)	-	(81,081)	1,497	-	-	-	244,999
- LBK23	350,954	(1,768)	-	(87,227)	1,610	-	-	-	263,569
- LBK26	140,715	(709)	-	(34,973)	646	-	-	-	105,678
- LBK27	1,160,181	(5,846)	-	(288,353)	5,323	-	-	-	871,306
- LBK30	175,984	(887)	-	(43,739)	807	-	-	-	132,166
- LBK31	527,307	(1,477)	-	(131,352)	2,425	-	-	-	396,902
- LBK32	289,525	(3,799)	-	(71,374)	1,318	-	-	-	215,669
- LBK33	433,509	(4,142)	-	(107,256)	2,328	-	864	(26)	325,276
- LBK35	572,025	(573)	-	(142,749)	2,635	-	-	-	431,339
- LBK36	114,869	(579)	-	(28,550)	527	-	-	-	86,268
- LBK37	457,584	(422)	-	(114,199)	671	-	(99)	(9)	343,526
- LBK38	294,840	(1,486)	-	(73,280)	1,353	-	-	-	221,428
- LBK39U	13,849	195	-	(14,044)	-	-	-	-	0
- LBK41U	468,092	(2,358)	-	(116,340)	2,148	-	-	-	351,541
Fixed rate notes	1,936,397	(54,923)	-	(469,992)	36,896	-	(2,750)	(19)	1,445,609
- LBK20	457,701	(2,306)	-	(113,758)	2,100	-	-	-	343,737
- LBK24	481,763	(21,439)	-	(114,989)	16,940	-	(424)	(7)	361,844
- LBK28	546,787	(18,194)	-	(132,043)	15,840	-	(2,326)	(12)	410,052
- LBK29	450,146	(12,984)	-	(109,203)	2,016	-	-	-	329,975

**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Term Loans - Amortising</b>	<b>2,174,929</b>	<b>122,020</b>	<b>-</b>	<b>(573,835)</b>	<b>6,606</b>	<b>-</b>	<b>80,891</b>	<b>(167,968)</b>	<b>1,642,643</b>
10 year syndicated loan (MIGA supported)	2,174,929	122,020	-	(573,835)	6,606	-	80,891	(167,968)	1,642,643
<b>Term Loans - Bullet Term</b>	<b>574,061</b>	<b>(2,609)</b>	<b>-</b>	<b>(142,749)</b>	<b>2,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>430,900</b>
3 year term facility	574,061	(2,609)	-	(142,749)	2,197	-	-	-	430,900
<b>Step Rate Notes</b>	<b>592,964</b>	<b>(6,508)</b>	<b>-</b>	<b>(146,497)</b>	<b>4,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444,842</b>
Step Rate Notes	592,964	(6,508)	-	(146,497)	4,883	-	-	-	444,842
<b>Total Commercial Funding</b>	<b>21,315,056</b>	<b>(52,969)</b>	<b>-</b>	<b>(5,232,428)</b>	<b>143,040</b>	<b>-</b>	<b>78,905</b>	<b>(168,022)</b>	<b>16,083,583</b>
<b>Multilateral and Development Funding</b>									
<b>Term Loans - Amortising</b>	<b>1,015,833</b>	<b>(3,100)</b>	<b>-</b>	<b>(649,830)</b>	<b>196</b>	<b>-</b>	<b>(165)</b>	<b>(3,470)</b>	<b>359,464</b>
10 year term loan - KFW	479,518	4,263	-	(120,879)	196	-	(165)	(3,470)	359,464
15 year term loan - AFDB	413,802	(4,710)	-	(409,091)	-	-	-	-	0
25 year term loan - World Bank	122,513	(2,652)	-	(119,860)	-	-	-	-	0
<b>Total Multilateral and Development Funding</b>	<b>1,015,833</b>	<b>(3,100)</b>	<b>-</b>	<b>(649,830)</b>	<b>196</b>	<b>-</b>	<b>(165)</b>	<b>(3,470)</b>	<b>359,464</b>
<b>Disaster Relief Funding</b>									
<b>Drought Relief</b>	<b>164,740</b>	<b>(345)</b>	<b>-</b>	<b>(41,066)</b>	<b>2,488</b>	<b>-</b>	<b>-</b>	<b>(1,402)</b>	<b>124,415</b>
10 year term loan - IDC	164,740	(345)	-	(41,066)	2,488	-	-	(1,402)	124,415
<b>Total Disaster Relief</b>	<b>164,740</b>	<b>(345)</b>	<b>-</b>	<b>(41,066)</b>	<b>2,488</b>	<b>-</b>	<b>-</b>	<b>(1,402)</b>	<b>124,415</b>

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**Analysis of funding  
2023**

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
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Commercial Paper</b>	<b>10,511,469</b>	<b>(35,091)</b>	-	<b>(2,077,466)</b>	<b>72,422</b>	-	<b>(13)</b>	-	<b>8,471,322</b>
Bills	994,421	23,009	-	(201,756)	7,447	-	-	-	823,121
Call bonds	25,809	(91)	-	(5,100)	129	-	-	-	20,747
Floating rate notes - 1 year	1,259,859	(5,402)	-	(220,186)	4,514	-	-	-	1,038,785
Floating rate notes - 2 to 5 years	137,044	(1,970)	-	(55,358)	1,455	-	(13)	-	81,158
Promissory notes	8,094,336	(50,638)	-	(1,595,066)	58,877	-	-	-	6,507,510
<b>“Deposits”</b>	<b>349,311</b>	-	-	<b>(44,798)</b>	-	-	-	-	<b>304,513</b>
Agri-related business deposits	231,225	-	-	(21,502)	-	-	-	-	209,723
Forced stock sale deposits	117,675	-	-	(23,359)	-	-	-	-	94,316
Small institutional deposits	52	-	-	4	-	-	-	-	56
Rent deposits	358	-	-	60	-	-	-	-	418
<b>Facilities</b>	<b>896,726</b>	<b>(5,727)</b>	-	<b>(175,349)</b>	<b>5,591</b>	-	-	-	<b>721,242</b>
Committed	896,726	(5,727)	-	(175,349)	5,591	-	-	-	721,242
Uncommitted	-	-	-	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

<b>DMTN Issuances</b>	<b>11,562,523</b>	<b>(117,493)</b>	<b>-</b>	<b>(3,055,538)</b>	<b>90,155</b>	<b>-</b>	<b>(3,364)</b>	<b>(257)</b>	<b>8,476,027</b>
Floating rate notes	9,128,158	(29,983)	-	(2,590,157)	31,056	-	774	(219)	6,539,630
- LBK15	987,537	(4,357)	-	(194,964)	3,992	-	-	-	792,207
- LBK18	525,750	(2,320)	-	(103,796)	2,125	-	-	-	421,759
- LBK22	406,664	(1,794)	-	(80,286)	1,644	-	-	-	326,228
- LBK23	437,408	(1,851)	-	(86,371)	1,768	-	-	-	350,954
- LBK26	175,410	(774)	-	(34,630)	709	-	-	-	140,715
- LBK27	1,441,654	(1,794)	-	(285,524)	5,846	-	-	-	1,160,181
- LBK30	219,376	(968)	-	(43,310)	887	-	-	-	175,984
- LBK31	656,837	(944)	-	(130,064)	1,639	-	(153)	(9)	527,307
- LBK32	359,566	(3,166)	-	(70,674)	3,822	-	(17)	(6)	289,525
- LBK33	539,703	(4,132)	-	(106,204)	2,843	-	1,340	(41)	433,509
- LBK35	713,128	(328)	-	(141,348)	736	-	(130)	(34)	572,025
- LBK36	143,192	(632)	-	(28,270)	579	-	-	-	114,869
- LBK37	570,731	(490)	-	(113,079)	589	-	(122)	(45)	457,584
- LBK38	368,707	(2,791)	-	(72,561)	1,486	-	-	-	294,840
- LBK39U	699,279	(735)	-	(684,500)	33	-	(144)	(83)	13,849
- LBK40U	299,709	(333)	-	(299,376)	-	-	-	-	0
- LBK41U	583,507	(2,575)	-	(115,199)	2,358	-	-	-	468,092
Fixed rate notes	2,434,365	(87,510)	-	(465,381)	59,099	-	(4,138)	(38)	1,936,397
- LBK20	591,276	(23,239)	-	(112,642)	2,306	-	-	-	457,701
- LBK24	600,640	(26,455)	-	(113,861)	22,451	-	(992)	(20)	481,763
- LBK28	682,319	(22,979)	-	(130,747)	20,961	-	(2,752)	(15)	546,787
- LBK29	560,130	(14,837)	-	(108,131)	13,381	-	(394)	(3)	450,146

**NOTES TO THE FINANCIAL STATEMENTS**

	Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Term Loans - Amortising</b>	<b>2,681,497</b>	<b>189,287</b>	-	<b>(573,835)</b>	<b>8,189</b>	-	<b>94,523</b>	<b>(224,732)</b>	<b>2,174,929</b>
7-year syndicated loan (Government guaranteed)	(958)	958	-	-	-	-	-	-	-
10-year syndicated loan (MIGA supported)	2,682,455	188,329	-	(573,835)	8,189	-	94,523	(224,732)	2,174,929
<b>Term Loans - Bullet Term</b>	<b>715,038</b>	<b>(2,238)</b>	-	<b>(141,348)</b>	<b>2,609</b>	-	-	-	<b>574,061</b>
3-year term facility	715,038	(2,238)	-	(141,348)	2,609	-	-	-	574,061
6-year syndicated loan (Government guaranteed)	-	-	-	-	-	-	-	-	-
<b>Step Rate Notes</b>	<b>744,553</b>	<b>(13,038)</b>	-	<b>(145,059)</b>	<b>6,508</b>	-	-	-	<b>592,964</b>
Step Rate Notes	744,553	(13,038)	-	(145,059)	6,508	-	-	-	592,964
<b>Total Commercial Funding</b>	<b>27,461,117</b>	<b>15,700</b>	-	<b>(6,213,393)</b>	<b>185,475</b>	-	<b>91,146</b>	<b>(224,989)</b>	<b>21,315,056</b>
<b>Multilateral and Development Funding</b>									
<b>Term Loans - Amortising</b>	<b>1,497,181</b>	<b>(3,900)</b>	-	<b>(480,549)</b>	<b>8,546</b>	-	<b>(1,106)</b>	<b>(4,340)</b>	<b>1,015,833</b>
10-year term loan - KFW	598,200	5,081	-	(119,500)	262	-	(184)	(4,340)	479,518
15-year term loan - AFDB	503,519	(3,519)	-	(90,909)	5,489	-	(778)	-	413,802
25-year term loan - World Bank	395,462	(5,462)	-	(270,140)	2,796	-	(144)	-	122,513
<b>Total Multilateral and Development Funding</b>	<b>1,497,181</b>	<b>(3,900)</b>	-	<b>(480,549)</b>	<b>8,546</b>	-	<b>(1,106)</b>	<b>(4,340)</b>	<b>1,015,833</b>

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Opening Balance	Amortised Cost re-alignment	New Issues/ Utilisation	Repayment/ Settlements	Accrued Interest	Discount/ Premium	Effective Interest Rate Adjustment	Prepaid Arranging Fees	Closing Balance
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

**Disaster Relief Funding**

<b>Drought Relief</b>	<b>204,664</b>	<b>394</b>	<b>-</b>	<b>(40,663)</b>	<b>2,215</b>	<b>-</b>	<b>-</b>	<b>(1,871)</b>	<b>164,740</b>
10 year term loan - IDC	204,664	394	-	(40,663)	2,215	-	-	(1,871)	164,740
<b>Total Disaster Relief</b>	<b>204,664</b>	<b>394</b>	<b>-</b>	<b>(40,663)</b>	<b>2,215</b>	<b>-</b>	<b>-</b>	<b>(1,871)</b>	<b>164,740</b>
<b>Total Funding Liabilities</b>	<b>29,162,962</b>	<b>12,195</b>	<b>-</b>	<b>(6,734,605)</b>	<b>196,237</b>	<b>-</b>	<b>90,041</b>	<b>(231,200)</b>	<b>22,495,629</b>

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**Reconciliation of notes in issue <sup>1</sup>**

	2024	2023
	R'000	R'000
<b>Opening balance</b>	<b>8,389,489</b>	<b>11,445,026</b>
LBK22 Capital Reduction	(81,081)	(80,286)
LBK36 Capital Reduction	(28,550)	(28,270)
LBK15 Capital Reduction	(196,896)	(194,964)
LBK18 Capital Reduction	(104,825)	(103,796)
LBK33 Capital Reduction	(107,256)	(106,204)
LBK23 Capital Reduction	(87,227)	(86,371)
LBK26 Capital Reduction	(34,973)	(34,630)
LBK27 Capital Reduction	(288,353)	(285,524)
LBK30 Capital Reduction	(43,739)	(43,310)
LB41U Capital Reduction	(116,340)	(115,199)
LBK28 Capital Reduction	(132,043)	(130,747)
LBK31 Capital Reduction	(131,352)	(130,064)
LBK29 Capital Reduction	(109,203)	(108,131)
LBK32 Capital Reduction	(71,374)	(70,674)
LBK20 Capital Reduction	(113,758)	(112,642)
LBK39U Capital Reduction	(14,044)	(684,500)
LBK40U Capital Reduction	-	(299,376)
LBK24 Capital Reduction	(114,989)	(113,861)
LBK35 Capital Reduction	(142,749)	(141,348)
LBK37 Capital Reduction	(114,199)	(113,079)
LBK38 Capital Reduction	(73,280)	(72,561)
<b>Closing balance</b>	<b>6,283,259</b>	<b>8,389,489</b>

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**Notes in default 2**

			2024	2023
			R'000	R'000
LBK36	25 June 2019	25 June 2020	-	455,395
LBK22	04 September 2017	04 September 2020	-	349,187
LB41U	16 March 2020	16 March 2021	-	293,354
LBK26	23 March 2018	23 March 2021	-	1,154,335
LBK30	20 September 2018	20 September 2021	327,958	-
LBK15	12 October 2016	12 October 2021	394,477	-
			<b>722,435</b>	<b>2,252,271</b>

**Step rate notes**

**Reconciliation of notes in issue <sup>1</sup>**

			2024	2023
			R'000	R'000
Opening balance			586,456	731,515
<b>Notes redeemed:</b>				
SRN 4, capital reduction	11 May 2017	11 May 2022	(73,291)	(72,571)
SRN 4, capital reduction	10 May 2017	11 May 2022	(73,206)	(72,488)
<b>Closing balance</b>			<b>439,959</b>	<b>586,456</b>

**17.2 Weighted average interest cost of commercial funding (NACM)**

Short-term: ≤ 1 year  
 Medium-term: > 1 year ≤ 5 years  
 Long-term: > 5 years  
 Total Cost of Funding

**Weighted average interest cost of development and multilateral funding (NACM)**

Long-term: > 5 years \*\*

**Weighted average interest cost of natural disaster relief funding (NACM)**

Long-term: > 5 years

	* Spread to 3 month Jibar	* Spread to 3 month Jibar
	2024	2023
	R'000	R'000
	1.46%	0.53%
	2.70%	1.12%
	0.00%	2.81%
	1.65%	0.70%
	1.11%	1.15%
	1.07%	1.59%

**Development and multilateral funding**

Land Bank's Multilateral funds are made up of the following:

RI.0 billion loan with the African Development Bank. the purpose of the loan was to on-lend to the Land Bank's commercial and Development clients whom meet qualifying usage criteria. The government guaranteed loan was fully settled by National Treasury in August 2023.

- \$93 million funding line with the World Bank. This facility was earmarked to give financial aid to participating financial intermediaries and direct beneficiaries. As at 31 March 2023 R119.860 million has been utilised. The balance of the undrawn facility was cancelled in FY2022. The government guaranteed loan was fully settled by National Treasury in August 2023.

-R899 million funding line with KfW Development Bank. This facility was earmarked to finance small-sized and medium sized agricultural enterprises. The facility has been fully drawn and disbursed to qualifying projects. As at 31 March 2024 the loan balance was R362,9 million.

**Disaster relief**

The Land Bank had 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.

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The loan was 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. The facility was fully utilised, relief assistance closed on 31 March 2019 and the facility now is amortising.

\*Weighted average Jibar

\*\*Only includes those funding lines for which there has been utilisation

## 18. Provisions

### Reconciliation of provisions - Group - 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Staff Incentives <sup>1</sup>	3,000	3,138	(3,000)	-	3,138
Leave pay <sup>2</sup>	29,398	16,810	(8,293)	-	37,915
Other <sup>3</sup>	-	32,000	-	-	32,000
	<b>32,398</b>	<b>51,948</b>	<b>(11,293)</b>	<b>-</b>	<b>73,053</b>

### Reconciliation of provisions - Group - 2023

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Staff Incentives <sup>1</sup>	2,400	3,000	(2,400)	-	3,000
Leave pay <sup>2</sup>	31,781	6,037	(8,420)	-	29,398
	<b>34,181</b>	<b>9,037</b>	<b>(10,820)</b>	<b>-</b>	<b>32,398</b>

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**Reconciliation of provisions - Company - 2024**

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Leave pay <sup>2</sup>	27,100	14,438	(5,995)	-	35,543
Other <sup>3</sup>	-	32,000	-	-	32,000
	<b>27,100</b>	<b>46,438</b>	<b>(5,995)</b>	<b>-</b>	<b>67,543</b>

**Reconciliation of provisions - Company - 2023**

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
	R'000	R'000	R'000	R'000	R'000
Leave pay	29,960	3,739	(6,599)	-	27,100
	<b>29,960</b>	<b>3,739</b>	<b>(6,599)</b>	<b>-</b>	<b>27,100</b>

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>Other - relates to a probable obligation for VAT for using an incorrect apportionment ratio.

## 19. 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 2024 amounts to R21.7 million (FY2023: R19.5 million). The time value of money has not been taken into account as it is believed that the difference will be insignificant.

#### Post-retirement obligation

##### Medical benefit plan

##### Movement in the present value of the:

Defined benefit obligation 1 April

Service cost - PRMA

Interest cost - PRMA

Actuarial (losses) and gains on post retirement obligation

Benefits paid

##### Defined benefit obligation 31 March 2024

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
278,864	286,655	278,864	286,655
1,374	1,732	1,374	1,732
27,912	27,823	27,912	27,823
(4,061)	(17,811)	(4,061)	(17,811)
(21,772)	(19,535)	(21,772)	(19,535)
<b>282,317</b>	<b>278,864</b>	<b>282,317</b>	<b>278,864</b>

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

##### Components of net periodic medical benefit cost:

Service cost - PRMA

Interest cost - PRMA

Total included in interest and staff costs

Total expenses recognised in profit or loss

Actuarial (losses) recognised in other comprehensive income

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
(1,374)	(1,732)	(1,374)	(1,732)
(27,912)	(27,823)	(27,912)	(27,823)
(29,286)	(29,555)	(29,286)	(29,555)
(29,286)	(29,555)	(29,286)	(29,555)
4,061	17,811	4,061	17,811

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The accrued service liabilities as at 31 March 2024 and 31 March 2023 are shown in the table below.

	As at 31 March 2024	As at 31 March 2023	% increase
	R'000	R'000	%
In-Service Members	36.716	40.012	(8%)
Continuation Members	245.601	238.852	3%
<b>Total Accrued Service Liability</b>	<b>282.317</b>	<b>278.864</b>	<b>1%</b>

The actuarial gain of 4.061 million arose as follows:

	R'000
Experience item	(16.487)
Change in economic basis (the discount rate and medical inflation assumptions)	4.883
New Entrants	4.109
Actual medical inflation higher than expected	1.245
Mortality lower than expected	1.633
Impact of retirements	0.526
Actual benefits greater than expected benefits	0.043
Withdrawals lower than expected	(0.013)
Miscellaneous	(4.061)
<b>Total actuarial gain</b>	<b>(4.061)</b>

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

**19.1 Maturity profile of members**

2024		Membership Profile			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents	
Active	71	53	29	1.44	
Pensioners	242	71	-	0.52	
	<b>313</b>	<b>124</b>	<b>29</b>	<b>2</b>	

2023		Membership Profile			
Employee status	Number	Average age (years)	Average past service (years)	Average number of dependents	
Active	55	52	28	2	
Pensioners	234	70	-	1	
	<b>289</b>	<b>122</b>	<b>28</b>	<b>2</b>	

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.

**19.2 Actuarial key assumptions used:**

**Medical inflation**

Contribution rates on the benchmark medical option, Bankmed, have increased by, on average 8.05% over the period. This is higher than the medical inflation assumptions of 7% made at the time of the last valuation. This resulted in a decrease in liability of approximately R4.109 million.

**Economic basis**

The net discount rate over the period has increased by 2.31% for active members. The average net discount rate has increased by 0.52%. This has caused a decrease in liability of approximately R16.487 million.

**New Entrants**

Five pensioners were not valued in the previous valuation and are thus new entrants in this valuation. The majority of these are members whose spouses have inherited the benefit.

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**Mortality**

The liability decreased by approximately R1.245 million due to pensioner mortality being lower than expected over the period.

**Withdrawals**

There were less withdrawals than expected during the valuation year. This has resulted in an actuarial strain of some R0.043 million.

**19.2 Sensitivity analysis**

In-Service and Continuation Members

**Assumptions as above**

Discount rate – increases by 1% p.a.

Discount rate – reduces by 1% p.a.

Medical inflation – increases by 1% p.a.

Medical inflation – reduces by 1% p.a.

Retirement age – 64

Retirement age – 66

Accrued Service Liabilities as at 31 March 2024	% Increase	Accrued Service Liabilities as at 31 March 2023	% Increase
R'000	%	R'000	%
258,996	-8%	253,924	10%
309,637	10%	308,305	10%
307,754	9%	306,940	-9%
259,169	-8%	253,834	1%
285,812	1%	282,518	1%
279,055	-1%	275,566	-1%

**20. Interest income measured at amortised cost**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Interest from loans and advances <sup>1</sup>	1,971,712	2,198,631	1,971,712	2,198,631
Interest on short-term deposits	597,342	536,778	597,342	536,778
Interest from banks	20,970	30,382	11,734	21,593
Interest on premiums written <sup>2</sup>	208	135	-	-
	<b>2,590,232</b>	<b>2,765,926</b>	<b>2,580,788</b>	<b>2,757,002</b>

<sup>1</sup> Included in the interest income is a charge of interest in suspense of R321.1m (FY2023: charge of R41.51m)

<sup>2</sup> Interest premiums is derived from outstanding premiums earned from the insurance companies

## 21. Interest expense

Commercial funding
Development and multilateral funding
Interest on swaps & debentures
Other <sup>1</sup>
<b>Total interest expense</b>

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
1,738,745	1,948,603	1,738,745	1,948,603
58,036	94,671	58,036	94,671
1,334	30,141	1,334	30,141
77,925	76,355	77,925	76,355
<b>1,876,041</b>	<b>2,149,770</b>	<b>1,876,041</b>	<b>2,149,770</b>

<sup>1</sup>Other consists of interest paid on Drought Relief funding, Government guarantee fee paid.

## 22. Non-interest expense

Account administration & Net Interest Margin fee expense <sup>1</sup>
-----------------------------------------------------------------------

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
2,098	13,555	2,098	13,555

<sup>1</sup>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 20 note 21 and note 9 respectively. Significant movement due to the SLA insourcing. These are expenses derived from banking activities

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Non-interest income and Other income

#### Fee and commission income

Account administration fee income

Fund administration fees

#### Other Income

Administration fee from LBLIC

Investment property rentals

Sundry income<sup>1</sup>

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
<b>33,645</b>	<b>24,366</b>	<b>33,645</b>	<b>24,366</b>
16,451	13,964	16,451	13,964
17,194	10,402	17,194	10,402
<b>29,047</b>	<b>32,893</b>	<b>29,525</b>	<b>32,386</b>
-	-	1,414	1,343
13,910	12,740	13,910	12,740
15,136	20,153	14,201	18,303

### 24. Investment income and fees

#### An analysis of revenue is as follows:

Investment income from financial assets classified as at fair value through profit or loss:

Dividend income - other investments

Interest income<sup>1</sup>

Investment management and performance fees

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
132,590	104,891	26,148	20,132
41,124	37,600	19,320	13,184
91,466	67,291	6,828	6,948
(2,522)	(2,223)	(2,522)	(2,223)
<b>130,068</b>	<b>102,669</b>	<b>23,626</b>	<b>17,909</b>

<sup>1</sup> Net margin fee due to the bank which was previously overcharged by an SLA Partner.

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**25.1 Gains and losses on financial instruments**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Losses on financial assets measured at amortised cost <sup>2</sup>	(451)	(2,933)	(451)	(2,933)
<b>Fair value (losses) gains</b>				
<b>Measured at fair value through profit or (loss)</b>	<b>(667)</b>	<b>(8,576)</b>	<b>(667)</b>	<b>(8,576)</b>
Interest rate swap <sup>3</sup>	(667)	(8,576)	(667)	(8,576)
<b>Designated at fair value through profit or loss</b>				
Investment income	49,912	5,798	40,849	3,279
Realised gains	43,314	21,819	25,316	9,463
Unrealised fair value gains (losses)	6,598	(16,021)	15,534	(6,185)
	<b>49,245</b>	<b>(2,778)</b>	<b>40,182</b>	<b>(5,297)</b>

**25.2 Measured at fair value through OCI**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Revaluation gains/(losses) of land and buildings	2,199	2,117	2,199	2,117
Actuarial Gain on the post-retirement obligation	4,061	17,811	4,061	17,811
Net (loss)/gain on financial assets designated at fair value through other comprehensive income	82,330	(28,752)	82,330	(28,752)
	<b>88,590</b>	<b>(8,824)</b>	<b>88,590</b>	<b>(8,824)</b>

<sup>1</sup>These are assets invested with asset management companies.

<sup>2</sup>These are modifications gains/(losses) on loans and advances

<sup>3</sup>These are settled on a net basis per the contractual agreement with the asset managers. 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 derivative to be recognised in profit or loss when hedge accounting is not applicable.

**NOTES TO THE FINANCIAL STATEMENTS**

**26. Operating expenses**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Depreciation - Owned assets (Note12)	5,477	2,879	5,477	2,881
Depreciation - Leased assets (Note 13)	8,078	8,099	8,078	8,099
Amortisation - computer software (Note 14)	493	757	493	757
Auditors remuneration - External auditors	20,518	16,913	20,518	16,913
Directors' emoluments	16,319	15,437	15,117	15,025
- Executive	8,372	4,358	8,372	4,358
- Non-executive	7,947	11,079	6,745	10,667
Management fees	7,767	6,101	-	-
Professional fees	40,385	13,899	40,385	13,899
Staff costs	345,062	331,402	345,062	331,402
- Salaries and contributions	336,594	324,174	336,594	324,174
- Staff related provisions and other	8,468	7,227	8,468	7,227
Other operating expenses	151,939	111,613	149,926	110,180
- Computer and data costs	34,958	21,659	34,958	21,659
- Repairs and maintenance	3,385	7,018	3,385	7,018
- Rates and taxes	8,740	6,558	8,740	6,558
- Travel and accommodation	12,179	7,466	12,177	7,463
- Corporate social investment	6,386	5,710	6,191	3,712
- Litigation and claims	16,220	10,735	16,220	10,735
- Other I	70,071	52,468	68,256	53,036
	<b>596,037</b>	<b>507,100</b>	<b>585,055</b>	<b>499,156</b>

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



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**29. Funds under administration**

	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Asset</b>				
	1,794,989	1,823,983	1,794,989	1,823,983
<b>Liabilities</b>				
Department of Agriculture	1,794,989	1,823,983	1,794,989	1,823,983
<b>Funds administered on behalf of the Department of Agriculture</b>				
Agri-BEE	435,826	363,591	435,826	363,591
MAFISA Fund	17,382	16,050	17,382	16,050
Covid 19	-	92,510	-	92,510
Jobs Fund	12,656	17,083	12,656	17,083
Emerging Farmers' Support Facility & CGA Primary Project	138,793	155,356	138,793	155,356
Blended Finance	863,738	1,175,224	863,738	1,175,224
Kat River Farmers	4,514	4,168	4,514	4,168
Amajingqi Crop	24,999	-	24,999	-
EU Wines	40,314	-	40,314	-
Agro Energy Fund	256,768	-	256,768	-
	<b>1,794,989</b>	<b>1,823,983</b>	<b>1,794,989</b>	<b>1,823,983</b>
<b>Reconciliation of movement in funds under administration</b>				
<b>Agri-BEE</b>				
<b>Balance at the beginning of the year</b>	<b>363,591</b>	<b>321,002</b>	<b>363,591</b>	<b>321,002</b>
Receipts	49,590	54,826	49,590	54,826
Accrued interest	36,024	18,410	36,024	18,410

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Disbursements	(13,380)	(30,647)	(13,380)	(30,647)
<b>Balance at the end of the year</b>	<b>435,826</b>	<b>363,591</b>	<b>435,826</b>	<b>363,591</b>
<b>MAFISA fund</b>				
<b>Balance at the beginning of the year</b>	<b>16,050</b>	<b>15,192</b>	<b>16,050</b>	<b>15,192</b>
Accrued interest	1,331	858	1,331	858
Transfer from/(to) the fund	-	-	-	-
<b>Balance at the end of the year</b>	<b>17,382</b>	<b>16,050</b>	<b>17,382</b>	<b>16,050</b>
<b>Covid-19</b>				
<b>Balance at the beginning of the year</b>	<b>92,510</b>	<b>94,092</b>	<b>92,510</b>	<b>94,092</b>
Transfer from/(to) Land Bank	(99,712)	-	(99,712)	-
Accrued interest	7,201	5,096	7,201	5,096
Disbursements	-	(6,678)	-	(6,678)
<b>Balance at the end of the year</b>	<b>-</b>	<b>92,510</b>	<b>-</b>	<b>92,510</b>
<b>Jobs fund</b>				
<b>Balance at the beginning of the year</b>	<b>17,083</b>	<b>29,570</b>	<b>17,083</b>	<b>29,570</b>
Accrued interest	1,169	1,564	1,169	1,564
Disbursements	(10,580)	(25,189)	(10,580)	(25,189)
Transfer from/(to) the fund	4,985	11,138	4,985	11,138
<b>Balance at the end of the year</b>	<b>12,656</b>	<b>17,083</b>	<b>12,656</b>	<b>17,083</b>

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Blended Finance</b>				
<b>Balance at the beginning of the year</b>	<b>1,175,224</b>	<b>750,168</b>	<b>1,175,224</b>	<b>750,168</b>
Accrued interest	89,861	50,583	89,861	50,583
Disbursements	(954,509)	(35,458)	(954,509)	(35,458)
Transfer from/(to) the fund	553,162	409,931	553,162	409,931
<b>Balance at the end of the year</b>	<b>863,738</b>	<b>1,175,224</b>	<b>863,738</b>	<b>1,175,224</b>
<b>Kat River Farmers</b>				
<b>Balance at the beginning of the year</b>	<b>4,168</b>	<b>12,824</b>	<b>4,168</b>	<b>12,824</b>
Accrued interest	345	359	345	359
Disbursements	-	(9,015)	-	(9,015)
<b>Balance at the end of the year</b>	<b>4,514</b>	<b>4,168</b>	<b>4,514</b>	<b>4,168</b>
<b>Amajingqi Crop</b>				
<b>Balance at the beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accrued interest	(1)	-	(1)	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	25,000	-	25,000	-
<b>Balance at the end of the year</b>	<b>24,999</b>	<b>-</b>	<b>24,999</b>	<b>-</b>

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>EU Wines</b>				
<b>Balance at the beginning of the year</b>	-	-	-	-
Accrued interest	-	-	-	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	40,314	-	40,314	-
<b>Balance at the end of the year</b>	<b>40,314</b>	<b>-</b>	<b>40,314</b>	<b>-</b>
<b>Agro Energy Fund</b>				
<b>Balance at the beginning of the year</b>	-	-	-	-
Accrued interest	-	-	-	-
Receipts	5	-	5	-
Disbursements	-	-	-	-
Transfer from/(to) the fund	(2,948)	-	(2,948)	-
<b>Balance at the end of the year</b>	<b>(2,943)</b>	<b>-</b>	<b>(2,943)</b>	<b>-</b>
<b>CGA Primary Project Facility</b>				
<b>Liabilities</b>				
Emerging farmers support facility	138,792	155,355	138,792	155,355
CGA Primary Project Facility	-	-	-	-
	<b>138,792</b>	<b>155,355</b>	<b>138,792</b>	<b>155,355</b>
<b>Emerging farmers support facility</b>				
<b>Balance at the beginning of the year</b>	<b>155,356</b>	<b>161,973</b>	<b>155,356</b>	<b>161,973</b>
Accrued interest	11,659	8,383	11,659	8,383
Transfer from/(to) the fund	(28,222)	(15,000)	(28,222)	(15,000)
<b>Balance at the end of the year</b>	<b>138,793</b>	<b>155,356</b>	<b>138,793</b>	<b>155,356</b>

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### 30. Commitments

#### 30.1 Loan commitments

Loan commitments\*

\* Loan commitments relates to facilities that are undrawn for clients approved facilities

<sup>1</sup> Refer to note 39.3, disclosure restated.

Group		Company	
2024	2023	2024	2023
R'000	R'000	R'000	R'000
86,430 <sup>1</sup>	80,852	86,430	80,852 <sup>1</sup>
<b>86,430</b>	<b>80,852</b>	<b>86,430</b>	<b>80,852</b>

### 31. Related party transactions

The following represents the significant subsidiaries of the Bank:

Land Bank Life Insurance Company (SOC) Limited (LBLIC)

Land Bank Insurance Company (SOC) Limited (LBIC)

Ownership interest	
100%	100%
100%	100%

#### Transactions with related parties other than key management personnel

Amounts received from related parties during the year

##### i) Land Bank Life Insurance Company (SOC) Limited - Subsidiary<sup>1</sup>

Policy administration fees received by Land Bank

Portion of non-executive directors emoluments paid by LBLIC

Property and equipment transferred (from)/ to LBLIC (at NAV)

Gross written premiums - Group credit life insurance provided to Land Bank Clients

2024	2023
R'000	R'000
283	269
-	80
-	48
2,628	2,472
<b>2,911</b>	<b>2,869</b>

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	2024	2023
	R'000	R'000
<b>ii) Land Bank Insurance Company (SOC) Limited - Subsidiary</b>		
Policy administration fees received by Land Bank	1,131	1,074
Portion of non-executive directors emoluments paid by Land Bank	-	320
Property and equipment transferred to LBIC (at NAV)	-	(35)
	1,131	1,359
<b>iii) National Treasury - Stakeholder</b>		
Transactions during the year		
A cash injection of R 500 137 471 was received from National Treasury during the 2023/24 financial year, paid directly in cash to the Land Bank.	500,137	6,000,000
<b>Funding received<sup>2</sup></b>		
Corporation for Public Deposits	566,960	755,745
Industrial Development Corporation	251,940	335,830
National Housing Finance	51,444	68,574
Petro SA	410,428	547,091
Post Bank	444,094	591,967
Public Investment Corporation	3,240,996	4,291,603
Trans-Caledon Tunnel Authority	43,673	58,215
	<b>5,009,535</b>	<b>6,649,025</b>
<b>Other government related parties:</b>		
African Development Bank	409,091	409,090



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CGA Primary Project Facility fund balance

**vi) Blended Finance Facility**

Bank balances of the Blended Finance Facility

Cash balance held for the support facilities

**vii) Amajingqi Crop**

Bank balances of the Amajingqi Crop Facility

Cash balance held for the support facilities

**viii) EU Wines**

Bank balances of the EU Wines Facility

Cash balance held for the support facilities

**ix) Agro Energy Fund**

Bank balances of the Agro Energy Fund Facility

Cash balance held for the support facilities

**x) Other bank balances**

Job Fund

Covid 19

Kat River Farmers

**Total amount owed to related parties**

**Total cash balance held for the support facilities**

	2024	2023
	R'000	R'000
CGA Primary Project Facility fund balance	138,793	155,356
<b>vi) Blended Finance Facility</b>		
Bank balances of the Blended Finance Facility	863,738	1,157,642
Cash balance held for the support facilities	863,738	1,157,642
<b>vii) Amajingqi Crop</b>		
Bank balances of the Amajingqi Crop Facility	24,999	-
Cash balance held for the support facilities	24,999	-
<b>viii) EU Wines</b>		
Bank balances of the EU Wines Facility	40,314	-
Cash balance held for the support facilities	40,314	-
<b>ix) Agro Energy Fund</b>		
Bank balances of the Agro Energy Fund Facility	256,768	-
Cash balance held for the support facilities	256,768	-
<b>x) Other bank balances</b>		
Job Fund	12,656	17,083
Covid 19	0	92,51
Kat River Farmers	4,514	4,168
<b>Total amount owed to related parties</b>	<b>1,794,989</b>	<b>1,806,400</b>
<b>Total cash balance held for the support facilities</b>	<b>1,794,989</b>	<b>1,806,400</b>

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**Services paid/ (received) to related parties**

LBLIC - Salaries  
 LBIC - Salaries

2024	2023
R'000	R'000
24,989	21,039
(24,989)	(21,039)
-	-

**Remuneration recharge to LBIC**

**Transactions with key management personnel<sup>3</sup>**

Short-term employee benefits  
 Other long-term benefits  
 Termination benefits

2024	2023
R'000	R'000
(24,989)	(21,039)
1,263	1,439
-	-
-	1,155
<b>1,263</b>	<b>2,594</b>

<sup>1</sup>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 unfavorable features. There was no ECL at the statement of financial position date and no bad debt expense in the year (FY2023: Rnil) relating to this intercompany transaction.

<sup>2</sup>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.

<sup>3</sup>Key management personnel comprises of the Group's executive management (including executive directors) and non-executive directors.

## 32. Financial instruments and risk management of the 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.

### *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.

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**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.

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

	2024			2023		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Asset class with credit risk exposure:</b>	<b>32,807,139</b>	<b>(4,132,754)</b>	<b>28,674,385</b>	<b>37,026,524</b>	<b>(4,065,828)</b>	<b>33,991,842</b>
Loans and advances	17,464,689	(4,132,754)	13,331,936	18,831,058	(4,065,828)	14,765,230
Cash at bank	12,903,271	-	12,903,271	15,724,398	-	15,724,398
Trade and other receivables (excluding prepaid expenses)	211,681	-	211,681	417,431	-	417,431
Insurance contract assets	30,412	-	30,412	84,449	-	84,449
Reinsurance contract assets	43,640	-	43,640	8,354	-	8,354

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	2024			2023		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
	R'000	R'000	R'000	R'000	R'000	R'000
Hedging derivatives	654	-	654	1,321	-	1,321
Investments **	2,152,792	-	2,152,792	1,959,513	-	1,959,513
<b>Add off balance sheet items exposed to credit risk:</b>						
Loan commitments	86,430	-	86,430	80,852	-	80,852
<b>Maximum credit exposure - selected items</b>	<b>32,893,569</b>	<b>(4,132,754)</b>	<b>28 760 815</b>	<b>37 107 376</b>	<b>(4,065,828)</b>	<b>33,041,548</b>

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 9 for collateral held against the loans and advances.

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**Gross loan book exposure by agricultural sector**

2024

**Agricultural Sector**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	227,432	227,432	632,136	-	632,136	859,568	165,628	3,229	690,711
Agro-processing	-	-	1,076	-	1,076	1,076	-	-	1,076
Citrus	-	-	226,621	-	226,621	226,621	46,285	16,702	163,635
Cotton	-	-	30,872	-	30,872	30,872	5,387	147	25,338
Dairy	170,882	170,882	254,887	-	254,887	425,769	253,189	15,007	157,573
Deciduous fruit	318,306	318,306	139,745	-	139,745	458,051	76,588	122,919	258,544
Equipment	-	-	-	-	-	-	-	-	-
Feedlot	75,081	75,081	29,220	-	29,220	104,301	83,094	-	21,207
Financial Services	9,916	9,916	391,558	-	391,558	401,474	242,822	71,857	86,795
Flowers	-	-	4,692	-	4,692	4,692	2,321	-	2,370
Fodder	-	-	255,300	-	255,300	255,300	109,181	1,493	144,626
Game	-	-	198,034	-	198,034	198,034	45,453	2,800	149,781
Grain	3,718,961	3,718,961	3,339,857	10,217	3,350,074	7,069,035	3,242,607	1,075,062	2,751,366
Inputs Supplier	-	-	30,571	-	30,571	30,571	-	-	30,571
Livestock	266,165	266,165	2,772,927	20,160	2,793,086	3,059,251	1,107,915	258,399	1,692,937
Nuts	75,772	75,772	343,507	3,600	347,107	422,878	137,230	15,833	269,816
Ostriches	-	-	48,094	-	48,094	48,094	14,175	-	33,919
Other	546,178	546,178	34,017	34,899	68,916	615,095	12,625	-	602,470
Pork	-	-	32,215	-	32,215	32,215	3,607	128	28,480
Poultry	266,109	266,109	107,988	726	108,714	374,823	196,079	1,392	177,351
Subtropical Fruit	-	-	24,982	-	24,982	24,982	3,257	352	21,373
Sugarcane	298,364	298,364	243,625	(2)	243,622	541,986	173,413	2,237	366,337
Table grapes	-	-	363,335	48,379	411,714	411,714	111,947	-	299,767

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	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Tea	-	-	20,722	-	20,722	20,722	7,023	10,238	3,460
Timber	144,680	144,680	75,038	-	75,038	219,718	166,835	62	52,822
Tobacco	-	-	146,120	-	146,120	146,120	-	3,659	142,462
Vegetables	159,711	159,711	1,056,297	-	1,056,297	1,216,008	162,936	59,979	993,093
Wine	-	-	243,541	22,178	265,719	265,719	145,033	13,769	106,917
<b>Total</b>	<b>6,277,556</b>	<b>6,277,556</b>	<b>11,046,976</b>	<b>140,156</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Gross loan book exposure by agricultural sector**

**2023**

**Agricultural Sector**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agri-Business	211,399	211,399	932,658	-	932,658	1,144,057	415,471	25,761	702,825
Agro-processing	-	-	-	-	-	-	-	-	-
Citrus	49,852	49,852	192,628	7,521	200,149	250,001	128,172	28,281	93,549
Cotton	-	-	53,678	-	53,678	53,678	28,864	-	24,814
Dairy	-	-	508,417	-	508,417	508,417	121,677	11,714	375,026
Deciduous fruit	289,902	289,902	143,997	47,965	191,962	481,863	182,246	23,697	275,920
Equipment	-	-	-	-	-	-	-	-	-
Feedlot	94,035	94,035	31,867	-	31,867	125,902	105,120	2,136	18,645
Financial Services	10,142	10,142	460,242	-	460,242	470,384	319,081	54,320	96,983
Flowers	-	-	4,157	-	4,157	4,157	2,457	-	1,701
Fodder	-	-	212,085	-	212,085	212,085	44,391	17,921	149,773
Game	-	-	201,357	-	201,357	201,357	49,900	2,885	148,572
Grain	3,804,459	3,804,459	3,641,267	17,829	3,659,095	7,463,554	3,470,978	926,862	3,065,714
Inputs supplier	-	-	-	-	-	-	-	-	-
Livestock	238,188	238,188	2,787,707	1,054	2,788,761	3,026,949	1,189,615	198,559	1,638,775
Logistics	-	-	-	-	-	-	-	-	-
Nuts	65,306	65,306	268,406	5,527	273,933	339,239	96,185	97,978	145,076
Ostriches	-	-	49,106	-	49,106	49,106	19,072	4,471	25,563
Other	481,947	481,947	813,037	32,949	845,986	1,327,933	160,886	46,277	1,120,770
Pork	70,553	70,553	29,064	-	29,064	99,618	74,239	20	25,359
Poultry	293,298	293,298	108,837	1,016	109,853	403,151	230,269	4,386	168,496
Subtropical Fruit	-	-	22,327	-	22,327	22,327	4,144	-	18,183
Sugarcane	366,653	366,653	266,876	-	266,876	633,529	168,297	31,542	433,690

**NOTES TO THE FINANCIAL STATEMENTS**

	Corporate Banking and Structured Investments		Commercial Development and Business Banking			Total Bank	Classification by loan performance		
	Direct	Total	Direct	Indirect	Total	Total	Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Table grapes	-	-	310,379	50,807	361,186	361,186	103,750	8,679	248,758
Tea	-	-	21,932	-	21,932	21,932	18,117	-	3,815
Timber	194,767	194,767	86,176	-	86,176	280,943	24,986	194,835	61,122
Tobacco	-	-	125,776	-	125,776	125,776	-	5,172	120,604
Vegetables	144,150	144,150	786,312	1,290	787,602	931,752	163,325	50,680	717,747
Wine	-	-	268,106	24,054	292,160	292,160	183,073	13,619	95,467
<b>Total</b>	<b>6,314,651</b>	<b>6,314,651</b>	<b>12,326,396</b>	<b>190,010</b>	<b>12,516,407</b>	<b>18,831,058</b>	<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>

**Credit exposure by geographic/regional distribution**

2024	Credit exposure by geographic/regional distribution				Loan performance			
	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing	
	R'000	R'000	R'000	%	R'000	R'000	R'000	
Province								
Eastern Cape	370,529	864,458	1,234,987	7%	577,473	139,455	518,059	
Free State	-	2,008,421	2,008,421	11%	578,198	152,804	1,277,419	
Gauteng	1,778,798	763,714	2,542,512	15%	340,662	138,209	2,063,640	
KwaZulu-Natal	298,364	540,674	839,038	5%	162,884	16,182	659,973	
Limpopo	120,024	1,546,931	1,666,955	10%	319,258	47,212	1,300,486	
Mpumalanga	3,028,718	1,299,223	4,327,941	25%	2,664,341	880,723	782,877	
North West	273,394	1,171,818	1,445,212	8%	541,566	65,749	837,897	
Northern Cape	120,271	1,991,845	2,112,116	12%	920,413	86,808	1,104,895	
Western Cape	287,458	1,000,050	1,287,508	7%	409,836	148,122	729,550	
<b>Total</b>	<b>6,277,556</b>	<b>11,187,133</b>	<b>17,464,689</b>	<b>100%</b>	<b>6,514,630</b>	<b>1,675,264</b>	<b>9,274,795</b>	

**NOTES TO THE FINANCIAL STATEMENTS**

2023	Credit exposure by geographic/regional distribution			Loan performance			
	Corporate Banking and Structured Investments	Commercial Development and Business Banking	Total		Stage 1: Performing	Stage 2: Under-performing	Stage 3: Non-performing
Province	R'000	R'000	R'000	%	R'000	R'000	R'000
Eastern Cape	176,108	1,003,695	1,179,802	6%	549,435	104,497	525,870
Free State	-	2,215,343	2,215,343	12%	686,236	163,043	1,366,064
Gauteng	1,791,035	906,258	2,697,293	14%	469,265	5,448	2,222,580
KwaZulu-Natal	366,653	536,637	903,290	5%	117,816	50,414	735,059
Mpumalanga	156,161	1,564,764	1,720,925	9%	479,404	32,719	1,208,802
Northern Cape	3,086,769	1,524,204	4,610,973	25%	2,786,909	1,033,835	790,230
Limpopo	118,763	2,031,338	2,150,100	11%	923,951	189,393	1,036,757
North West	284,803	1,598,349	1,883,153	10%	707,850	94,091	1,081,211
Western Cape	334,360	1,135,819	1,470,179	8%	583,447	76,356	810,376
<b>Total</b>	<b>6,314,651</b>	<b>12,516,407</b>	<b>18,831,058</b>	<b>100%</b>	<b>7,304,313</b>	<b>1,749,797</b>	<b>9,776,948</b>

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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:

	<b>Bonds</b>	<b>Cash, deposits and similar securities</b>	<b>Collective Investment Schemes</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>2024</b>					
AAA	504,172	275,445	-	-	779,617
AA+	144,581	-	178,323	-	322,904
AA	110,923	34,528	-	-	145,451
AA-	-	2,836	-	85,592	88,428
A	-	4,103	-	-	4,103
A-	-	-	-	3,153	3,153
BB-	-	12,601,200	-	-	12,601,200
Other *	-	17,465,140	-	-	17,465,140
Not rated **	-	1,382,931	-	-	1,382,931
<b>Total</b>	<b>759,677</b>	<b>31,766,183</b>	<b>178,323</b>	<b>88,745</b>	<b>32,792,928</b>
<b>2023</b>					
AAA	929,307	425,761	-	-	1,355,068
AA+	277,099	-	294,942	-	572,041
AA	186,950	79,538	-	-	266,488
AA-	-	7,616	-	1,288,111	1,295,727
A	-	41,720	-	-	41,720
A-	-	-	-	3,117	3,117
Other*	-	14,765,230	32	-	14,765,262
Not rated**	-	1,340,540	-	-	1,340,540
<b>Total</b>	<b>1,393,356</b>	<b>16,660,405</b>	<b>294,974</b>	<b>1,291,228</b>	<b>19,639,963</b>

\* 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 9 and note 4.

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

**Credit exposure by line of business - loan book**

Gross loan book

Corporate Banking and Structured Investments

Commercial Development and Business Banking

Loan Modification

Total gross loan book from continuing operations

Less: Expected Credit Loss (ECL)

Carrying amount of loans from continuing operations

**Balance per annual financial statements - total carrying amount**

2024		2023	
R'000	% Total	R'000	% Total
6,312,766	36%	6,349,861	34%
11,212,557	64%	12,541,380	67%
(60,634)		(60,183)	
17,464,689		18,831,058	
(4,132,754)		(4,065,828)	
13,331,936		14,765,230	
<b>13,331,936</b>	<b>100%</b>	<b>14,765,230</b>	<b>100%</b>

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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.

Credit risk management practices in relation to the recognition and measurement of 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 cyclicity effects.	PDs: migration matrices for multi-year migration effects, term structure analysis for seasoning effect, macro-economic overlay for cyclicity.  LGD: LGD model calibrated with own data history.  EAD: credit conversion factor (CCF) modelling with own data, inclusion of repayment schedules.
			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	

**NOTES TO THE FINANCIAL STATEMENTS**

Methods used to determine	Method	Inputs	Assumptions	Estimation techniques
Whether a credit Risk has Increased significantly since initial recognition	I. According to the Stage 2 definition; different Land Bank specific identifiers including the minimum 30 days past due criteria have been selected for the identification 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.
	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.			I. 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.

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**Macro-economic factors**

IFRS 9 introduced the use of macro-economic factors when calculating ECL. 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 33.

**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 dependents; or

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- 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 R29.0 million (FY2023: R40.5 million) refer to note 9.

**Modification**

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

**Loss allowance: expected credit losses**

**2024**

	<b>Gross loans modified</b>	<b>Gain/(loss) on modification</b>	<b>Change in expected credit loss due to modification</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Stage 1	44,196	(451)	335
Stage 2	1,856	-	-
Stage 3	2,962	-	-
<b>Total</b>	<b>49,015</b>	<b>(451)</b>	<b>335</b>

**Loss allowance: expected credit losses**

**2023**

	<b>Gross loans modified</b>	<b>Gain/(loss) on modification</b>	<b>Change in expected credit loss due to modification</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Stage 1	11,217	(640)	96
Stage 2	31,132	(1,065)	6,104
Stage 3	16,225	(1,227)	597
<b>Total</b>	<b>58,575</b>	<b>(2,933)</b>	<b>6,797</b>

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**Stage migration (Gross loans and relating expected credit losses)**

		Stage <sup>1</sup>	Stage <sup>2</sup>	Stage <sup>3</sup>	Total
	Note	R'000	R'000	R'000	R'000
Gross loans as reported for 2024	9	6,514,630	1,675,264	9,274,795	17,464,689
Stage migration - improvements		902,976	(275,884)	(627,092)	
-Stage 2 to 1		406,748	(406,748)	-	
-Stage 3 to 1		496,228	-	(496,228)	
-Stage 3 to 2		-	130,864	(130,864)	
Stage migration - deterioration		(496,087)	165,259	330,829	
-Stage 1 to 2		(346,578)	346,578	-	
-Stage 1 to 3		(149,510)	-	149,510	
-Stage 2 to 3		-	(181,319)	181,319	
<b>Net stage migration</b>		<b>406,889</b>	<b>(110,625)</b>	<b>(296,264)</b>	
Expected credit losses as reported for 2024	9	(23,873)	(102,386)	(4,000,223)	(4,126,482)
Stage migration - improvements		54,016	(41,108)	(12,908)	
-Stage 2 to 1		-	-	-	
-Stage 3 to 1		32,051	(19,143)	(12,908)	
-Stage 3 to 2		21,965	(21,965)	-	
Stage migration - deterioration		(26,241)	(1,726)	27,966	
-Stage 1 to 2		-	-	-	
-Stage 1 to 3		(23,979)	(3,987)	27,966	
-Stage 2 to 3		(2,262)	2,262	-	
<b>Net stage migration</b>		<b>27,775</b>	<b>(42,834)</b>	<b>15,058</b>	
Gross loans as reported for 2023		7,304,313	1,749,797	9,776,948	18,831,058

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		Stage <sup>1</sup>	Stage <sup>2</sup>	Stage <sup>3</sup>	Total
	Note	R'000	R'000	R'000	R'000
Stage migration - improvements		1,416,101	(774,001)	(642,100)	
-Stage 2 to 1		1,072,754	(1,072,754)	-	
-Stage 3 to 1		343,347	-	(343,347)	
-Stage 3 to 2		-	298,753	(298,753)	
Stage migration - deterioration		(435,665)	(314,789)	750,454	
-Stage 1 to 2		(206,786)	206,786	-	
-Stage 1 to 3		(228,879)	-	228,879	
-Stage 2 to 3		-	(521,575)	521,575	
<b>Net stage migration</b>		<b>980,436</b>	<b>(1,088,790)</b>	<b>108,354</b>	
Expected credit losses as reported for 2023	9	(92,766)	(54,167)	(3,903,574)	(4,050,507)
Stage migration - improvements					
-Stage 2 to 1		51,673	(28,048)	(23,625)	
-Stage 3 to 1		-	-	-	
-Stage 3 to 2		35,674	(12,049)	(23,625)	
		15,999	(15,999)	-	
Stage migration - deterioration					
-Stage 1 to 2		(49,120)	(110,615)	159,735	
-Stage 1 to 3		-	-	-	
-Stage 2 to 3		(45,609)	(114,126)	159,735	
<b>Net stage migration</b>		<b>(3,511)</b>	<b>3,511</b>	<b>-</b>	

<sup>1</sup> 12 month expected credit losses

<sup>2</sup> Life time expected credit losses

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**Credit risk insurance activities**

Credit risk reflects the financial impact of the default of one or more of the LBIC's counterparties

The LBIC is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the LBIC is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations
- Reinsurer default on presentation of a large claim
- Reinsurers default on their share of the LBIC's insurance liabilities
- Default on amounts due from insurance contract

The LBIC determines the credit quality for each of its counterparties by reference to ratings from independent rating agencies such as Standard & Poor's (S&P).

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

**Credit risk concentration by national scale credit rating (rated externally)**

**31 March 2024**

	<b>Bonds</b>	<b>Cash, cash equivalents deposits and similar securities</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
BB	327 299	34 320	-	361 620
Unrated	-	-	85,592	85,592
<b>Total</b>	<b>327 299</b>	<b>34 320</b>	<b>85,592</b>	<b>447,212</b>

**Credit risk concentration by national scale credit rating (rated externally)**

**31 March 2023**

	<b>Bonds</b>	<b>Cash, cash equivalents deposits and similar securities</b>	<b>Net working capital assets</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
BB	280 436	52 216	-	332 653
Unrated	-	-	85,240	85,240
<b>Total</b>	<b>280 436</b>	<b>52 216</b>	<b>85,240</b>	<b>417,893</b>

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**Liquidity risk**

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 on the committee weekly meetings.

**Monitoring the liquidity position**

The going concern is being addressed through the restructuring process that is currently underway at Land Bank together with managements own internal processes. 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 on the committee weekly meetings. The Land Bank works closely with its lenders to come up with an amenable solution to the event of default of the Land Bank.

# LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

## AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

### NOTES TO THE FINANCIAL STATEMENTS

#### *Liquidity for Insurance activities*

Liquidity risk is the risk that the business will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is a mismatch between the maturities of liabilities and assets. LBIC is exposed to daily calls on its available cash resources from claims. The company actively manages its cash resources to ensure sufficient cash is at hand to settle insurance liabilities 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. LBIC has sufficient cash resources to cover its obligations.

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

#### *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.

#### *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.

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**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.

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

		Less than 1 year	1 - 5 years	> 5 years	Total
Notes	R'000	R'000	R'000	R'000	R'000
<b>Financial Liabilities</b>					
Trade and other payables	16	171,553	9,453	28,698	209,704
Other financial liabilities	16.1	6,085,486	-	-	6,085,486
Funding liabilities	18	15,979,962	3,891,152	2,513	19,873,627
Lease liabilities	13	8,193	17,879	-	26,072
<b>Total Financial Liabilities</b>		<b>22,245,194</b>	<b>3,918,484</b>	<b>31,211</b>	<b>26,194,889</b>
<b>Group - 2023</b>					
		Less than 1 year	1 - 5 years	> 5 years	Total
Notes	R'000	R'000	R'000	R'000	R'000
<b>Financial Liabilities</b>					
Trade and other payables	16	190,576	247	-	190,823
Other financial liabilities	16.1	5,110,870	-	-	5,110,870
Funding liabilities	17	18,710,191	4,851,668	723,193	24,285,052
Lease liabilities	13	6,846	22,993	-	29,839
<b>Total Financial Liabilities</b>		<b>24,018,483</b>	<b>4,874,908</b>	<b>723,193</b>	<b>29,616,584</b>

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**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 2024 was 93.08% floating (FY2023: 91.14% floating). With the Bank in default, default bonds, FRN's and loans receive fixed interest based on the last interest reset rate. If these default notes and loans are added to open fixed rate bonds, the funding split percentage as at 31 March 2024 was 56.06% fixed and 43.94% 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.

**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 with four interest rate hikes concluding with 11.5% prime rate at 31 March 2024.

The calculation includes assumptions that will have a positive or negative impact on the net interest income for Land Bank during the 2023/24 financial year.

Sensitivity analysis has been determined based on the exposure to interest rates for derivatives and other financial liabilities and assets at the statement 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 2024:

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Bank	31 March 2024		31 March 2023	
	Net interest income	Effect on equity	Net interest income	Effect on equity
	R'000	R'000	R'000	R'000
<b>Incremental change in yield</b>				
Expected NII	1,051,942	-	901,454	-
Potential movement: 100 Basis point up	1,148,678	96,736	966,067	64,612
Potential movement: 100 Basis point down	955,206	(96,736)	836,843	(64,612)

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 with four interest rate hikes concluding with 11.29% prime rate at 31 March 2024. The expected prime interest rate used in the calculations was 11.29% as per budget assumptions.

The table above is that the expected impact of a 100-basis points up and down shock in interest rates is around R97m (R64m for FY23).

The Land Bank implemented an interest rate swaps program in the 2017/18 financial year with the implementation of the program 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 program 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.

Details of the Bank's hedging program can be found in note 8.

**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:

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Impact on the statement of profit or loss and other comprehensive income

**LBLIC**

**Incremental change in yield**

250 Basis Points increase  
 150 Basis Points increase  
 250 Basis Points decrease  
 150 Basis Points decrease

**LBIC**

**Incremental change in yield**

250 Basis Points increase  
 150 Basis Points increase  
 250 Basis Points decrease  
 150 Basis Points decrease

	31 March 2024	31 March 2023
	R'000	R'000
	(573,914)	(412,731)
	(354,457)	(247,638)
	667 515	412,731
	388 078	247,638
	727	477
	436	286
	(727)	(477)
	(436)	(286)

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.

**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 States Dollars. The following rand value of assets denominated in foreign currencies are included in the statement of financial position

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**Group**

	United States Dollar US\$'000	South African Rand R'000
<b>31 March 2024</b>		
Equities - unit trusts (USD base currency)	654	12 239
Balanced fund	6 730	125 852
Commodities - metals	-	-
Cash on deposit at call	319	5 967
<b>Foreign currency exposure</b>	<b>7 704</b>	<b>144 057</b>
<b>Exchange rates (ZAR:USD):</b>		
Closing rate - 31 March 2024	18,87	0,05
Average rate	18,7	0,05

**Group**

	United States Dollar US\$'000	South African Rand R'000
<b>31 March 2023</b>		
Equities - USD base currency unit trusts	279	5 096
Balanced funds	1 042	19 028
Commodities - metals	-	-
Cash, deposits and similar securities	33	600
<b>Foreign currency exposure</b>	<b>1 354</b>	<b>24 724</b>
Closing rate – 31 March 2023		
Average rate	17,79	0,06
	18,26	0,05

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**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

Incremental change in yield \*

**USD**

10% decrease

5% decrease

10% increase

5% increase

	31 March 2024	31 March 2023
	R'000	R'000
	(14 406)	(2 472)
	(7 203)	(1 236)
	14 406	2 472
	7 203	1 236

**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 statement 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

**31 March 2024**

Scaled ECL (-5%)

Scaled ECL (+5%)

Analysis

**31 March 2023**

Scaled ECL (-5%)

Scaled ECL (+5%)

	ECL	Loans and advances
	R'000	R'000
	3,744,969	13,719,720
	4,535,139	12,929,550
	3,325,849	14,532,219
	4,343,114	13,099,903

## **Insurance risk**

### **Insurance risk - life**

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.

### **Market risk - Insurance activities**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate from changes in market variables, such as interest rates.

The risk is that capital is not preserved and that investment returns earned are below expectations. Oversight is provided over market risk as follows

- i) The Board delegates the responsibility of Investment risk management oversight and assurance to the Investment and Actuarial Committee ("IAC"). The IAC has the following responsibilities:
- Approving the investment strategy of the company and risks associated with the strategy;
  - Periodically and timeously reviewing LBIC's investment thresholds and the investment portfolio;
  - Providing input into the terms of reference for the investment consultant and investment managers and any other experts needed for the smooth operation of the Company's investments policy and strategy;
  - Ensuring proper governance in the investment process;
  - Evaluating the Company's investment consultant and investment managers as service providers;
  - Ensuring that the investment policy is implemented and adhered to; and,
  - Overseeing the development, maintenance and ensure at least annual review of the Investment Policy and to make recommendations to the Board for approval
- ii) Day-to-day management of LBIC's investments are managed by appointed investment managers. LBIC also outsources the monitoring of the investment managers' day-to-day management of the investments to an Investment Consultant.

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The Investment Managers (outsourced), is mandated by LBIC and is responsible for:

- Managing assets in terms of their investment mandate;
- Providing quarterly feedback to the IAC members and providing a report as requested;
- Providing complete and accurate quarterly investment data for the purposes of quarterly returns timeously;
- Report to the IAC meeting at least once a year; and,
- Communicate matters of policy, manager research and manager performance to the IAC as requested

iii) The Investment Consultant is responsible for:

- Providing advice with respect to the setting and maintaining of Investment Policy;
- Assist in setting and implementing the Company's investment strategy;
- Provide monthly and quarterly investment performance reporting to aid effective monitoring; and,
- Engage with the Company stakeholders and service providers to ensure the smooth operations of the Company's investments

The Investment Policy was updated and approved by the Board in July 2022.

- Funds equivalent to a determined multiple (in excess of 100%) of the liabilities are invested in a manner that preserves capital and targets investment returns of at least the inflation rate. The multiple (in excess of 100%) is intended to provide for the uncertainty in the value of the liability. Achieving a growth on these assets of at least the inflation rate allows the invested funds to be sufficient for the cost of settling claims provided for.
- The funds backing the Solvency Capital Requirement ("SCR") are invested in manner that preserves the value and such that the funds are readily available should the funds be called upon (in instances where the premiums and reserves are not sufficient). The target investment returns must be at least the expected growth in sum assureds, and consequently, premiums, from current exposures

The Company will set the benchmarks in the asset manager mandates which are consistent with the Company investment objective. The notional asset allocation will be reviewed at least on an annual basis.

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The table below shows the Company's strategic and tactical asset allocation limits for the non-life Insurance Business

	Long-term Target	Lower Bound	Upper Bound	Benchmark Index
Local equity	0%	0%	5%	JSE Capped SWIX
Local nominal bonds	40%	30%	50%	All Bond Index (ALBI)
Local Inflation Linked Bonds	0%	0%	10%	Inflation Linked Bond Index (ILBI)
Local Cash	60%	40%	80%	STeFI Composite
Foreign Multi-Asset Class	0%	0%	5%	60% MSCI World + 40% Citigroup Government Bonds

**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.

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**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 program is in place with a local reinsurer which has a credit rating of AA-.

**LBLIC makes use of reinsurance to:**

- Access underwriting expertise;
- Enable it to underwrite risks greater than its own risk appetite and
- Protect its risk book against catastrophes.

The use of reinsurance exposes the Company to credit risk. The counterparty risks of reinsurers are managed through formal contractual agreements which have been set up between the Company and Reinsurers.

These agreements include terms and conditions which regulate the relationship between the Company and Reinsurers. Credit risk in respect of reinsurance is further managed by placing the Company's reinsurance only with companies that have high credit ratings. LBLIC has a quota share on both the individual and group credit life business with a domestic AA rated company.

**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 company utilizes independent assessors who appraise and confirm claims as well as quantification by the Underwriting Manager channel. Furthermore, an actuarial valuation of outstanding claims and IBNR is done by an independent actuary annually. As at 31 March 2024, the Group believes that its liabilities for claims are adequate.

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**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 2023, 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).

**2024**

Value		Change	
-	R'000	R'000	%

**Policyholders' liability - Individual Life**

Base value	-1%	71 224		
Investment return	+10%	74 231	3 007	4,22%
Mortality	+1%	71 812	588	0,83%
Expenses	+10%	78 499	7 275	10,21%
Inflation	+1%	74 122	2 898	4,07%

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**Policyholders' liability - Group Life**

	Value		Change	
	-	R'000	R'000	%
Base value	+1%	3 361		
Investment return	-1%	3 361	-	0,00%
Mortality	+10%	3 555	195	5,80%
Expenses	-10%	3 488	127	3,79%
Inflation				

**2023**

**Policyholders' liability - Individual Life**

	Value		Change	
	-	R'000	R'000	%
			-	-
Base value	-	96,363	-	-
Investment return	-1%	99,022	2,659	
Mortality	+10%	96,075	(288)	2,8%
Expenses	+1%	103,764	7,401	-0,3%
Inflation	+10%	100,971	4,608	7,7%

**Policyholders' liability - Group Life**

	Value		Change	
	-	R'000	R'000	%
		R'000	R'000	%
Base value	+1%	1,692		
Investment return	-1%	1,717	7	0,4%
Mortality	+10%	1,699	(913)	-14%
Expenses	-10%	779	25	2%
Inflation	+1%	813	(879)	-10%

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**Insurance risk – non-life**

The LBIC provides indemnity for crops, assets as well as liability policies during the year, 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.

The company manages insurance risks through its underwriting strategy and reinsurance arrangements.

**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 LBIC faces 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, prove 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. Insured 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.

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The net claims ratio for LBIC, which are important in monitoring insurance risk are summarised below:

	2024	2023
	R'000	R'000
Loss history	2024	2023
LBIC: Net insurance benefits and claims on short- term business expressed as a % of net earned premiums	(88%)	(71%)

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.

**2024**

Insurance service result	Incurred Loss Ratio	Gross Value	Change	
		R'000	R'000	%
Reported result	86,00%	(105 963)		
Premium	+10%	(121 071)	(15 107)	14%
	<b>-10%</b>	<b>(100 516)</b>	<b>5 447</b>	<b>5%</b>
Claims	+5%	(126 591)	(20 628)	19%
	<b>-5%</b>	<b>(97 821)</b>	<b>8 142</b>	<b>8%</b>
Expenses	+15%	(124 661)	(18 697)	18%
	<b>-15%</b>	<b>(99 751)</b>	<b>6 212</b>	<b>6%</b>

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**2023**

Insurance service result	Incurred Loss Ratio		Gross Value	Change	
			R'000	R'000	%
Reported result		80,70%	(30 851)		
Premium	+10%	80,10%	(32 045)	(1 194)	4%
	<b>-10%</b>	<b>81,10%</b>	<b>(34 884)</b>	<b>(4 033)</b>	<b>13%</b>
Claims	+5%	81,40%	(42 036)	(11 185)	36%
	<b>-5%</b>	<b>80,00%</b>	<b>(24 892)</b>	<b>5 958</b>	<b>19%</b>
Expenses	+15%	80,70%	(41 892)	(11 041)	36%
	<b>-15%</b>	<b>80,70%</b>	<b>(25 037)</b>	<b>5 814</b>	<b>19%</b>

The Company 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.

**Price risk sensitivity analysis: equities**

	2024		2023	
	R'000	R'000	R'000	R'000
	Increase	Decrease	Increase	Decrease
<b>Excluding the impact of derivatives</b>				
10% decrease	-	(49 426)	-	(53 718)
5% decrease	-	(24 713)	-	(26 859)
10% increase	49 426	-	53 718	-
5% increase	24 713	-	26 859	-
<b>Including the impact of derivatives</b>				
10% decrease	-	(49 409)	-	(54 100)
5% decrease	-	(24 704)	-	(27 050)
10% increase	49 409	-	54 100	-
5% increase	24 704	-	27 050	-

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**(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 2024, 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 of:

**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.

**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.

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**LBIC**

**Investment portfolio concentration risk**

The allocation of investment portfolio as at 31 March was as follows:

Asset classes	2024		2023	
	R'000	%	R'000	%
Bonds - Local	327 299	91%	280 436	84%
Fixed Interest	97 739	30%	100 552	36%
Floating Rate	212 589	65%	179 885	64%
Inflation Linked	16 972	5%	-	0%

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 2024 are stated below. All classes were within bounds as at 31 March 2024.

**LBLIC**

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

The following notional asset allocations have been chosen to represent each bucket. The table below shows the asset allocation for each bucket and its real return expectation.

Buckets	Local Equity	Local Bonds	Local Cash	Foreign	Expected long-term real return
Short Term	-	40%	60%	-	1.6%
Medium Term	-	60%	40%	-	1.9%
Long Term	45%	22%	15%	18%	4.7%

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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 and Actuarial Committee.

The table below shows the Company's strategic and tactical asset allocation limits for the Life Insurance Business.

Instrument	Long - Term Target	Lower Bound	Upper Bound	Benchmark Index
<b>Local Equity</b>	40%	30%	50%	JSE Capped SWIX
<b>Local Bonds</b>	25%	15%	35%	All Bond Index (ALBI)
<b>Local Cash</b>	20%	10%	30%	STeFI Composite
<b>Foreign Multi - Asset Class</b>	15%	5%	25%	60% MSCI World + 40% Foreign Multi - Asset Class Citigroup Gov Bonds

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.

Investment portfolio concentration risk

Asset Classes	Lower bound	Upper bound
<b>Equities - Local</b>	30%	50%
<b>Bonds - Local</b>	15%	35%
<b>Cash, deposits and similar securities - Local</b>	10%	30%
<b>Foreign assets</b>	5%	25%

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**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 when written premium class of business by:

	2024	2023
	R'000	R'000
Portfolio		
Credit life insurance - Group	-	1,555
Credit life insurance - Individual	-	2,778
	-	<b>4,333</b>

Long-term insurance gross written premium by age bands

	2024			2023		
	Number	Value	Average	Number	Value	Average
	R'000	R'000	R'000	R'000	R'000	R'000
Portfolio						
20 - 29	10	21 191	2 119	5	1,879	375
30 - 39	33	51 334	1 556	13	8,954	688
40 - 49	69	54 290	787	78	25,239	328
50 - 59	137	94 278	688	147	43,023	292
60 - 69	166	89 682	540	158	32,007	202
70+	90	17 681	196	107	172,833	1,615
	<b>505</b>	<b>328 456</b>	<b>5 886</b>	<b>508</b>	<b>283,935</b>	<b>3,500</b>

**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

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**Gross written premium by business**

	2024	2023
	R'000	R'000
Portfolio		
Short-term insurance (crop)	806,970	793,264
Short-term insurance (assets)	5,289	14
	812,259	793,278

**Short-term crop insurance gross written premium by geographical segment**

	2024	2023
	R'000	R'000
<b>East</b>	<b>317,066</b>	<b>319,332</b>
Mpumalanga	176,917	161,770
Gauteng	16,286	13,732
KwaZulu-Natal	89,519	119,133
Eastern Cape	34,344	24,697
<b>West</b>	<b>489,906</b>	<b>473,932</b>
Free State	313,846	337,041
Limpopo	26,571	23,436
North West	53,898	50,903
Northern Cape	86,030	53,087
Western Cape	9,561	9,465
	<b>806,972</b>	<b>793,264</b>

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 life 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.

The Investment Policy was updated and approved by the Board in 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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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.

**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.

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- 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.

**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 =  $\text{CET1} / \text{total Risk Weighted Assets (RWA)}$ ;
- Tier 1 minimum =  $(\text{CET1} + \text{Additional Tier 1 (AT1)}) / \text{total RWA}$ ; and
- Total minimum =  $(\text{CET1} + \text{AT1} + \text{Tier 2}) / \text{total RWA}$ .

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.

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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 I Capital.

To further strengthen capital management, the Bank adopted the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

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**Capital Adequacy Requirements (CAR) - the Land Bank**

	2024	2023
	R'000	R'000
Capital adequacy		
Total capital adequacy	19.6%	13.9%
Capital supply		
Ordinary shareholders' equity	8,784,325	8,286,785
Retained earnings	(3,645,738)	(3,658,981)
<b>Accumulated other comprehensive income</b>	<b>(581,478)</b>	<b>(652,258)</b>
Property revaluation reserve	145,258	143,058
Other reserves	(726,736)	(795,317)
<b>Common Equity Tier 1 (CET1) Capital: Instruments and reserves</b>	<b>4,557,108</b>	<b>3,975,546</b>
<b>Common Equity Tier 1 Capital: Regulatory adjustments</b>	<b>(195,457)</b>	<b>(254,156)</b>
Threshold deductions (investments in subsidiaries)	(194,395)	(252,601)
Intangible assets	(1,062)	(1,555)
<b>Total available Common Equity Tier 1 capital</b>	<b>4,361,651</b>	<b>3,721,390</b>
<b>Total available Tier 2 capital</b>	<b>132,531</b>	<b>162,254</b>
General allowance for credit impairment	132,531	162,254
<b>Total available capital</b>	<b>4,494,182</b>	<b>3,883,644</b>
	-	-
National Treasury guarantee*		
<b>Capital demand</b>		
<b>Risk weighted assets</b>		
Credit risk	19,230,330	24,520,933
Counterparty risk	2,747	11,167
Operational risk	1,259,742	990,317

## NOTES TO THE FINANCIAL STATEMENTS

	2024	2023
	R'000	R'000
Equity risk	709,567	544,648
Market risk	163,315	150,151
Other assets risk	366,736	696,928
Threshold items	1,139,012	993,498
<b>Total</b>	<b>22,871,449</b>	<b>27,907,643</b>

### 33. 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; majority are recurring transactions with limited non-recurring

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 majority are recurring transactions with limited non-recurring

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	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Fair value hierarchy of financial instruments</b>				
<b>Recurring Levels of fair value measurements Level 1*</b>				
<b>Financial assets</b>				
Bonds	783,363	1,333,568	40,026	59,700
Local Equities	594,673	1,115,976	146,837	126,917

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
Foreign equities	139,646	-	139,621	128,699
Cash and cash equivalents	13,809	18,325		
Commodities	63,817	54,114	63,817	28,110
Listed Shares	105,486	-	105,486	68,306
<b>Total financial assets</b>	<b>1,700,769</b>	<b>2,521,984</b>	<b>495,787</b>	<b>411,732</b>
<b>Recurring Level 2 *</b>				
<b>Financial assets</b>				
Cash and cash equivalents	13,025,723	15,729,672	12,601,200	15,355,038
Derivatives	654	1,321	654	1,321
Bonds	13,987	4,412	-	-
Local equities	44,651	49,242	-	-
Cash deposits and similar securities	14,085	9,543	14,085	9,543
Collective investment schemes	118,684	237,955	-	-
Commodities	(176)	673	-	-
<b>Total financial assets</b>	<b>13,217,607</b>	<b>16,032,116</b>	<b>12,615,939</b>	<b>15,365,902</b>
<b>Level 3</b>				
<b>Recurring fair value measurements</b>				
<b>Assets*</b>				
<b>Financial assets</b>				
Loans and advances	13,331,936	14,765,230	13,331,936	14,765,230
Unlisted shares	254,300	-	254,300	209,150
Equities	5,780	6,481		
Direct property	710	703		
Trade and other receivables	268,174	497,669	183,901	412,395
<b>Total financial assets</b>	<b>13,860,899</b>	<b>15,270,083</b>	<b>13,954,038</b>	<b>15,386,775</b>

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	Group		Company	
	2024	2023	2024	2023
	R'000	R'000	R'000	R'000
<b>Liabilities</b>				
<b>Financial liabilities</b>				
Trade and other payables	209,702	190,667	149,848	138,863
Other financial liabilities	6,085,486	5,110,870	6,085,486	5,110,870
Funding Liabilities	16,567,460	22,495,625	16,567,460	22,495,625
Lease Liabilities	25,063	28,966	25,063	28,966
<b>Total financial liabilities</b>	<b>22,841,626</b>	<b>27,796,247</b>	<b>22,827,858</b>	<b>27,774,324</b>

**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:

- 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 I investments. The value of the CIS is the aggregate of the underlying value of each Level I 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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**Reconciliation of assets measured at level 3**  
**Group - 2024**

	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re- measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>							
Investment property	98,010	7,990	-	-	-	-	106,000
Property, plant and equipment	25,700	2,119	-	28,350	(199)	-	55,970
Non-current assets held-for sale	11,359	-	-	-	(2,151)	-	9,208
Equity investments at fair value through other comprehensive income							
Unlisted shares	-	-	-	-	-	-	-
<b>Total</b>	<b>135,069</b>	<b>10,109</b>	<b>-</b>	<b>28,350</b>	<b>(2,350)</b>	<b>-</b>	<b>171,178</b>

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	Opening balance	Fair value adjustment for recognised in the statement of profit or loss	Re- measurement recognised in OCI	Purchases	Disposals	Reclassification on (to)/from other category of property	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Group - 2023</b>							
<b>Assets</b>							
Investment property	97,400	610	-	-	-	-	98,010
Property, plant and equipment	24,850	-	850	-	-	-	25,700
Non-current assets held-for sale	9,609	-	-	1,750	-	-	11,359
Equity investments at fair value through other comprehensive income							
Unlisted shares	221,827	-	(12,678)	-	-	-	209,149
<b>Total</b>	<b>353,686</b>	<b>610</b>	<b>(11,828)</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>344,218</b>

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**Description of significant unobservable inputs to level 3 valuations**  
**Group 2024**

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 29 February 2024 is R 2.31bn. The fair value of Land Bank's 4.565% ownership in Acorn Agri as at 29 February 2024 is estimated to be R 105.6m.</p>		
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 13.8% and 15.8%	Discount rate: -1%: R58 700 000 +1%:R55 230 000
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 16.7% and 17.2%	Discount rate: -0.2%: R100 052 000 +0.2%: R83 873 000

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Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy range rate	5% - 11.2%	Capitalisation rate
		Income/expense ratio range	17.6%-32.2%	+1%; R23,788,332
		Capitalisation rates range	11%-12%	-1%; R28,308,175
Investment property	Net income capitalisation method	Vacancy range rate	3%-12.5%	Capitalisation rate
		Income/expense ratio range	20.5%-50.2%	+1%; R99,517,036
		Capitalisation rates range	10.5%-12.8%	-1%; R117,777,619
Properties in possession	Comparable sales method	Natural grazing land per Ha	R4200-R7800	Market value per Ha of land
		Irrigated pasture land per Ha	R7000-R30000	+R1000 p/Ha; R19,334,497
		Farm-yard land per Ha	R0	-R1000 p/Ha; R13,918,509
		Wasteland per Ha	R2500-R90000	
		Crop land drylands	R19000-R25000	
		Industrial land per Ha	R6500-R8800	
		Construction price for dwelling per m2	R2250-R5650	

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**Group 2023**

Unquoted equity	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Acorn Agri (Pty) Ltd	<p>The implied Price-to book valuation of ACORN AGRI was calculated using the latest OTC share price information. In addition, similar agricultural companies that also trade OTCP/BV was compared to that of ACORN AGRI. The reasons we have chosen this approach as primary valuation method is due to the fact that ACORN AGRI is an investment holding company and its shares are traded Over-The-Counter ("OTC") as share transactions are negotiated directly and bilaterally between willing buyer and sellers of shares.</p> <p>Sensitivity analysis of discount rate are not applicable.</p> <p>Based on the calculations, an indicative fair value of 100% of ACORN AGRI as at 28 February 2023 is R 2.1bn. As at 28 February 2023, the fair value of the 3.37% is estimated to be R 72.8m after taking the discounts (marketability and minority) into account.</p>		
Ideafruit (Pty) Ltd	DCF. Operating entity, value derived from operating activities of the business (IS approach).	DCF valuation: Discount rates range between 13.7% and 15.7%	Discount rate: -1%: R62 513 000 +1%:R42 705 000
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 15.0% and 15.5%	Discount rate: -0.2%: R120 970 000 +0.2%: R54 431 000

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Asset	Valuation technique	Significant unobservable inputs		Sensitivity of the input to the fair value
Property and equipment	Net income capitalisation method	Vacancy rate range:	6% - 12.5%	Capitalisation rate:
		Income/expense ratio range:	17.9% - 30.5%	+1%:R23 201 332
		Capitalisation rates range:	11.0% - 12%	-1%:R27 615 984
Investment property	Net income capitalisation method	Vacancy rate range:	3% - 7.5%	Capitalisation rate:
		Income/expense ratio range:	27.9% - 55.3%	+1% R90 686 130
		Capitalisation rates range:	10.5% - 12.8%	-1%: R107 435 677
Properties in possession	Comparable sales method	Natural grazing land per ha.:	R4 100 - R20 000	Market value per ha. of land: + R1000 p/ha.: R22 043 696 - R1000 p/ha.: R16 252 146
		Irrigated pasture land per ha.:	R7 000 - R30 000	
		Farm yard land per ha.:	R2 500 - R90 000	
		Wasteland per ha.:	R0	
		Crop Land	R19 000 - R25 000	
		Drylands	R6500 - R8 800	
		Industrial land per ha.:	R4	
Construction price for dwellings per m2:	R2 250- R5 650			

### 34. Irregular Expenditure and Fruitless and Wasteful expenditure (F&WE)

Description	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Irregular expenditure	3,135	-	-	-
Fruitless and wasteful expenditure <sup>1</sup>	556	8	64	8
<b>Closing balance</b>	<b>3,691</b>	<b>8</b>	<b>64</b>	<b>-</b>
1 The penalty fee of R16.5 million levied on early termination of an investment in FY2021, was fully recovered during the current year.				
<b>(1) Amounts of material losses through criminal conduct</b>				
Incident description	-	-	-	-
<b>Total</b>				
<b>(2) Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure</b>				
Incident description	-	-	-	-

Five cases investigated

### 35. Events after the reporting period

In April 2024, the Western Cape experienced stormy weather conditions. Damage has been reported across the grape, deciduous, and stone fruit industries. However, it's worth noting that the damage remains relatively limited in scope. The overall impact of the Western Cape storms was not as bad as previous storms. Damage to farms in general was quite isolated and limited. The recent rainfall has played a crucial role in replenishing the dams. This development carries significant advantages for winter grain farmers who are looking to start their planting activities. The favourable combination of rainfall and increased water availability sets a promising foundation for the upcoming agricultural season. The risk is largely concentrated to the Western Cape area and the impact can be regarded as not material to the Land Bank.

## Liability Solution

The Liability Solution has now been concluded with the lenders and the event of default cured, with planned implementation from the 16 September 2024. This was communicated by the Board of the Bank through a media briefing on the 9 September 2024.

## 36. Contingencies

### *CCMA and Labour Court cases*

In the current year, there were two (2) disputes on grounds of unfair labour practices and discrimination referred to the CCMA against the Land Bank. An additional CCMA matter from the previous financial years that remained outstanding as at year end, relating to allegations of unfair labour practice and discrimination on the part of the Land Bank. There are two (2) further Labour Court matters carried over from the previous financial years that remained remotely outstanding as at year end. Due to the uncertain nature of the outlined CCMA and Labour Court matters, it is impracticable to determine an estimate of their financial effects to the Land Bank as at 31 March 2024. These matters remain in progress.

### *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 a Service Level Partners (SLA) of the Land Bank. The possible claim could be that the SLA had charged clients default interest calculated based on the "total outstanding amount" instead of the "outstanding arrear 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. The matter had not been resolved as at 31 March 2024 and remains in progress.

## 37. 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.

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*Table 1: Remuneration of Land Bank non-executive directors and executive directors for 2024 (R 000)*

	Board	AGM	Audit & Finance	Risk & Governance	Credit & Investment	HR	SEC	Nominations	Ahoc Meetings	Cash Salary	Other Benefits, Fees & Expenses	Mar 2024 Total
	R'000	R'000	R'000	R'000	R'000	R'000			R'000	R'000	R'000	R'000
<b>Land Bank</b>												
<b>Non-Executive Directors</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>-</b>	<b>11</b>	<b>6,833</b>
NR Nkosi	946	10	-	-	104	100	67	34	49	-	-	1 309
M Makgatho <sup>1</sup>	220	10	82	-	205	-	-	-	9	-	-	526
LA Makenete	344	10	-	-	151	-	102	16	9	-	-	633
D Maithufi	365	10	-	91	280	-	-	-	39	-	-	784
TN Mashanda	365	-	203	67	-	-	-	-	20	-	0	654
JF Kirsten <sup>2</sup>	365	-	35	-	252	-	-	-	10	-	10	672
NP Motshegoa	365	10	-	-	-	-	18	-	20	-	-	412
EM Pillay	344	10	286	-	18	-	-	18	39	-	-	714
M Tom	345	10	-	-	-	135	-	18	39	-	-	547
D van der Westhuizen	365	-	-	79	34	100	-	-	20	-	-	580
<b>Executive Director</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Themba Rikhotso (CEO)	-	-	-	-	-	-	-	-	-	4,700	120	4,820
Khensani Mukhari (CFO)	-	-	-	-	-	-	-	-	-	3,672	29	3,701
<b>Total Land Bank</b>	<b>4,022</b>	<b>71</b>	<b>606</b>	<b>236</b>	<b>1,043</b>	<b>335</b>	<b>187</b>	<b>85</b>	<b>253</b>	<b>8,372</b>	<b>164</b>	<b>15,354</b>

<sup>1</sup> Member term ended in November 2023.

<sup>2</sup> Director fees paid directly to the University of Stellenbosch.

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**Table 2: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2024 (R 000)**

	Board	AGM	HR	Audit & Risk	Investment & Actuarial	Nominations	Ahoc Meetings	Cash Salary	Other Benefits, Fees & Expenses	Mar 2024 Total
<b>Land Bank Insurance Company</b>										
<b>Non-Executive Directors</b>	<b>1 224</b>	<b>66</b>	<b>267</b>	<b>361</b>	<b>281</b>	<b>66</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>2,416</b>
JF Kirsten	44	9	-	-	66	16	20	-	-	155
EM Pillay	518	9	67	-	-	16	9	-	-	620
K Sukdev	150	9	-	65	86	-	20	-	-	331
M Bosman	150	9	67	76	43	-	20	-	-	366
D Subbiah	150	9	67	76	43	-	20	-	-	366
D van der Westhuizen	60	9	67	-	-	16	20	-	-	172
C Masuku	150	9	-	144	43	16	20	-	-	383
<b>Executive Director</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
P. Siphugu <sup>2</sup>								2,500		2,500
A Rakgalakane (MD) <sup>1</sup>								1,092	-	1,092
<b>Total LBIC</b>	<b>1 224</b>	<b>66</b>	<b>267</b>	<b>361</b>	<b>281</b>	<b>66</b>	<b>127</b>	<b>3,592</b>	<b>-</b>	<b>6,008</b>

<sup>1</sup> A Rakgalakane's term ended in June 2023.

<sup>2</sup> P. Siphugu commenced his duties on 1 June 2023.

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**Table 3: Remuneration - Land Bank non-executive directors and executive directors for 2023 (R'000)**

	Board	Audit & Finance	Risk & Governance	Credit & Investment	HRRC	SEC	Ad hoc Meetings	Cash Salary	Retention Payments	Other Benefits <sup>3</sup> , Fees & Expenses	2023 Total
<b>Non-Executive Directors</b>											
NR Nkosi	950	-	16	82	197	49	149	-	-	-	1,444
LA Makenete	375	-	-	49	82	61	85	-	-	-	653
M Makgatho	375	197	-	330	-	-	130	-	-	-	1,033
D Maithufi	375	-	183	296	-	-	95	-	-	-	948
TN Mashanda	355	197	131	16	16	-	38	-	-	-	755
JF Kirsten	355	-	-	296	-	22	47	-	-	2	723
NP Motshegoa	375	-	-	246	-	67	104	-	-	-	792
EM Pillay	355	279	-	82	-	33	73	-	-	-	822
M Tom	355	49	16	-	183	-	57	-	-	-	661
D Van Der Westhuizen	355	-	115	82	115	-	102	-	-	-	769
<b>Subtotal</b>	<b>4,228</b>	<b>722</b>	<b>462</b>	<b>1,480</b>	<b>593</b>	<b>232</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>8,599</b>
<b>Executive Directors</b>											
A Kanana (Chief Executive Officer)†	-	-	-	-	-	-	-	308	-	10	318
K Mukhari (Chief Financial Officer and Acting Executive Officer)	-	-	-	-	-	-	-	3,536	340	164	4,040
<b>Total Land Bank</b>	<b>4,228</b>	<b>722</b>	<b>462</b>	<b>1,480</b>	<b>593</b>	<b>232</b>	<b>880</b>	<b>3,844</b>	<b>340</b>	<b>176</b>	<b>12,957</b>

†Mr Ayanda Kanana, former CEO resigned and left at the end of April 2022.

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**Table 4: Remuneration of Land Bank Insurance Services non-executive directors and executive directors for 2023 (R 000)**

	Board	AGM	HRRC	Audit & Risk	Investment and actuarial	Ad hoc Meetings	Cash Salary	Retention Payments	Other Benefits Fees & Expenses	2023 Total
<b>Non-Executive Directors</b>										
EM Pillay	268	9	-	11	11	28			-	327
JF Kirsten	29	9	-	-	32	28			-	99
D van der Westhuizen	29	9	56	-	-	47			-	142
K Sukdev	327	9	49	53	105	66			-	611
M Bosman	147	9	94	53	64	57			-	424
D Subbiah	147	9	82	53	74	66			-	432
C Masuku	147	9	16	119	74	57			-	423
NR Nkosi	-	9	-	-	-	-			-	9
Subtotal	1,097	76	298	288	360	350	-	-	-	2,468
<b>Executive Directors</b>										
A Rakgalakane – Managing Director							3,448	1,717	128	5,293
<b>Total Land Bank Insurance Services</b>	<b>1,097</b>	<b>76</b>	<b>298</b>	<b>288</b>	<b>360</b>	<b>350</b>	<b>3,448</b>	<b>1,717</b>	<b>128</b>	<b>7,761</b>

**Table 5: Remuneration - Land Bank executive officers in 2024 (R'000)**

Title	Guaranteed Package	Retention Payment	Cell phone Allowance	Other Benefits	Total
ETM Dlamini - Human Capital	3,082	-	24	4	3,110
SCE Soundy - Strategy and Communications	3,154	-	24	307	3,485
F Stiglingh - Portfolio Management Services	3,139	-	24	291	3,454
SN Sebueng - Legal Services	2,487	-	24	-	2,511
S Diza - Chief Risk Officer	2,502	-	24	-	2,526
Sakhumzi May (Acting Executive Manager: Agricultural Economics & Advisory)	1,758	-	14	336	2,108
Theunis Coetzee – Acting Corporate Banking and Structured Investments	1,844	-	14	336	2,194
<b>Total</b>	<b>17,966</b>	<b>-</b>	<b>148</b>	<b>1,274</b>	<b>19,388</b>

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**Table 6: Remuneration - Land Bank executive officers in 2023 (R'000)**

Title	Guaranteed Package	Retention Payment	Cell phone Allowance	Other Benefits	Total
ETM Dlamini - Human Capital	2,951	-	24	89	3,064
SCE Soundy - Strategy and Communications	3,026	291	24	93	3,434
F Stiglingh - Portfolio Management Services	3,004	289	24	90	3,407
SN Sebueng - Legal Services	2,380	229	24	69	2,702
S Diza - Chief Risk Officer	230	230	24	69	2,715
U Magwentshu - Corporate Banking and Structured Investments	2,392	-	22	81	2,548
<b>Total</b>	<b>16,198</b>	<b>1,039</b>	<b>142</b>	<b>491</b>	<b>17,870</b>

I Ms Unathi Magwentshu resigned and left the bank at the end of February 2023

## 38. Correction of prior period errors

### 38.1 Reclassification of money market instruments of the insurance companies

In the previous reporting periods, investments in money market instruments were classified as part of Investments on the face of the Statement of Financial Position.

These instruments 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. In terms of IAS 7.6 (International Accounting Standard 7: Statement of Cash flows), given the money market instruments characteristics, they meet the definition of Cash and cash equivalents and should not be classified as part of Investments.

The previous practice of classifying money market instruments as part of Investments, as opposed to Cash and cash equivalents, is deemed a "prior period error" in terms of IAS 8.41 (International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors).

#### Impact of rectifying the "prior period error":

Statement of Profit and Loss - Will have zero impact as the error relates to classification on the Statement of Financial Position.

Statement of Financial Position - Money market instruments are reclassified from Investments to Cash and cash equivalents. Money market instruments will form part of the Cash and cash equivalent balance, opening and closing, as well as movements disclosed for the year.

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FY2024	FY2023	FY2022	FY2021	FY2020
R'000	R'000	R'000	R'000	R'000

**Statement of Financial Position**

*Prior to reclassification:*

Cash and cash equivalents	102 070	126 257	138 543	31 488	137 703
Investments	1 715 175	1 605 149	1 488 353	1 537 385	1 179 708

*Post reclassification:*

Cash and cash equivalents	428 624	402 318	386 270	486 503	450 606
Investments	1 388 620	1 329 088	1 240 626	1 082 370	866 805

*Impact after reclassification:*

Cash and cash equivalents increase with money market instruments	326 554	276 061	247 727	455 015	312 903
Investments decrease with money market instruments	(326 555)	(276 060)	(247 727)	(455 015)	(312 903)

**Statement of Cash Flow**

*Prior to reclassification:*

Movement in money market instruments	-	-	-	-	-
Cash and cash equivalents at year – end - Life	4 102	20 860	6 407	14 288	2 201
Cash and cash equivalents at year – end – Non - Life	97 968	105 397	132 136	17 200	135 502
<b>Total impact on group</b>	<b>102 070</b>	<b>126 257</b>	<b>138 543</b>	<b>31 488</b>	<b>137 703</b>

*Post reclassification:*

Movement in money market instruments	50 492	28 335	(207 288)	142 112	(19 458)
Cash and cash equivalents at year - end	428 624	402 318	386 270	486 503	450 606

### 38.2 Fair value hierarchy listing disclosure of the insurance companies

An error was identified regarding the fair value hierarchy listing of financial instruments into Level 1 or Level 2, in compliance with IFRS 13: Fair Value Measurement. The error related to some instruments listed as Level 1 instead of Level 2 and vice versa and was subsequently rectified. In light of this error, the 2023 financial year - end fair value listings were reviewed again and the same errors occurred as in the current year. The comparatives were adjusted to reflect correction.

Impact of rectifying the "prior period error":

Statement of Profit and Loss - Will have zero impact as the error relates to disclosure

Statement of Financial Position - Will have zero impact as the error relates to disclosure

### 31 March 2023 Fair value hierarchy listing

	Incorrect listing		Correct listing		
	R'000	R'000	R'000	R'000	R'000
Equities	511 342	-	529 857	6 547	-
Commodities	30 004	-	3 134	685	-
Bonds	414 674	-	405 731	11 558	-
Collective Investment Schemes	-	141 042	27 182	96 210	-
Money market instruments	109 389	-	27 863	183 887	-
Direct property	-	-	-	-	703
Other	-	32	-	-	-

### 38.3 Incorrect unexpended balances – Commitments (Disclosure notes 9 and 30)

In the previous reporting periods, unexpended balances were incorrectly determined upon insourcing of the indirect book on exposures such as mortgages that do not have unexpended balances. In light of this error, the 2023 financial year - end commitment listing was reviewed again and the same errors occurred as in the current year. These have been corrected retrospectively on the comparative period disclosed. The comparatives were adjusted to reflect the correction.

Impact of rectifying the “prior period error”:

Statement of Profit and Loss - Will have zero impact as the error relates to disclosure  
 Statement of Financial Position - Will have zero impact as the error relates to disclosure

#### 31 March 2024 Commitments disclosure:

**Gross loan commitments**

Expected Credit Loss (ECL)

**Net loan commitments**

The impact on ECL was not material. Therefore, we have not corrected it.

Incorrect Disclosure	Corrected Disclosure
R'000	R'000
569,659	86,430
(6,271)	(6,271)
563,388	80,159

#### 31 March 2023 Commitments disclosure:

**Gross loan commitments**

Expected Credit Loss (ECL)

**Net loan commitments**

The impact on ECL was not material. Therefore, we have not corrected it.

Incorrect Disclosure	Corrected Disclosure
R'000	R'000
897,558	80,852
(15,321)	(15,321)
882,237	65,531







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