LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unuadited Interim Financial Statements
for the period ended 30 September 2020

The unaudited interim financial statements have not been reviewed or reported upon by the Land Bank's external auditors.

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

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The reports and statements set out below comprises the consolidated interim financial statements:

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These unaudited Group interim financial statements were prepared by Land Bank Financial Reporting under the direction and supervision of CFO, Ms. Khensani Mukhari CA(SA).

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

Directors' Responsibilities and Approval

The directors are responsible for the preparation, integrity and objectivity of the Interim Financial Statements that fairly present the state of affairs of the Bank.

In preparing the Interim Financial Statements, the following has been adhered to:

- International Financial Reporting Standards and the presentation requirements of IAS 34: Interim Financial Reporting; and
- Sections 27 to 31 of the Companies Act of South Africa No. 71 of 2008 being the relevant and corresponding sections of those specified in the Land Bank Act.
- The Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002).

To enable the directors to meet their financial reporting responsibilities:

- Management designed and implemented standards and systems of internal control to provide reasonable assurance as to the integrity and reliability of the Interim Financial Statements and to safeguard, verify and maintain the accountability of the Bank's assets;
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going- concern basis; and
- The Audit and Risk Committee and internal auditors review the financial and internal control systems, accounting policies, reporting and disclosure.

The external audit for the year ended 31 March 2020 resulted in a disclaimed opinion. As expected, this has an impact on the opening balances that form the basis of these interim financial statements. Based on the work done in the interim period, Land Bank has suspended any new loan originations and has constrained disbursements. The efforts in this regard are aimed at re-engineering the Bank's processes, manage cash flows and improve the internal control environment and management of the Loans and Advances.

The Land Bank Board has approved a remediation plan that will ensure improvement in the control environment to address deficiencies in the organisation. The Board is also looking into steps that it may need to take as regards consequence management.

As reported in the 2020 Annual Financial Statements, Land Bank experienced significant liquidity challenges towards the end of the first quarter of the 2020 calendar year that resulted in the Bank defaulting on its obligations and impacted the going concern assertion of the Bank. A solution to cure Land Bank out of this event of default is still in progress.

The Board continues to provide strategic direction and closely monitor progress on implementation of solutions to address challenges outlined above.

The Interim Financial Statements that appear on pages 4 to 35 were approved by the Board of Directors on 18 January 2021 and are signed on its behalf by:

MA MOLOTO
Chairperson of the Board
18 January 2021

Mr. Ayanda Kanana CA(SA)
Chief Executive Officer
18 January 2021

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

Statements of Financial Position

	Notes	Group		Bank	
		Sep-20 R'000	Mar-20 R'000	Sep-20 R'000	Mar-20 R'000
Assets					
Cash and cash equivalents		**7 306 337**	722 711	**7 264 668**	585 008
Trade and other receivables		**394 691**	1 237 652	**60 968**	720 780
Short-term insurance assets		**49 631**	169 906	-	-
Repurchase agreements		**-**	19 495	**-**	19 495
Investments	4	**2 184 211**	2 148 223	**1 401 546**	1 418 546
Strategic trading assets		**5 813**	5 153	**5 813**	5 153
Derivatives assets		**39 487**	79 064	**39 487**	79 064
Loans and advances	5	**37 509 824**	41 560 074	**37 509 824**	41 560 074
Non-current assets held-for-sale		**97 802**	105 112	**97 802**	105 112
Long term insurance assets		**6 760**	11 786	-	-
Investment property		**15 000**	15 000	**15 000**	15 000
Property, plant and equipment		**28 223**	28 971	**28 096**	28 808
Right of use assets		**35 247**	47 993	**35 070**	47 735
Intangible assets		**5 366**	8 044	**5 366**	8 044
Total assets		**47 678 392**	46 159 184	**46 463 641**	44 592 819
Equity and liabilities					
Equity					
Distributable reserves		**5 976 775**	3 131 576	**5 121 077**	2 357 739
Other reserves		**(625 217)**	(608 139)	**(625 217)**	(608 139)
		5 351 558	2 523 437	**4 495 860**	1 749 600
Liabilities					
Trade and other payables		**445 298**	1 334 646	**190 204**	824 776
Short-term insurance liabilities		**61 987**	237 227	**-**	-
Long-term policyholders' liabilities		**41 682**	44 341	**-**	-
Funding liabilities	6	**41 047 054**	41 283 820	**41 047 054**	41 283 820
Lease liabilities		**38 156**	50 609	**38 156**	50 335
Provisions		**399 697**	399 743	**399 408**	398 926
Post-retirement obligation		**292 960**	285 362	**292 960**	285 362
Total equity and liabilities		**47 678 392**	46 159 184	**46 463 641**	44 592 819

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

Statements of Profit or Loss and Other Comprehensive Income

		Group		Bank	
		Sep-20	**Sep-19**	**Sep-20**	**Sep-19**
	Notes	**R'000**	**R'000**	**R'000**	**R'000**
Continuing operations					
Net interest income		**223 358**	469 312	**227 969**	467 409
Interest income		**1 821 965**	2 560 381	**1 799 228**	2 561 158
Interest expense		**(1 598 607)**	(2 091 070)	**(1 571 259)**	(2 093 749)
Net impairment charges, claims and recoveries		**(73 192)**	(304 019)	**(73 192)**	(304 019)
Total (loss / income from lending activities		**150 166**	165 292	**154 777**	163 390
Non-interest expense		**(165 593)**	(22 111)	**(160 706)**	(21 528)
Non-interest income		**44 306**	56 822	**39 420**	53 170
Operating (loss) / income from banking activities		**28 878**	200 003	**33 491**	195 032
Net insurance premium income		**11 933**	11 606	**-**	-
Net insurance claims		**(8 707)**	(32 790)	**-**	-
Other costs from insurance activities		**(24 126)**	(42 978)	**-**	-
Investment income and fees		**33 777**	46 981	**6 610**	185 345
Interest on post-retirement obligation		**(16 222)**	(13 336)	**(16 222)**	(13 336)
Interest on lease liability		**(1 995)**	(2 863)	**(1 995)**	(2 848)
Fair value (losses) gains		**32 925**	(16 173)	**32 925**	259
Operating (loss) / income		**56 463**	150 450	**54 809**	364 452
Operating expenses		**(272 050)**	(304 765)	**(263 187)**	(293 809)
Net operating (loss) / income		**(215 587)**	(154 315)	**(208 379)**	70 642
Non-trading and capital items		**90 100**	(177)	**1 033**	(177)
Net (loss) / profit before indirect taxation		**(125 487)**	(154 492)	**(207 345)**	70 465
Indirect taxation		**(28 491)**	(31 068)	**(28 491)**	(31 020)
Net (loss) /profit from continuing operations		**(153 978)**	(185 560)	**(235 836)**	39 445
Net profit / (loss) from discontinued operations		**(56)**	1 360	**(56)**	1 285
(Loss) Profit for the period		**(154 034)**	(184 200)	**(235 892)**	40 730
Other comprehensive income					
Items that will be reclassified into profit or loss					
Net losses on financial assets designated at fair value through other comprehensive income		**(17 077)**	3 230	**(17 077)**	3 230
Cash flow hedges: gains / (release) on cash flow hedging instruments		**-**			
Items that will not be reclassified subsequently to profit or loss		**-**			
Actuarial (Loss) / Gain on the post-retirement obligation		**(771)**	(5 037)	**(771)**	(5 037)
Revaluation of land and buildings		**-**		**-**	-
Total other comprehensive (loss) / income		**(17 848)**	(1 807)	**(17 848)**	(1 807)
Total comprehensive (loss) / income for the period		**(171 881)**	(186 006)	**(253 740)**	38 924

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

Statements of Changes in Equity

	Capital fund R'000	Insurance reserve R'000	FVTOCI R'000	Revaluation reserve R'000	General reserve R'000	Total R'000
Group						
Balance at 1 April 2019	**4 397 655**	**1 507 301**	**(43 883)**	**137 350**	**(671 626)**	**5 326 797**
Loss for the period	-	(44 930)	-	-	(139 270)	(184 200)
Total other comprehensive (loss) / income for the period	-	-	3 230		(5 037)	(1 807)
Balance at 30 September 2019	**4 397 655**	**1 462 371**	**(40 653)**	**137 350**	**(815 932)**	**5 140 791**
Balance at 1 April 2020	**4 397 655**	**1 423 869**	**(746 611)**	**138 472**	**(2 689 945)**	**2 523 440**
Shareholder Equity Injection	3 000 000					3 000 000
(Loss)/Profit for the period	-	81 858	-	-	(235 892)	(154 034)
						-
Total other comprehensive (loss) / income for the period	-	-	(17 077)	-	(771)	(17 848)
Balance at 30 September 2020	**7 397 655**	**1 505 727**	**(763 688)**	**138 472**	**(2 926 608)**	**5 351 558**

	Capital fund R'000	Insurance reserve R'000	FVTOCI R'000	Revaluation reserve R'000	General reserve R'000	Total R'000
Bank						
Balance at 1 April 2019	**4 397 655**	**-**	**(43 883)**	**137 350**	**(321 597)**	**4 169 525**
Profit for the period	-	-	-	-	40 730	40 730
Total other comprehensive (loss) / income for the period	-	-	3 230		(5 037)	(1 807)
Balance at 30 September 2019	**4 397 655**	**-**	**(40 653)**	**137 350**	**(285 903)**	**4 208 449**
Balance at 1 April 2020	**4 397 655**	**-**	**(746 611)**	**138 472**	**(2 039 916)**	**1 749 600**
Shareholder Equity Injection	3 000 000					3 000 000
Loss for the period	-	-	-	-	(235 892)	(235 892)
Total other comprehensive (loss) / income for the period	-	-	(17 077)	-	(771)	(17 848)
Balance at 30 September 2020	**7 397 655**	**-**	**(763 688)**	**138 472**	**(2 276 579)**	**4 495 860**

LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA

Condensed Group Unaudited Interim Financial Statements for the period ended 30 September 2020

Statements of Cash Flows

	Group		Bank	
	Sep-20	Sep-19	Sep-20	Sep-19
	R'000	R'000	R'000	R'000
Net (Loss) /Profit from continuing operations	**(153 978)**	(185 560)	**(235 836)**	39 445
Net (Loss)/ Profit from discontinued operations	**(56)**	1 360	**(56)**	1 285
	(154 034)	(184 200)	**(235 892)**	40 730
Adjustments to reconcile profit to net cash flows:				
	1 491 269	2 101 542	**1 566 668**	1 939 416
Interest expense	**1 598 607**	2 091 070	**1 571 259**	2 093 749
Interest on lease liabilities	**1 995**	2 863	**1 995**	2 848
Fair value movement (financial instruments)	**3 525**	2 637	**3 525**	2 637
Fair value movement (investments)	**(116 014)**	13 536	**(36 451)**	(2 896)
Dividend income - other investments	**(15 036)**	(14 880)	**(5 506)**	(5 317)
Dividend income - Subsidiary	**-**	-	**-**	(180 000)
Interest income	**(21 888)**	(37 231)	**(1 971)**	(2 404)
Fund management fees	**3 147**	5 130	**867**	2 376
Depreciation and impairment of property and equipment	**1 171**	3 395	**1 145**	3 369
Depreciation on right of use assets	**12 895**	12 663	**12 814**	12 582
Amortisation and impairment of intangibles	**2 678**	3 242	**2 678**	3 242
Fair value adjustments (investment properties)	**-**	-	**-**	-
Fair value movement in policyholders' liabilities	**2 367**	10 237	**-**	-
Fair value adjustment on non-current assets held-for-sale	**-**	-	**-**	
Movement in provisions	**(45)**	(6 766)	**482**	(6 416)
Movement in post-retirement medical aid liability	**16 222**	13 336	**16 222**	13 336
Loss on disposal of property and equipment	**(13)**	18	**(13)**	18
Loss on disposal/ write off of intangible asset	**-**	-	**-**	-
Profit on disposal of non-current assets held-for-sale	**1 046**	-	**1 046**	
Foreign exchange loss	**-**	159	**-**	159
Impairment relating to loan commitments and guarantees	**612**	2 133	**(1 424)**	2 133
Impairment of other assets	**-**	-	**-**	-
Working capital adjustments:	**(196 825)**	(366 603)	**25 239**	(417 412)
(Increase) in trade and other receivables	**745 121**	(396 875)	**659 812**	(429 311)
Increase in trade and other payables	**(889 348)**	89 003	**(634 572)**	11 899
Decrease in short-term and long-term insurance liability	**(177 899)**	(262 090)	**-**	-
Decrease in short-term and long-term insurance assets	**125 301**	203 359	**-**	-
Cash flow from operating activities	**1 140 410**	1 550 739	**1 356 015**	1 562 735
Cash flows from operations	**2 443 281**	87 229	**2 470 629**	84 565
Interest paid	**(1 600 602)**	(2 093 933)	**(1 573 254)**	(2 096 597)
Dividend received	**2 983**	1 863	**2 983**	1 863
Decrease / (Increase) in funding to clients	**4 040 901**	2 179 299	**4 040 901**	2 179 299
Net cash flow from operating activities	**3 583 691**	1 637 969	**3 826 645**	1 647 300
Net cash flow from investing activities	**251 116**	243 225	**104 105**	108 428
Proceeds from disposal of property and equipment	**-**	(1 165)	**-**	(1 165)
Purchase of property and equipment	**429**	(1 863)	**429**	(1 863)
Purchase of intangible assets	**-**	(547)		(547)
Proceeds from sale of non-current assets held-for-sale	**8 789**	800	**8 789**	800
Proceeds from sale of assets of discontinued operations	**-**			-
Proceeds from sale of financial instruments	**294 886**	246 000	**294 886**	86 204
Net Loan (advanced to) / repaid by subsidiary	**-**	-	**-**	25 000
Purchase of financial instruments	**(52 988)**		**(200 000)**	-
Net cash flow from financing activities	**2 748 818**	1 575 673	**2 748 911**	1 575 735
(Decrease) / Increase in funding received from funders	**(236 766)**	1 588 509	**(236 766)**	1 588 509
Capital Injection	**3 000 000**	-	**3 000 000**	
Lease liability repaid	**(14 416)**	(12 836)	**(14 323)**	(12 774)
Net (decrease) / increase in cash and cash equivalents	**6 583 626**	3 456 867	**6 679 660**	3 331 463
Cash and cash equivalents at beginning of period	**722 711**	3 213 121	**585 008**	3 202 568
Cash and cash equivalents at end of period	**7 306 337**	6 669 988	**7 264 668**	6 534 031

Accounting Policies

1. General information

The same accounting policies and methods of computation are followed in the interim financial statements as in the 31 March 2020 consolidated and separate audited annual financial statements which were prepared in accordance with all applicable International Financial Reporting Standards (IFRS), which includes all applicable IFRSs, International Accounting Standards (IASs) and Interpretations issued by the IFRS Interpretations Committee. A summary of significant accounting policies is set out in note 3.

Owing to the fact that Land Bank has not published its full set of Annual financial statements for the year ended 31 March 2020, the full accounting policies are included below.

2. Basis of preparation

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

The impact of Covid-19 on the Land Bank has been assessed, and the Land Bank has concluded that Covid-19 will have a minimal impact on the business of the Land Bank because the loan book of the bank is highly concentrated in grain. Economic studies of various agricultural sectors have estimated that the impact of Covid-19 will be minimal on the grain sector.

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

2.1 Functional and presentation currency

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

2.2 Distinction between current and non-current

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

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 New standards and interpretations not yet adopted

The company 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 2019 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). 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 company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

Statement	Effective date
IFRS 3 Business Combinations (amendment)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IAS 1 amendments on classification	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023

IFRS 3 Business Combinations (amendment)

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

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment is not expected to have a material impact on the group.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the Interbank offered rate (IBOR) reform could have on financial reporting.

The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7):
- Modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- Are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The amendment is not expected to have a material impact on the group.

IAS 1 amendments on classification

The International Accounting Standards Board (IASB) has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment is not expected to have a material impact on the group.

IFRS 17 Insurance Contracts

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

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct and reinsurance), regardless of the type of entity that issue these contracts. The General Model (also referred to as building block approach) forms the core of IFRS 17. It is supplemented by:
- A specific adaption for contracts with direct participation features ("the variable fee approach"); and
- A simplified approach ("the premium allocation approach") mainly for short-duration contracts.

The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:
- Liability measurement
- Data requirements
- Operations and the underlying systems
- Management reporting

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. The group will commence assessing the impact of IFRS 17 in 2022 financial year.

3.2 Business combinations

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

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

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

The consolidated financial statements comprise the financial statements of the Land Bank and its subsidiaries, LBLIC, LBIC and LBIS (which was deregistered on 30 August 2019) as at 31 March 2020.

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

Accounting Policies

3.3 Revenue recognition

Interest income

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

IFRS 15 Revenue from Contracts with Customers

The group assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15 If so, the revenue will be recognised only when the group can:
- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

(i) Fee and commission income

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

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

(ii) Dividend Income

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

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

(iii) Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding dividend and interest income. These surpluses are recognised in the statement of profit or loss and other comprehensive income on the date of sale or upon valuation to fair value.

(iv) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is recorded in the statement of profit or loss and other comprehensive income in 'Non-interest income'.

(v) Realised gains and losses

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate and is recorded in the statement of profit or loss and other comprehensive income.

(vi) Unrealised gains and losses

Unrealised gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year and is recognised in the statement of profit or loss and other comprehensive income.

(vii) Insurance premium income

Refer to note 3.24.1 and note 3.24.2.

3.4 Expenses

(i) Administration costs

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

Administration costs that are directly attributable to long-term recurring premium insurance policy contracts are recognised directly to the statement of profit or loss and other comprehensive income.

(ii) Commission

Commission is payable to sales staff on long-term and short-term insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. The portion of the commission that is directly attributable to the acquisition of long-term recurring premium insurance policy contracts is recognised directly to the statement of profit or loss and other comprehensive income. Acquisition costs for short-term insurance business is deferred over the period in which the related premiums are earned.

3.5 Fruitless and wasteful and irregular expenditure

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

When discovered, irregular expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either condoned by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of profit or loss and other comprehensive income.

3.6 Leases

Lessee accounting policies

The Group accounts for Leases in terms of IFRS 16.

The Group adopted IFRS 16 effective from 1 April 2018. IFRS 16 specifies how to recognize, measure, present and disclose leases.

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 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.

3.7 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

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

(i) Defined contribution plans

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

Retirement fund

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

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

(i) 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.

Accounting Policies

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 plans 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.

Termination benefits

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

3.8 Income taxation

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

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

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

3.9 Property and equipment

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

Land and buildings comprise owner occupied property. Land and buildings are shown at fair value, based on valuations by external independent 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; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

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

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

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

Building	3% 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

The carrying amounts of the company's tangible and intangible assets are reviewed at each year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the greater of its fair value less cost to sell and its value in use.

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

3.10 Investment property

Investment properties (properties that are not owner-occupied), are properties which are held to earn rental income and/ or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income 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 where the tenant occupies a significant portion (more than 50%) of the lettable space of the property. 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.

3.11.1 (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.

3.11.2 (ii) Amortisation

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

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

Tier 1 asset	Software relating to core business applications for which any change to a different application suite would require a significant investment in resources and time.	10 years
Tier 2 asset	Software that is directly integrated with the core financial systems and additional developments and modules may have be added.	5 years
Other	Commodity software	3 years

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

3.12 Impairment of non-financial assets

Intangible 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.

3.13 Financial instruments

3.13.1 Classification and measurement

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

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) , is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(i) Amortised cost and effective-interest rate

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

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

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

Accounting Policies

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

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.

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. A provision for impairment of loans and advances is established using the expected credit loss approach on date of initial recognition. A provision is raised using either a 12-month expected credit loss or lifetime expected credit loss approach.

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 EIR. The EIR amortisation is included in "Net interest income" in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

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

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

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for:
- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).

- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expenses incurred on the financial liability.

- Financial guarantee contracts and loan commitments.

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

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

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable, and typically comprise of instruments such as swaps, forward rate agreements, futures and options.

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 mark-to-market movements.

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 a asset is measured at fair value and are disclosed as assets when the fair value is positive and as liabilities when the fair value is negative.

(iv) Cash held under investments

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

(vi) Renegotiated loans

Where possible, the Bank seeks to restructure loans and advances rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans and advances to ensure that all criteria are met and that future payments are likely to occur.

Loans and advances with renegotiated terms are loans and advances that have been restructured due to deterioration in the borrower financial position and where the Group has made concessions that it would otherwise not consider. These loans and advances are not considered to be past due after renegotiations but are treated as current loans after the loan has performed for a specified period. These loans and advances continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate (EIR).

The length of specified period, depends on whether the loans and advances has a monthly or annual repayment profile.

The group assesses whether the new terms are substantially different to the original terms. Should the terms be substantially different, the group derecognises the original financial asset and recognises a ‘new’ financial asset at fair value and recalculates a new effective-interest rate for the asset. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

3.13.3 Derecognition of financial instruments

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

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.

Accounting Policies

Financial assets

A financial asset is derecognised when:

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

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

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

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

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

Financial liabilities

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

3.13.4 Impairment of financial instruments
(i) 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".

(ii) Assets carried at amortised cost

The Group's accounting policy for impairment of financial assets changed significantly having early adopted IFRS 9, with effect 1 April 2015 (FY2016), and the expected credit loss model is now applied. The IFRS 9 impairment requirements are based on an expected credit loss model.

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

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

A 12-month expected loss approach is used for the following instruments:
- Purchased or newly originated financial assets that are not credit impaired.

A lifetime expected loss approach is used for the following instruments:
- Purchased or newly originated credit impaired financial assets.

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

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

1. Stage 1: 12-months ECL

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

2. Stage 2: Lifetime ECL - not credit impaired

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

3. Stage 3: Lifetime ECL - credit impaired

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

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 date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. The Land Bank's portfolio main risk drivers are weather conditions, which are not predictable on a long-term time horizon, changes in the 12-month PD are considered the best indicator for significant increase in credit risk over the expected life of a financial asset.

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

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

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

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

3.13.5 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.

3.13.6 Amortised cost of financial instruments

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

3.14 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risk and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate (EIR). When the counter party has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral, as appropriate. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position.

The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held-for-trading and measured at fair value with any gains or losses included in net trading income.

3.15 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.

3.16 Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses.

The group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

3.17 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.

3.18 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. Trade and other payables are carried at amortised cost.

3.19 Funding liabilities

Funding liabilities were previously carried at amortised cost with certain liabilities being carried at fair value, with the fair value movements being accounted for in profit or loss throughout the year. Upon adoption of IFRS 9, with effect 1 April 2015 (FY2016), the Bank elected to carry all of it's funding liabilities at amortised cost. 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.

3.20 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.

3.21 Foreign currency translation

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

3.22 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.

3.23 Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group's statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group's statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

3.24 Insurance contracts

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

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

3.24.1 Short-term insurance

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

(i) Recognition and measurement

Gross written premiums

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

Unearned Premium Provision

The provision for unearned premiums represents the portion of the current year's premiums written that relate to risk periods extending into the following year. The Unearned Premium Provision (UPP) is established to recognise the premiums already written that will be earned in future. The UPP is set with reference to the development of claims as per the recent historical claims experience.

Commission

Commission is payable to sales staff on short-term insurance business. Commission is accounted for on all in-force policies in the financial period during which it is incurred. Acquisition costs for short-term insurance business is deferred over the period in which the related premiums are earned.

Fee income

The reinsurance broker pays the brokerage they earn on reinsurance premiums to the company in exchange for a flat brokerage fee earned over the period of the treaties. This fee income is earned quarterly with the settlement of the accounts to reinsurers.

Provision for unexpired risk

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

Notified Outstanding Claims Provision

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

Provision for claims incurred but not reported (IBNR)

The Incurred But Not Reported (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 of 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.

Deferred acquisition costs (DAC)

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

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

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

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

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

Administration costs

Administration costs on short-term insurance business consist of directly attributable costs payable to the underwriting manager and are deferred over the period in which the related premiums are earned. Administration costs that are directly attributable to long-term recurring premium insurance policy contracts will be recognised directly to the statement of comprehensive income.

Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss and other comprehensive income. The Group gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated according to the same method used for these financial assets.

3.24.2 Long-term insurance

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

(i) Recognition and measurement

Premiums

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

Fees and commission earned

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

Underwriting benefits

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

Liability adequacy test

At each statement of financial position date, the Group performs a liquidity adequacy test to assess whether its recognised insurance liabilities are adequate in terms of the Financial Soundness Valuation (FSV) basis as described in SAP 104. The FSV basis meets the minimum requirements of the liquidity adequacy test. If this assessment shows that the carrying amount of its insurance liabilities are inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the statement of comprehensive income.

Reinsurance contracts held

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

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

Long-term insurance liability

In terms of IFRS 4 - Insurance contracts, defined insurance liabilities are allowed to be measured under existing local practice. The company used the FSV method, as described in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (Actuarial Society), to determine the actuarial value of the policyholders' liabilities. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the Insurance Act of 2017; and
- Actuarial guidance also provides for the use of discretionary margins where deemed appropriate.

The best estimate of future experience is determined as follows:

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

Acquisition costs

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

3.25 Critical accounting judgements and key sources of estimation uncertainty

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

3.25.1 Impairment losses on loans and advances

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the credit risk of default occurring over the expected life between the reporting date and the of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in the credit quality of a financial asset. 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 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 introduced the use of macro-economic factors, 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-economic factors, including any forecasts of future economic conditions are reviewed regularly to reduce any differences between loss estimates ad actual loss experience.

(i) Land development finance unit (LDFU) loan and advances impairments

It was concluded in the 2008 reporting period that these loans do not form part of the mandate of the Group and, as such, a moratorium was placed on further approvals and the operations discontinued.

The Group suspended the accrual of interest on all LDFU loans. No further disbursements were made since the last disbursement in October 2007. All the loans have since been regarded as non-performing. Refer to the notes to the annual financial statements for information regarding this discontinued operation.

During 2018 the Group contracted independent professional valuators to obtain up to date valuations in order to ensure that the carrying values of these loans and advances do not exceed the fair value. Where the valuations obtained exceed the carrying values, the directors opted to maintain the current values due to uncertainties surrounding the potential conditions of disposal and legalities. The independent valuation is used, unless there is an unconditional offer of sale on the security held. The fair value is then adjusted to the value of the offer received.

3.25.2 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, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.25.3 Insurance

(i) Unlisted investments

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

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

The appropriateness of valuations is reviewed annually by the Insurance company's Investment and Actuarial Committee.

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

The following process is followed to determine the valuation assumptions:

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

The best estimate of future experience is determined as follows:

Investment return

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

Accounting Policies

Decrements

Assumptions with regard to future mortality and lapse rates are consistent with the experience for the five years up to the current financial year end. Mortality rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS.
We have considered and assessed the Impact of COVID 19 and the Lockdown restrictions on our business operations, and we have concluded that there aren't any events that existed at year end that will require us to adjust the Annual Financial Statements.
The LBLIC has a reinsurance cover that limits the company's exposure to a maximum:
• R1m per policy for individual life and;
• R2m per policy for group life
• The LBLIC credit life portfolio consist of farmers that are geographically spread across the country

Policy expenses

"Per policy" expenses are based on the latest actual expenses and escalated at the estimated annual expense inflation rate. In addition, expense overruns in the medium term were reserved for separately.

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

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

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

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

Process to determine significant assumptions

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

Outstanding claims

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

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

Claims incurred but not reported (IBNR)

The policyholders' liabilities include a provision for the expected cost of IBNR claims. This relates to claims expected to be made by policyholders in respect of events that occurred before the financial year end but that have not yet been reported to the Group by year end. The IBNR is not discounted due to the short-term nature of IBNR claims on crop policies.

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

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

Premium provisions - short-term

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

At each 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 is made for any estimated future underwriting losses relating to unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk and performed annually.

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

3.25.4 Classification and measurement of the floating and fixed rate notes, as well as the syndicated loans

The Group classifies floating and fixed rate notes, as well as the syndicated loans as held at amortised cost with all movements in the carrying value being accounted for in the statement of profit or loss and other comprehensive income.

3.25.5 Basis of allocation of segment revenue, assets and liabilities

Funding liabilities are allocated to segments as a percentage of the loans portfolio in that segment.

3.25.6 Depreciation rates, methods and residual values

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

3.25.7 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.

3.25.8 Management expense provisions and accruals

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.

3.26 Non-current assets held-for-sale and discontinued operations

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

3.26.1 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.

3.26.2 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.

4. Investments	Group Sep 2020 R'000	Group March 2020 R'000	Bank Sep 2020 R'000	Bank March 2020 R'000
Investment in subsidiary - LBLIC	**-**	-	**30**	30
Investment in subsidiary - LBIC	**-**	-	**650 000**	450 000
Unlisted investments	**400 198**	640 198	**400 198**	640 198
Assets earmarked for medical aid liabilities	**250 412**	210 335	**250 412**	210 335
Investment in listed shares	**100 906**	117 983	**100 906**	117 983
Investments held by LBLIC	**1 009 791**	1 118 338	**-**	-
Investments held by LBIC	**422 904**	61 369	**-**	-
	2 184 211	2 148 223	**1 401 546**	1 418 546

4.1 Unlisted investments	Group Sep 2020 R'000	Group March 2020 R'000	Bank Sep 2020 R'000	Bank March 2020 R'000
Fair value				
Ordinary shares in Acorn Agri (Pty) Ltd	**72 200**	72 200	**72 200**	72 200
Preference shares in Afri Fresh (Pty) Ltd	**-**	80 000	**-**	80 000
Ordinary shares in Mouton Holdings (Pty) Ltd	**-**	85 000	**-**	85 000
Ordinary shares in Southern Cross Investment Holdings (Pty) Ltd	**-**	75 000	**-**	75 000
Ordinary shares in Cavalier Group of Companies (Pty) Ltd	**44 100**	44 100	**44 100**	44 100
Ordinary shares in Ideafruit (Pty) Ltd	**83 898**	83 898	**83 898**	83 898
Ordinary shares in Riverside Holdings (Pty) Ltd	**105 000**	105 000	**105 000**	105 000
Ordinary shares in Afgri Grain Silo Company Pty Ltd	**95 000**	95 000	**95 000**	95 000
	-	-	**-**	
	400 198	640 198	**400 198**	640 198

Three investments have been sold since 31 March 2020, The investments disposed of were Afri-fresh, Mouton Holdings and Southern Cross.

4.2 Investments in Listed Shares	Group Sep 2020 R'000	Group March 2020 R'000	Bank Sep 2020 R'000	Bank March 2020 R'000
Rhodes Food Group Holdings Limited	**100 906**	117 983	**100 906**	117 983

5. Loans and advances

Group and Bank

5.1 Gross loans per business segment

	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net loans R'000
Sep-20			
Corporate Banking and Structured Investments	10 424 353	(505 441)	9 918 912
Commercial Development and Business Banking	30 807 213	(3 182 489)	27 624 724
Loan commitments and guarantees	-	(9 747)	(9 747)
Loan Modifications	(24 065)		(24 065)
	41 207 501	**(3 697 677)**	**37 509 824**
Mar-20			
Corporate Banking and Structured Investments	10 296 671	(337 391)	9 959 280
Commercial Development and Business Banking	34 869 517	(3 236 335)	31 633 182
Loan commitments and guarantees	-	(8 323)	(8 323)
Loan Modifications	(24 065)		(24 065)
	45 142 123	**(3 582 049)**	**41 560 074**

5.2 Loans by credit quality

	Performing loans [1] R'000	Under performing loans [2] R'000	Non performing loans [3] R'000	Total R'000
Sep-20				
Corporate Banking and Structured Investments	7 176 992	2 520 100	727 260	10 424 353
Commercial Development and Business Banking	20 030 854	3 478 376	7 297 982	30 807 213
Loan Modifications	(20 465)	(3 715)	115	(24 065)
Gross loans and advances	**27 187 381**	**5 994 762**	**8 025 358**	**41 207 501**
Expected Credit Loss (ECL)	(292 204)	(287 778)	(3 107 948)	(3 687 930)
Net loans and advances	**26 895 178**	**5 706 984**	**4 917 410**	**37 519 571**

	R'000
Guarantees	362 460
Loan commitments	3 000 023
Gross loan commitments and guarantees	**3 362 483**
Expected Credit Loss (ECL)	(9 747)
Net loan commitments and guarantees	**3 352 736**

	Performing loans [1] R'000	Under performing loans [2] R'000	Non performing loans [3] R'000	Total R'000
Mar-20				
Corporate Banking and Structured Investments	8 707 986	1 294 690	293 994	10 296 671
Commercial Development and Business Banking	23 726 932	3 255 856	7 886 729	34 869 517
Loan Modifications	(20 465)	(3 715)	115	(24 065)
Gross loans and advances	32 414 453	4 546 831	8 180 839	45 142 123
Expected Credit Loss (ECL)	(311 591)	(170 749)	(3 091 387)	(3 573 726)
Net loans and advances[4]	32 102 863	4 376 083	5 089 452	41 568 397
Guarantees				10 550
Loan commitments				4 552 431
Gross loan commitments and guarantees				4 562 981
Expected Credit Loss (ECL)				(8 323)
Net loan commitments and guarantees				4 554 658

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

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

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

6. Funding liabilities

	Group 2020 R'000	Group 2019 R'000	Bank Sep 2020 R'000	Bank March 2020 R'000
At amortised cost	**41 047 054**	41 283 820	**41 047 054**	41 283 820

The carrying value of funding liabilities comprise of amounts measured at amortised cost.

6.1 Analysis of funding

		Non-cash	Cash		Non-cash	Cash			
Sep-20	Opening balance	Re-alignment of amortised cost [1]	New issues/utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value
Group and Bank	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Commercial funding									
Commercial paper	**14 744 210**	**443 309**	**-**	**(444 882)**	**50 536**	**(198 206)**	**-**	**14 594 967**	**14 647 963**
Bills	1 243 562	183 809	-		2 704	(142 087)	-	1 287 988	1 312 846
Call bonds	36 247	(167)	-		107		-	36 187	36 180
Floating rate notes - 1 year	1 610 615	4 693	-	(216 083)	854	(3 696)	-	1 396 383	1 400 524
Floating rate notes - 2 to 5 years	592 669	5 629	-	(3 392)		(4 656)	-	590 250	615 402
Promissory notes	11 261 117	249 345	-	(225 407)	46 871	(47 767)	-	11 284 159	11 283 011
"Deposits"	**776 138**	**-**	**151 153**	**(229 112)**	**-**	**-**	**-**	**698 179**	**698 179**
Agri-related business deposits	313 224	-	151 140		-	-	-	464 364	464 364
Forced stock sale deposits	462 091	-		(229 112)	-	-	-	232 979	232 979
Small institutional deposits	48	-	1		-	-	-	49	49
Rent deposits	775		12					787	787
Facilities	**1 659 311**	**(9 311)**	**2 051**	**-**	**16 935**	**-**	**(2 147)**	**1 666 839**	**1 650 000**
Committed	1 659 311	(9 311)	2 051		16 935		(2 147)	1 666 839	1 650 000
Uncommitted	-	-	-	-		-	-	-	-
DMTN issuances	**16 247 498**	**(192 246)**	**-**	**-**	**552 345**	**-**	**(1 409)**	**16 606 188**	**15 399 349**
Floating rate notes	12 822 932	(66 680)	-	-	300 240	-	(1 275)	13 055 217	12 118 108
- LBK15	1 403 834	(28 834)	-	-	49 877		(192)	1 424 685	1 297 524
- LBK18	734 273	(1 273)	-	-	16 519		(186)	749 333	673 778
- LBK22	571 511	(3 511)	-	-	14 477			582 477	568 000
- LBK23	614 947	(3 947)	-	-	15 750		(4)	626 746	567 489
- LBK26	245 368	(368)	-	-	4 623			249 623	235 807
- LBK27	2 023 823	(3 823)	-	-	41 771		(20)	2 061 751	1 890 314
- LBK30	306 681	(681)	-	-	5 839		(10)	311 829	285 186
- LBK31	922 207	(2 207)	-	-	19 129		(55)	939 074	836 620
- LBK32	505 901	(5 901)	-	-	14 045		(31)	514 014	500 065
- LBK33	754 013	(4 013)	-	-	19 003		(80)	768 923	746 186
- LBK35	1 001 097	(1 097)	-	-	19 352		(119)	1 019 233	936 272
- LBK36	200 250	(250)	-	-	4 579			204 579	200 000
- LBK37	800 994	(994)	-	-	15 808		(137)	815 671	745 427
- LBK38	518 039	(4 787)	-	-	13 248		(113)	526 387	420 439
- LBK39U	981 635	(1 635)	-	-	19 862		(175)	999 687	980 000
- LBK40U	420 670	(670)	-	-	8 168		(79)	428 089	420 000
- LBK41U	817 689	(2 689)	-	-	18 190		(74)	833 116	815 000
	-	-		-		-		-	
Fixed rate notes	3 424 566 -	125 566	-	-	252 105	- -	134	3 550 971	3 281 241
- LBK20	820 305	(25 305)			65 983		(17)	860 966	840 820
- LBK24	844 488	(39 488)			38 580		(53)	843 527	825 448
- LBK28	961 925	(36 925)			85 945		(23)	1 010 922	838 558
- LBK29	797 848	(23 848)			61 597		(41)	835 556	776 415
Term loans - amortising	**3 631 833**	**386 622**	**-**	**(286 918)**	**7 060**	**-**	**(369 250)**	**3 369 347**	**4 097 462**
7 year syndicated loan (Government guaranteed)	(3 778)	3 778					(3 071) -	3 071	
10 year syndicated loan (MIGA supported)	3 635 611	382 844		(286 918)	7 060		(366 179)	3 372 418	4 097 462
Term loans - bullet term	**998 500**	**1 500**	**-**	**-**	**2 294**	**-**	**(4 214)**	**998 080**	**1 015 944**
3 year term facility	1 001 754	(1 754)			2 294		(1 935)	1 000 359	1 015 944
6 year syndicated loan (Government guaranteed)	(3 254)	3 254					(2 279) -	2 279	-
Step rate notes	**1 013 972**	**(13 972)**	**25 959**	**-**	**14 235**	**-**	**-**	**1 040 194**	**1 103 900**
Step rate notes	1 013 972	(13 972)	25 959		14 235	-	-	1 040 194	1 103 900
Total commercial funding	**39 071 462**	**615 902**	**179 163**	**(960 912)**	**643 405**	**(198 206)**	**(377 020)**	**38 973 794**	**38 612 797**
Development and multilateral funding									
Term loans - amortising	**1 924 932**	**(6 761)**	**-**	**(143 806)**	**10 420**	**-**	**-6 510**	**1 778 275**	**1 987 941**
10 year term loan - KFW	839 866	6 487		(52 897)	215		(6 510)	787 161	884 733
12 year term loan - EIB	-	-						-	
15 year term loan - AFDB	689 866	(8 048)		(90 909)	4 521			595 430	646 880
25 year term loan - World Bank	395 200	(5 200)			5 684			395 684	456 328
Total development and multilateral funding	**1 924 932**	**(6 761)**	**-**	**(143 806)**	**10 420**	**-**	**(6 510)**	**1 778 275**	**1 987 941**
Disaster relief funding									
Drought relief	**287 426**	**253**	**-**	**-**	**10 345**	**-**	**-3 039**	**294 985**	**272 279**
10 year amortising term loan with IDC	287 426	253			10 345		(3 039)	294 985	272 279
Total disaster relief	**287 426**	**253**	**-**	**-**	**10 345**	**-**	**(3 039)**	**294 985**	**272 279**
Total funding liabilities	**41 283 820**	**609 394**	**179 163**	**(1 104 718)**	**664 170**	**(198 206)**	**(386 569)**	**41 047 054**	**40 873 017**

Mar-20		Non-cash	Cash		Non-cash	Cash			
Group and Bank	Opening balance R'000	Re-alignment of amortised cost [1] R'000	New issues/ utilisation R'000	Repayment/ settlements R'000	Accrued interest R'000	Discount/ premium R'000	Prepaid arranging fees R'000	Closing balance R'000	Fair value R'000
Commercial funding									
Commercial paper	**19 263 234**	**595 579**	**24 140 736**	**(28 812 030)**	**477**	**(443 786)**	**-**	**14 744 210**	**14 767 705**
Bills	1 312 397	264 974	840 000	(990 000)	-	(183 809)	-	1 243 562	1 278 221
Call bonds	149 888	(888)	-	(112 920)	167	-	-	36 247	36 240
Floating rate notes - 1 year	2 017 794	(20 794)	1 582 400	(1 964 092)	-	(4 693)	-	1 610 615	1 611 260
Floating rate notes - 2 to 5 years	2 690 830	(22 830)	283 500	(2 353 202)	-	(5 629)	-	592 669	624 684
Promissory notes	13 092 325	375 117	21 434 836	(23 391 816)	310	(249 655)	-	11 261 117	11 217 300
Deposits	**695 684**	**-**	**81 906**	**(1 452)**	**-**	**-**	**-**	**776 138**	**776 138**
Agri-related business deposits	232 097	-	81 127	-	-	-	-	313 224	313 224
Forced stock sale deposits	463 543	-	-	(1 452)	-	-	-	462 091	462 091
Small institutional deposits	44	-	4	-	-	-	-	48	48
Rent deposits	-	-	775	-	-	-	-	775	775
Facilities	**4 310**	**(4 309)**	**1 651 966**	**-**	**10 932**	**-**	**(3 587)**	**1 659 311**	**1 650 000**
Committed	2 879	(2 879)	1 651 966	-	10 932	-	(3 587)	1 659 311	1 650 000
Uncommitted	1 430	(1 430)	-	-	-	-	-	-	-

[1] Realignment of amortised cost includes reversals of prior year, year end accruals in relation to accrued interest, premium/discounts and prepaid arranging fees.

Mar-20		Non-cash	Cash		Non-cash	Cash			
	Opening balance	Re-alignment of amortised cost [1]	New issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value
Group and Bank	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
DMTN issuances	**13 457 367**	**(202 567)**	**4 528 252**	**(1 727 800)**	**194 086**	**-**	**(1 840)**	**16 247 498**	**16 191 513**
Floating rate notes	9 330 925	(65 125)	4 528 252	(1 037 800)	68 425	-	(1 745)	12 822 932	12 876 629
- LBK08	329 916	(4 916)	-	(325 000)	-	-	-	-	-
- LBK15	1 403 894	(28 894)	-	-	29 165	-	(331)	1 403 834	1 411 185
- LBK16	191 291	(1 491)	-	(189 800)	-	-	-	-	-
- LBK17	524 127	(1 127)	-	(523 000)	-	-	-	-	-
- LBK18	734 632	(1 632)	-	-	1 523	-	(250)	734 273	752 407
- LBK22	571 791	(3 791)	-	-	3 511	-	-	571 511	571 274
- LBK23	615 242	(4 242)	-	-	3 951	-	(4)	614 947	622 135
- LBK26	245 406	(406)	-	-	427	-	(59)	245 368	245 623
- LBK27	2 023 564	(3 564)	-	-	3 848	-	(25)	2 023 823	2 056 341
- LBK30	306 830	(830)	-	-	695	-	(14)	306 681	305 932
- LBK31	922 670	(2 670)	-	-	2 271	-	(64)	922 207	924 833
- LBK32	506 429	(6 429)	-	-	5 937	-	(36)	505 901	500 497
- LBK33	504 513	(4 513)	250 000	-	4 100	-	(87)	754 013	755 535
- LBK35	450 621	(621)	550 000	-	1 234	-	(137)	1 001 097	1 002 003
- LBK36	-	-	200 000	-	261	-	(11)	200 250	199 995
- LBK37	-	-	800 000	-	1 150	-	(156)	800 994	799 980
- LBK38	-	-	513 252	-	4 924	-	(137)	518 039	513 888
- LBK39U	-	-	980 000	-	1 830	-	(195)	981 635	980 000
- LBK40U	-	-	420 000	-	753	-	(83)	420 670	420 000
- LBK41U	-	-	815 000	-	2 845	-	(156)	817 689	815 000
Fixed rate notes	4 126 442	(137 442)	-	(690 000)	125 661	-	(95)	3 424 566	3 314 885
- LBK11	506 014	(16 014)	-	(490 000)	-	-	-	-	-
- LBK12U	201 862	(1 862)	-	(200 000)	-	-	-	-	-
- LBK20	819 850	(24 850)	-	-	25 327	-	(22)	820 305	826 493
- LBK24	844 189	(39 189)	-	-	39 488	-	-	844 488	856 740
- LBK28	956 900	(31 900)	-	-	36 949	-	(24)	961 925	828 432
- LBK29	797 627	(23 627)	-	-	23 897	-	(49)	797 848	803 219

Mar-20	Non-cash	Cash		Non-cash	Cash				
	Opening balance	Re-alignment of amortised cost [1]	New issues/ utilisation	Repayment/ settlements	Accrued interest	Discount/ premium	Prepaid arranging fees	Closing balance	Fair value
Group and Bank	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Term loans - amortising	**3 742 550**	**442 572**	**-**	**(166 667)**	**11 717**	**-**	**(398 339)**	**3 631 833**	**4 438 956**
5 year syndicated loan	166 792	(125)	-	(166 667)	-	-	-	-	-
7 year syndicated loan (Government guaranteed)	(5 191)	5 191	-	-	-	-	(3 778)	(3 778)	-
10 year syndicated loan (MIGA supported)	3 580 950	437 505	-	-	11 717		(394 561)	3 635 611	4 438 956
Term loans - bullet term	**995 613**	**4 387**	**-**	**-**	**4 361**	**-**	**(5 861)**	**998 500**	**1 030 894**
3 year syndicated loans	1 000 816	(816)	-	-	4 361	-	(2 607)	1 001 754	1 030 894
6 year syndicated loan (Government guaranteed) [2]	(5 203)	5 203	-	-	-	-	(3 254)	(3 254)	-
Step rate notes									
Step rate notes	**4 014 047**	**(53 047)**		**(2 961 000)**	**13 972**			**1 013 972**	**1 056 975**
Total commercial funding	**42 172 805**	**782 615**	**30 402 860**	**(33 668 949)**	**235 545**	**(443 786)**	**(409 627)**	**39 071 462**	**39 912 181**
Development and multilateral funding									
Term loans - amortising	**1 766 618**	**(4 641)**	**300 000**	**(143 806)**	**13 706**	**-**	**(6 945)**	**1 924 932**	**2 117 322**
10 year term loan - KFW	891 922	7 328	-	(52 897)	458	-	(6 945)	839 866	949 670
12 year term loan - EIB	-	-	-			-	-	-	
15 year term loan - AfDB	782 682	(9 955)	-	(90 909)	8 048	-	-	689 866	708 071
25 year term loan - World Bank	92 015	(2 015)	300 000	-	5 200	-	-	395 200	459 581
Total development and multilateral funding	**1 766 618**	**(4 641)**	**300 000**	**(143 806)**	**13 706**	**-**	**(6 945)**	**1 924 932**	**2 117 322**
Disaster relief funding									
Drought relief									
10 year amortising term loan - IDC	318 496	135	-	(30 952)	3 021	-	(3 274)	287 426	274 225
Total disaster relief	**318 496**	**135**	**-**	**(30 952)**	**3 021**	**-**	**(3 274)**	**287 426**	**274 225**
Total funding liabilities	**44 257 919**	**778 109**	**30 702 860**	**(33 843 707)**	**252 272**	**(443 786)**	**(419 846)**	**41 283 820**	**42 303 728**

7. Significant events and transactions

The following significant events and transactions occurred since the end of March 2020 annual reporting period:

1. Work on the liability solution to take Land Bank out of the event of default is still in progress.
2. R3bn equity injection received from the shareholder during September 2020.
3. The Bank runs a hedging programme. During May 2020 one of the commercial banks cancelled a swap trading account that the Land Bank had with them citing the default status of the Bank. This reduced the hedged portfolio from R17 billion to R13 billion. Land Bank will resume with the hedging programme once the default position has been cured.
4. During the restructure of the Profert (Pty) Ltd loan, the Land Bank issued a USD13.9 million guarantee to an international bank who were the other significant creditor to Profert. The triggering clause in the agreement was that if Profert was liquidated or entered into business rescue, Land Bank will be liable for the debt. Profert entered into business rescue on the 17 March 2017.The counter party called on the guarantee issued by Land Bank in their favour during the workout and restructure of the Profert loan asset. The amount called upon is the interest and capital of USD 5.2 million accrued on the underlying debt. This amount was paid during November 2020.
5. Land Bank has taken a decision to insource management of the loan book from two SLA partners. This will result in a book totalling R17.8 billion being managed internally.
6. On the 18th of August 2020, Standard Chartered Bank ("SCB") served a court application on Land Bank to recover certain debt owing by the Bank. Land Bank worked with its advisers and opposed the application. On 2 December 2020 in the High Court of South Africa, Gauteng Division, Pretoria, the Honourable Justice Janse van Nieuwenhuizen, granted an order against the Land Bank, the salient terms of the judgment can be summarised as follows:
    a. Land Bank is required to make payment to SCB of the amount owing plus interest.
    b. However, this court order and such payment is suspended for 17 months, until 30 April 2022, unless certain designated milestones are not achieved, in which event the court order will become immediately enforceable.