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REPUBLIEK VAN SUID-AFRIKA

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GENERAL NOTICE
ALGEMENE KENNISGEWING

DEPARTMENT OF AGRICULTURE
DEPARTEMENT VAN LANDBOU

NOTICE 2826 OF 1998 • KENNISGEWING 2826 VAN 1998

LAND AND AGRICULTURAL BANK OF SOUTH AFRICA • LAND- EN LANDBOUBANK VAN SUID-AFRIKA

STATEMENT / STAAT 1

BALANCE SHEET AS AT 31 DECEMBER 1997
BALANSSTAAT SOOS OP 31 DESEMBER 1997

	Notes Aant.	1997 R'000	1996 R'000
Capital Employed/Kapitaal Aangewend			
Capital Fund/Kapitaalfonds	2	200 955	200 955
Reserves/Reserwes	3	1 769 534	1 672 224
Total equity interest/Totale ekwiteitsbelang		1 970 489	1 873 179
Debentures/Obligasies	4	2 862 268	2 168 075
Medium term promissory notes/Mediumtermynpromesses		978 223	300 051
Total capital employed/Totale kapitaal aangewend		5 810 980	4 341 305
Employment of Capital/Aanwending van Kapitaal			
Fixed assets/Vaste bates	5	107 909	99 113
Loans to farmers/Lenings aan boere	6	5 140 529	4 561 247
Loans to co-operatives/Lenings aan koöperasies	7	546 477	415 832
Loans to statutory agricultural institutions/ Lenings aan statutêre landbou-instellings	8	185 385	158 414
Investments/Beleggings	9	42 299	22 465

LAND AND AGRICULTURAL BANK OF SOUTH AFRICA • LAND- EN LANDBOUBANK VAN SUID-AFRIKA

STATEMENT/STAAT 1 (continue/vervolg)

	Notes Aant.	1997 R'000	1996 R'000
Current assets/Bedryfsbates			
Section 34 short term loans/ Artikel 34-korttermynlenings	6	527 654	392 597
Loans to co-operatives/Lenings aan koöperasies	7	4 391 357	5 426 421
Loans to control boards/Lenings aan beheerrade	10	160 065	202 928
Sundry debtors/Diverse debiteure	11	777 441	753 038
Other assets/Ander bates	12	15 893	20 406
Bank balance/Banksaldo		31 248	73 628
Grain silo loans to non co-operatives/ Graansilolenings aan nie-koöperatiewe liggame		42	80
Total current assets/Totale bedryfsbates		5 903 700	6 869 098
Current liabilities/Bedryfslaste			
Promissory notes/Promesses		1 280 594	2 628 556
Bills payable/Wissels betaalbaar		2 755 000	3 274 000
Call bonds/Aanvraageffekte		1 008 000	754 000
Deposits/Deposito's	13	630 052	898 037
Commercial banks/Handelsbanke		55 457	8 510
Sundry creditors/Diverse krediteure	14	112 801	119 230
Provisions/Voorsienings	15	273 373	102 451
Balance of funds received from the State for grain silo loans to non co-operatives/Saldo van fondse van die Staat ontvang vir graansilolenings aan nie-koöperatiewe liggame		42	80
Total current liabilities/Totale bedryfslaste		6 115 319	7 784 864
Net current assets (current liabilities)/ Netto bedryfsbates (bedryfslaste)		(211 619)	(915 766)
		5 810 980	4 341 305

Pretoria, 09/03/1998.

DR. H.M. DOLNY,
Managing Director and Chairman of the Board.
Besturende Direkteur en Voorsitter van die Raad.

S. VAN. SCHALKWYK,
Chief Accountant.
Hoofrekenmeester.

LAND AND AGRICULTURAL BANK OF SOUTH AFRICA • LAND- EN LANDBOUBANK VAN SUID-AFRIKA

STATEMENT / STAAT 2

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997
INKOMSTESTAAT VIR DIE JAAR GEëINDIG 31 DESEMBER 1997

	Notes Aant.	1997 R'000	1996 R'000
Income/Inkomste			
Interest received/Rente ontvang		1 965 798	1 732 615
Sundry income/Diverse inkomste	16	71 376	4 557
Total income/Totale inkomste		2 037 174	1 737 172
Expenditure/Uitgawes			
Interest paid/Rente betaal		1 576 601	1 394 609
Administration cost/Administrasiekoste	17	177 033	148 085
Permanent diminution in value of a Land Bank building/ Permanente vermindering in waarde van 'n Landbankgebou		2 300	-
Provisions/Voorsienings	18 & 19	179 663	41 339
Depreciation/Waardevermindering		4 267	2 766
Total expenditure/Totale uitgawes		1 939 864	1 586 799
Surplus before transfers to reserves/ Surplus voor oorplasings na reserwes		97 310	150 373
Surplus transferred to reserves/ Surplus oorgedra na reserwes	20	97 310	150 373
Unappropriated surplus at the end of the year/ Onaangewende surplus aan die einde van die jaar			

LAND AND AGRICULTURAL BANK OF SOUTH AFRICA • LAND- EN LANDBOUBANK VAN SUID-AFRIKA

STATEMENT / STAAT 3

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997
KONTANTVLOEISTAAT VIR DIE JAAR GEëINDIG 31 DESEMBER 1997

	Notes Aant.	1997 R'000	1996 R'000
Cash retained from (utilised in) operations/ ***Kontant teruggehou uit (aangewend in) bedrywighede***		228 272	40 106
Cash produced by operations/ - Kontant deur bedrywighede voortgebring	21.1	103 503	152 036
Generated by increase (reduction) in working capital/Voortgebring deur 'n toename (vermindering) in bedryfskapitaal	21.2	124 769	(111 930)
Cash employed in investment operations/ Kontant aangewend in beleggingsaktiwiteite		(14 989)	(33 431)
Proceeds on disposal of fixed assets/ Opbrengs met verkoop van vaste bates	21.3	1 075	2 312
Additions to fixed assets/Toevoegings tot vaste bates	21.4	(16 064)	(35 743)
		213 283	6 675
Cash effect of financing operations/ ***Kontantgevolge van finansieringsaktiwiteite***			
(Decrease) Increase in loans/ (Afname) Toename in lenings	21.5	(205 972)	1 568 917
Decrease (Increase) in financing/ Afname (Toename) in finansiering	21.6	419 255	(1 565 242)
(Increase) Decrease in reserves/ (Toename) Afname in reserwes	21.7	-	3 000
		213 283	6 675

SCHEDULE/BYLAE A

NOTES TO THE FINANCIAL STATEMENTS o AANTEKENINGE BY DIE FINANSIëLE STATE

1. **Accounting policies**

The financial statements are prepared on a historical cost basis, adjusted for the revaluation of land and buildings. The most important policy directives which are set out below, are consistent with those of the previous years, except where otherwise disclosed.

1.1. ***Fixed assets***

Bank premises are independently valued every 5 years on the basis of open market value with current use. Unrealised revaluation surpluses and deficits are transferred to a Revaluation of assets reserve. Furniture, office and computer equipment as well as vehicles are included at historical cost. Other than bank premises, on which depreciation is not provided, depreciation is calculated to write off the cost of fixed assets on the straight line basis over their expected useful lives (varying from 3 to 25 years).

1.2. ***Farm property bought in and resold in terms of section 72 of the Land Bank Act, 1944 (Act No. 13 of 1944)***

These properties are disclosed at the amount of the outstanding debt on date of purchase of the underlying property. In view of the adverse agricultural conditions the past number of years, it was decided to make provision for irrecoverable debt against which realised shortfalls can be written off. All surpluses and shortfalls on the resale of property bought in as well as shortfalls recovered are accounted for against the provision for irrecoverable debt. In accordance with generally accepted accounting practice only realised surpluses are accounted for. The provision is accounted for against the asset in note 12. Also refer note 19.1.

1.3. ***Land Bank Debentures***

Primary issues

Land Bank Debentures are stated at cost. Discounts and premiums arising on the issue of debentures are amortised over the period of the debenture, using the yield-to-maturity basis.

1.4. ***Hedging***

Investments held in other stock for hedging purposes are stated at cost which is treated on the same basis as the hedged liability. Discounts and premiums are amortised over the life time of the stock using the yield-to-maturity method. Profits and losses are recognised on realisation and together with interest received, discounts and premiums amortised, disclosed as interest received.

1. **Rekeningkundige beleid**

Die finansiële state word opgestel op 'n historiese koste grondslag, aangepas vir herwaardasie van grond en geboue. Die belangrikste rekeningkundige beleid wat hieronder uiteengesit word, is in ooreenstemming met dié van vorige jare toegepas, behalwe waar anders geopenbaar.

1.1. ***Vaste bates***

Bankeiendomme word elke 5 jaar onafhanklik gewaardeer teen opemarkwaarde met huidige gebruik as grondslag. Ongerealiseerde surplusse en tekorte met herwaardasie word oorgedra na 'n Herwaardasie van bates reserwe. Meubels, kantoor- en rekenaartoerusting asook voertuie word teen historiese koste ingesluit. Behalwe vir bankeiendomme, waarop geen waardevermindering bereken word nie, word waardevermindering bereken om die kosprys van vaste bates op die reguitlyngrondslag oor hulle verwagte nutsduur (wat wissel van 3 tot 25 jaar) af te skryf.

1.2. ***Plaaseiendom ingekoop en herverkoop kragtens artikel 72 van die Landbankwet, 1944 (Wet No. 13 van 1944)***

Hierdie eiendomme word openbaar teen die bedrag van die uitstaande skuld op die datum van die inkoop van die onderliggende eiendom. In die lig van die ongunstige landboutoestande die afgelope aantal jare is daar besluit om 'n voorsiening vir oninvorderbare skuld te skep waarteen gerealiseerde tekorte afgeskryf kan word. Alle surplusse en tekorte by die herverkoop van ingekoopte eiendom asook tekorte verhaal, word teen die voorsiening vir oninvorderbare skuld verreken. In ooreenstemming met algemeen aanvaarde rekeningkundige praktyk word slegs gerealiseerde surplusse teboekgestel. Die voorsiening word teen die bate in aantekening 12 verreken. Verwys ook aantekening 19.1.

1.3. ***Landbankobligasies***

Primêre uitgifte

Landbankobligasies word teen kosprys getoon. Die diskonto's en premies wat ontstaan met die uitreiking van obligasies word volgens die opbrengs-tot-verval metode oor die lewensduur van die obligasie geamortiseer.

1.4. ***Verskansing***

Beleggings in ander effekte gehou vir verskansingsdoeleindes word getoon teen kosprys, wat in ooreenstemming met die hantering van die verskansde verpligting is. Diskonto's en premies word volgens die opbrengs-tot-verval metode oor die lewensduur van die effekte geamortiseer. Winste en verliese word erken met realisasie en word tesame met rente ontvang, diskonto's en geamortiseerde premies openbaar as rente ontvang.

SCHEDULE/BYLAE A (continued/vervolg)

1.5. ***Secondary market transactions***
Land Bank Debentures and other institutional stock

Debentures and other institutional stock repurchased are valued at market value as at 31 December. Profits and losses are accounted for on revaluation. Any surpluses as well as shortfalls arising from market making activities are set off against interest paid.

1.6. ***Derivative instruments***

Premiums received or paid in respect of derivatives earmarked for funding and hedging, are being amortised over the life time of the derivatives. Profits and losses on these derivatives are deferred and recognised on the same basis as the underlying asset or liability. Derivative instruments held for trading purposes are stated at market value while profits and losses are included in interest paid.

1.7. ***Risk Management***

1.7.1. ***Credit Risk***

The role of risk management is to formulate core credit policies and procedures, develop a sound and effective risk management architecture and provide an independent review of all major credit and price risks.

Portfolio management, line management accountability, credit authority and check and balances constitute the fundamental credit principles that underlie the Bank's risk management policies.

The Bank's Financial & Economic Committee as well as the Board receive regular reports on portfolio indicators and details of significant or unusual risks.

Credit risk arises from the extension of credit to a diverse customer base where the risk exists that loan obligations will not be repaid on time and in full as expected or contracted resulting in a financial loss.

1.5. ***Sekondêremarktransaksies***
Landbankobligasies en ander institusionele effekte

Teruggekoopte obligasies en ander institusionele effekte word soos op 31 Desember teen markwaarde waardeer. Winste en verliese word teboekgestel met herwaardering. Enige surplusse asook tekorte voortspruitend uit markmaakaktiwiteite word verreken teen rente betaal.

1.6. ***Afgeleide finansiële instrumente***

Premies ontvang of betaal ten opsigte van afgeleide instrumente wat aan befondsing en verskansing toegewys is, word oor die leeftyd van die instrumente geamortiseer. Winste en verliese op hierdie instrumente word uitgestel en verantwoord op dieselfde basis as die onderliggende bate of verpligting. Afgeleide finansiële instrumente, gehou vir handelsdoeleindes, word getoon teen markwaarde en die gevolglike winste en verliese word by rente betaal ingesluit.

1.7. ***Risikobestuur***

1.7.1. ***Kredietrisiko***

Dit is die funksie van risikobestuur om basiese riglyne en prosedures neer te lê, om 'n gesonde en effektiewe risikobestuursfunksie daar te stel en om 'n onafhanklike oorsig te lewer van alle belangrike krediet- en prysrisiko's.

Die grondbeginsels waarvolgens die Bank se risikobestuursbeleid toegepas word, bestaan uit portefeuljebestuur, lynfunksie se rekenpligtigheid, kredietbeheer en wigte en teenwigte.

Die Bank se Finansiële- en Ekonomiese Komitee sowel as die Raad word op 'n gereelde basis deur middel van portefeuljeverslae voorsien van portefeulje-aanwysers en besonderhede van wesenlike of buitengewone risiko's.

Kredietrisiko's ontstaan uit die toestaan van krediet aan 'n wye kliëntebasis waar die moontlikheid bestaan dat leningsverpligtinge nie na verwagting of volgens ooreenkoms, tydig en ten volle nagekom kan word nie en dus finansiële verlies tot gevolg kan hê.

1.7.2. ***Liquidity and Interest Rate Risk***

To address liquidity and interest rate risks, the Bank to a large extent uses its reserve funds, capital fund, funds obtained by issuing debentures and medium term promissory notes and, to a lesser extent, the hard core of deposits, to fund its long and medium term loan portfolio. With due consideration of interest rate viewpoints, limited use is made from time to time of short term funds as a bridging measure for this purpose. For the funding of short term loans, use is made solely of short term funds.

1.7.3. ***Counterparty Risk***

The Land Bank deals only with financially sound and well-managed couterparties and also makes use of the services of rating agencies to inform it regarding the couterparties concerned.

1.8. ***Interest***

Accrued interest payable to and by the Bank are reflected in the financial statements. Interest pre-paid on bills and promissory notes as at 31 December is deducted from interest paid, while interest received in advance is set off against interest received.

1.9. ***Post Retirement Benefits***

1.9.1. *Contributions to Medical Aid Fund*

It is the Bank's current policy to pay the medical fund subscription fees in full on behalf of all pensioners.

Since this policy creates a contingent liability in respect of expired service, it was decided to fund the actuarially calculated accrued commitment over a period of time. The commitment is revised on an annual basis.

The following valuation assumptions are applicable:

- The accrued commitment is calculated by discounting the projected contributions at a rate of 15 % per annum.
- Contributions will increase by 12,5 % per annum which will result in a net yield rate of 2,22 % per annum.

A portion of the amount already provided for is currently invested in a separate fund.

Also refer to note 3.

1.7.2. ***Likiditeits- en Rentekoersrisiko***

Ten einde die likiditeits- en rentekoersrisiko aan te spreek, maak die Bank oorwegend van sy reserwefondse, kapitaalfonds, fondse verkry deur die uitreiking van obligasies en mediumtermynpromesses, en in 'n mindere mate van die hardekern van deposito's gebruik om sy lang- en middeltermynleningsportefeulje te befonds. Met inagneming van rentekoersienings word op 'n beperkte skaal van tyd tot tyd van korttermynfondse as oorbruggingsmaatreël vir hierdie doel gebruik gemaak. Vir die finansiering van korttermynlenings word uitsluitlik van korttermynfondse gebruik gemaak.

1.7.3. ***Teenpartyrisiko***

Die Landbank handel slegs met finansieel gesonde en goed bestuurde teenpartye en maak ook van die dienste van graderingsfirmas gebruik om die Bank in te lig oor die teenpartye.

1.8. ***Rente***

Opgelope rente betaalbaar aan en deur die Bank, word in die finansiële state gereflekteer. Rente vooruitbetaal op wissels en promesses soos op 31 Desember word afgetrek van rente betaal, terwyl rente vooruitontvang teen rente ontvang verreken word.

1.9. ***Na-Aftredevoordele***

1.9.1. *Bydraes tot Mediesefonds*

Dit is die Bank se huidige beleid om die volle mediesefondsbydraes ten opsigte van alle pensioenarisse te betaal.

Aangesien hierdie beleid 'n voorwaardelike verpligting ten opsigte van verstreke diens tot gevolg het, is daar besluit om die aktuarieel berekende verpligting oor 'n tydperk te befonds. Die verpligting word op 'n jaarlikse basis hersien.

Die volgende waarderingsaannames is van toepassing:

- Die opgelope verpligting is bereken deur die geprojekteerde bydraes teen 'n koers van 15 % per jaar te verdiskonteer.
- Bydraes sal teen 12,5 % per jaar styg, wat 'n netto opbrengskoers van 2,22 % per jaar impliseer.

'n Gedeelte van die bedrag wat reeds voorsien is, is tans in 'n afsonderlike fonds belê.

Verwys ook na aantekening 3.

SCHEDULE/BYLAE A (continued/vervolg)

1.9.2. ***Land Bank Retirement Fund***

The Land Bank Retirement Fund which functions as a defined contribution fund, 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. Membership of the Fund is compulsory for all permanent staff members. Statutory actuarial valuations of the Fund's commitments are conducted on a triennial basis whilst interim valuations are carried out in other years. According to the valuation as at 31 December 1996 the fund was in a healthy financial position in that its assets were sufficient to meet its liabilities in respect of members' shares and pensioners. The fund does however not have sufficient assets to establish a satisfactory Investment Reserve and therefore members and pensioners are vulnerable to fluctuations in market values. The actuarially calculated current value in respect of future benefits amounted to R 30,5 million on 31 December 1996. On 31 December 1997, 1 294 employees were members of the Land Bank Retirement Fund.

The most important valuation assumptions can be summarised as follows:

Active members:
- SA 56 - 62 mortality rates.
- Morbidity rate at a particular age will be equal to 33,3 % of the mortality rate applicable at the same age.

Pensioners:
- Pensions payable were valued at a 6 % interest rate.
- Regarding mortality, the unisex table, derived from a(55) male and a(55) female tables, was employed with a weighting of 67 % a(55) male and 33 % a(55) female rates.

Although the Bank is responsible for the administration of the retirement fund, it operates as a separate entity with its own financial statements.

1.10. ***General Reserve***

In terms of section 67 (1) of the Land Bank Act, 1944 (Act No. 13 of 1944) the surplus, after transfers to specific reserves, is credited to the General Reserve.

1.9.2. ***Landbankaftreefonds***

Die Landbankaftreefonds wat op 'n gedefinieerde bydrae grondslag funksioneer en wat onderworpe is aan die bepalings van die Wet op Pensioenfondse, 1956 (Wet No. 24 van 1956), het op 1 November 1994 in werking getree. Lidmaatskap van die Fonds is verpligtend vir alle permanente lede van die personeel. Statutêre aktuariële waarderings van die Fonds se verpligtinge word op 'n drie-jaarlikse basis gedoen, terwyl interim waarderings in ander jare uitgevoer word. Volgens die waardering wat soos op 31 Desember 1996 gedoen is, was die fonds in 'n gesonde finansiële toestand deurdat die bates voldoende was om die verpligtinge ten opsigte van ledebelange en pensioenarisse te dek. Die fonds beskik egter nie oor voldoende bates om 'n bevredigende Beleggingsreserwe daar te stel nie, met die gevolg dat lede en pensioenarisse blootgestel is aan bewegings in markwaardes. Die aktuarieel berekende huidige waarde met betrekking tot toekomstige voordele het op 31 Desember 1996, R 30,5 miljoen beloop. Op 31 Desember 1997 was 1 294 werknemers lede van die Landbankaftreefonds.

Die belangrikste waarderingsaannames kan soos volg opgesom word:

Aktiewe lede:
- SA 56 - 62 mortaliteitstabel.
- Siektetoestandstabel op 'n bepaalde ouderdom is gelyk aan 33,3 % van die mortaliteitstabel wat op dieselfde ouderdom van toepassing is.

Pensioenarisse:
- Pensioene wat reeds betaalbaar is, word gewaardeer teen 'n 6 % rentekoers.
- Met betrekking tot mortaliteit, word daar gebruik gemaak van die unisex tabel wat afgelei is van die a(55) manlik en a(55) vroulike tabelle met 'n gewig van 67 % a(55) manlik en 33 % a(55) vroulik.

Alhoewel die Bank vir die administrasie van die aftreefonds verantwoordelik is, funksioneer dit as 'n afsonderlike entiteit met sy eie finansiële state.

1.10. ***Algemene Reserwe***

Kragtens artikel 67 (1) van die Landbankwet, 1944 (Wet No. 13 van 1944) word die surplus, ná oorplasings na spesifieke reserwes, na die Algemene Reserwe gekrediteer.

SCHEDULE/BYLAE A (continued/vervolg)

2. **Capital Fund**

The capital fund consists of appropriations by the State to the Land Bank from 1936 up to 1979 when they were discontinued. Interest thereon, at rates which vary between 3,5 % and 4,75 % per annum, is payable half yearly on 31 March and 30 September.

2. **Kapitaalfonds**

Die kapitaalfonds bestaan uit bewilligings deur die Staat aan die Landbank van 1936 tot 1979 toe dit gestaak is. Rente daarop, teen koerse wat wissel tussen 3,5 % en 4,75 % per jaar, is halfjaarliks op 31 Maart en 30 September betaalbaar.

	1997 R'000	1996 R'000
3. Reserves o Reserwes		
3.1. *Distributable o Verdeelbaar*		
General Reserve/ Algemene Reserwe	1 628 742	1 524 932
Interest Equalisation Fund/ Rentegelykstellingsfonds	100 000	100 000
Building Reserve/Geboueresenwe	18 000	19 500
Retirement Fund Stabilisation Fund/ Aftreefonds-stabilisasiefonds	–	5 000
	1 746 742	1 649 432
3.2. *Not Distributable o Nie-verdeelbaar*		
Revaluation of assets/Herwaardasie van bates	22 792	22 792
	1 769 534	1 672 224

Interest Equalisation Fund

During a period of declining interest rates the Bank's long term funding costs may exceed interest earnings on mortgage debt. The fund can then be utilised to replenish the deficit.

Rentegelykstellingsfonds

Gedurende 'n termyn van dalende rentekoerse kan die koste van die Bank se langtermynfondse die rente-inkomste op verbandskuld oorskry. Die fonds kan dan aangewend word om tekorte aan te vul.

Building Reserve

This reserve serves as a provision for future capital expenditure regarding existing and new Bank premises.

Geboueresenwe

Hierdie reserwe dien as voorsiening vir toekomstige kapitale uitgawes ten opsigte van bestaande en nuwe Bankeiendomme.

Retirement Fund Stabilisation Fund

Due to the fact that the Land Bank is the only participating employer to the Land Bank Retirement Fund, this reserve was established to provide for possible future shortages.

Aftreefonds-stabilisasiefonds

Voortspruitend uit die feit dat die Landbank die enigste deelnemende werkgewer tot die Landbankaftreefonds is, is hierdie reserwe geskep om voorsiening te maak vir moontlike toekomstige tekorte.

SCHEDULE/BYLAE A (continued/vervolg)

	1997 R'000	1996 R'000
4. Debentures o Obligasies		
Funding portfolio (capital)/ Befondsingsportefeulje (kapitaal)	2 886 172	2 287 493
Discount/Diskonto	179 302	148 512
Funding portfolio at cost/ Befondsingsportefeulje teen kosprys	3 065 474	2 436 005
Hedging portfolio at cost/ Verskansingsportefeulje teen kosprys	(268 285)	(157 951)
Hedging portfolio (capital)/ Verskansingsportefeulje (kapitaal) (**Nominal value**/Nominale waarde 1997 - R 288 000 000; 1996 - R 186 000 000)	264 719	156 244
Discount/Diskonto	3 566	1 707
	2 797 189	2 278 054
Options/Opsies	2 158	226
	2 799 347	2 278 280
Market making portfolio (Net at market value)/ Markmaakportefeulje (Netto teen markwaarde)	62 921	(110 205)
	2 862 268	2 168 075

5. **Fixed assets o Vaste bates**

5.1. ***Bank premises o Bankeiendomme***

	1997 R'000	1996 R'000
Valuation o *Waardasie*	84 948	72 771
Carrying value (opening balance)/ Drawaarde (beginsaldo)	72 771	59 184
Purchases/Aankope	41	3 800
Building projects completed/ Bouprojekte afgehandel	14 966	10 912
Disposals/Verkope	(530)	(1 125)
Written off/Afskrywing	(2 300)	-
Carrying value (closing balance)/ Drawaarde (eindsaldo)	84 948	72 771

Bank premises were independently valued during December 1994 by Landdata Valuations (Pty) Limited, members of the South African Institute of Valuers, at open market value with current use as basis. This valuation was increased in the interim by additions to establish the value at 31 December 1997./Bankeiendomme is onafhanklik deur Landdata Waarderings (Edms.) Beperk, lede van die Suid-Afrikaanse Instituut van Waardeerders, gedurende Desember 1994 waardeer teen opemarkwaarde met huidige gebruik as grondslag. Hierdie waardasie is met die tussentydse toevoegings verhoog om 'n waarde op 31 Desember 1997 te bepaal.

The carrying value of one of the Bank's buildings was written down by R 2,3 million as a result of a permanent diminution in value./Die drawaarde van een van die Bank se geboue is met R 2,3 miljoen verlaag as gevolg van 'n permanente vermindering in waarde.

Carried forward/Oorgedra	84 948	72 771

SCHEDULE/BYLAE A (continued/vervolg)

	1997 R'000	1996 R'000
Brought forward/Oorgebring	84 948	72 771
Full particulars in respect of each property as well as the relevant deed of transfer are kept at the Bank's head office./Volledige besonderhede met betrekking tot elke eiendom asook die betrokke akte van transport word by die Bank se hoofkantoor gehou.		
Capital projects/Kapitaalprojekte		
Building projects in progress/ Onvoltooide bouprojekte	8 595	15 343
	93 543	88 114
5.2. *Furniture and fittings* o *Meubels en toebehore*		
Carrying value (opening balance)/ Drawaarde (beginsaldo)	5 358	2 882
Purchases/Aankope	2 577	3 525
Disposals/Verkope	(22)	(14)
Depreciation/Waardevermindering	(1 573)	(1 035)
Carrying value (closing balance)/ Drawaarde (eindsaldo)	6 340	5 358
Cost price/Kosprys	11 899	9 372
Accumulated depreciation/Opgehoopte waardevermindering	(5 559)	(4 014)
Carrying value/Drawaarde	6 340	5 358
5.3. *Computer equipment* o *Rekenaartoerusting*		
Carrying value (opening balance)/ Drawaarde (beginsaldo)	1 714	940
Purchases/Aankope	2 731	1 621
Disposals/Verkope	(1)	(34)
Depreciation/Waardevermindering	(1 347)	(813)
Carrying value (closing balance)/ Drawaarde (eindsaldo)	3 097	1 714
Cost price/Kosprys	7 123	4 418
Accumulated depreciation/Opgehoopte waardevermindering	(4 026)	(2 704)
Carrying value/Drawaarde	3 097	1 714
5.4. *Motor vehicles* o *Motorvoertuie*		
Carrying value (opening balance)/ Drawaarde (beginsaldo)	3 927	2 103
Purchases/Aankope	2 497	2 777
Disposals/Verkope	(148)	(581)
Depreciation/Waardevermindering	(1 347)	(372)
Carrying value (closing balance)/ Drawaarde (eindsaldo)	4 929	3 927
Cost price/Kosprys	8 084	6 031
Accumulated depreciation/Opgehoopte waardevermindering	(3 155)	(2 104)
Carrying value/Drawaarde	4 929	3 927
Total/Totaal	107 909	99 113

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
6.	**Loans to farmers ○ Lenings aan boere**		
	Long term mortgage loans/Langtermynverbandlenings	4 144 405	3 816 207
	Long term charge loans/Langtermynlaslenings	319	377
	Section 34 medium term loans/ Artikel 34-middeltermynlenings	995 805	744 663
		5 140 529	4 561 247
	Section 34 short term loans/ Artikel 34-korttermynlenings	527 654	392 597
		5 668 183	4 953 844
7.	**Loans to co-operatives ○ Lenings aan koöperasies**		
	Long term mortgage loans/Langtermynverbandlenings	546 477	415 832
	Short term cash credits/Korttermynkaskrediete	4 391 357	5 426 421
		4 937 834	5 842 253
8.	**Loans to statutory agricultural institutions ○ Lenings aan statutêre landbou-instellings**		
	Long term mortgage loans/Langtermynverbandlenings	185 385	158 414
		185 385	158 414

9. **Investments**

The amounts transferred to the Medical Fund Provision since 31 December 1995, were entrusted to a portfolio manager. The net yield on the investment for the past year was credited to the Provision account and does therefore not form part of the Bank's income. The investment is stated at market value and does not include any unlisted shares.

9. **Beleggings**

Die bedrae wat sedert 31 Desember 1995 na die Mediesefondsvoorsiening oorgeplaas is, is vir beleggingsdoeleindes aan 'n portefeuljebestuurder toevertrou. Die netto opbrengs op die belegging vir die afgelope jaar is aan die Voorsieningsrekening gekrediteer en word dus nie as inkomste vir die Bank beskou nie. Die belegging word teen markwaarde getoon en sluit geen ongenoteerde aandele in nie.

	1997 R'000	1996 R'000
Opening balance/Beginsaldo	22 435	20 000
Yield on investment/Opbrengs op belegging	2 534	2 435
Amount added/Bedrag bygevoeg	17 300	-
	42 269	22 435
* Shares in the South African Mortgage Insurance Company Limited (SAVVEM)/Aandele in die Suid-Afrikaanse Verbandversekeringsmaatskappy Beperk (SAVVEM) Directors valuation - 30 June 1997 - R 219 million (1996 - R 252 million)/Direkteurswaardasie - 30 Junie 1997 - R 219 miljoen (1996 - R 252 miljoen)	30	30
	42 299	22 465

* The Land Bank is the sole shareholder of this company which undertakes the insurance of Land Bank mortgage and charge loans to natural persons on a group basis. Although Land Bank guarantees the solvency of SAVVEM, the company's actuarial value of the surplus as at 30 June 1997 amounted to R 219 million (1996 - R 252 million). The financial statements of the said company are attached as an annexure to these statements as the Board is of the opinion that it would not be meaningful to consolidate the financial statements of two such different organisations.

* Die Landbank is die alleenaandeelhouer van hierdie maatskappy wat die versekering van Landbankverband- en laslenings aan natuurlike persone op 'n groepsbasis onderneem. Alhoewel Landbank die solvensie van SAVVEM waarborg, het die maatskappy se aktuariële waarde van die surplus soos op 30 Junie 1997, R 219 miljoen beloop (1996 - R 252 miljoen). Die finansiële state van die genoemde maat-skappy word as bylae tot hierdie state aangeheg aangesien die Raad van mening is dat dit nie sinvol sal wees om die finansiële state van twee sulke uiteenlopende organisasies te konsolideer nie.

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
10.	**Loans to control boards o Lenings aan beheerrade**		
	Short term cash credits/Korttermynkaskrediete	160 065	202 928
		160 065	202 928
11.	**Sundry debtors o Diverse debiteure**		
	SAVVEM/SAVVEM	64	-
	Arrear interest/Agterstallige rente	140 836	135 340
	Accrued interest (receivable)/ Opgelope rente (ontvangbaar)	552 379	484 943
	Interest pre-paid/Rente vooruitbetaal	42 410	85 401
	Sundries/Diverse	41 752	47 354
		777 441	753 038
12.	**Other assets o Ander bates**		
	Landed property account/Grondbesitrekening	19 497	25 477
	Properties sold - being transferred/ Eiendomme verkoop - word getransporteer	1 818	4 558
	Unsold properties on hand/ Onverkoopte eiendomme voorhande	17 679	20 919
	Less: Provision Irrecoverable debt/ *Min:* Voorsiening Oninvorderbare skuld (Refer note/Verwys aantekening 19.1)	(3 615)	(5 122)
		15 882	20 355
	Section 34 shortfalls/Artikel 34-tekorte	11	51
		15 893	20 406
13.	**Deposits o Deposito's**		
	Co-operatives/Koöperasies	45 305	84 313
	Control boards/Beheerrade	309 674	396 389
	South African Mortgage Insurance Company Limited, etc/ Suid-Afrikaanse Verbandversekeringsmaatskappy Beperk ens.	9 189	162 850
	Forced stock sales/Gedwonge veeverkope	226 787	214 339
	Retirement Fund/Aftreefonds	1 877	1 804
	Sundries/Diverse	37 220	38 342
		630 052	898 037
14.	**Sundry creditors o Diverse krediteure**		
	Accrued interest (loan funds)/ Opgelope rente (leenfondse)	46 274	45 327
	SAVVEM/SAVVEM	-	2 836
	Audit fees (provision)/Ouditgelde (voorsiening)	537	400
	Interest received in advance/Rente vooruitontvang	972	11 597
	Prepaid instalments/Vooruitbetaalde paaiemente	52 915	39 595
	Sundries/Diverse	12 103	19 475
		112 801	119 230
15.	**Provisions o Voorsienings**		
	Irrecoverable debt/Oninvorderbare skuld	123 385	34 878
	Accrued leave/Opgelope verlof	9 207	12 838
	Section 47 grants/Artikel 47-toekenings	7 121	5 000
	Upgrading of computer system/Opgradering van rekenaarstelsel	30 000	-
	Medical Fund/Mediesefonds	73 710	39 735
	Retrenchment packages/Afleggingspakkette	25 700	10 000
	Transformation/Transformasie	4 250	-
	(Refer note/Verwys aantekening 19)	273 373	102 451

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
16.	**Sundry income o Diverse inkomste**		
	Application and valuator's fees/ Aansoek- en waardeerdersgelde	789	610
	Bond fees/Verbandgelde	238	198
	Commission earned/Kommissie verdien	261	142
	Rent received/Huurgeld ontvang	648	727
	Unclaimed interest on debentures/ Onopgeëisde obligasierente	7 613	388
	Surplus on sale of fixed assets/ Surplus met verkoop van vaste bates	300	1 098
	SAVVEM administration fees/SAVVEM administrasiefooie	1 419	1 338
	Dividend from subsidiary/Dividend vanaf filiaal	60 000	-
	Sundries/Diverse	108	56
		71 376	4 557
17.	**Administration costs o Administrasiekoste**		
	Administration costs consists of the following/ Administrasiekoste bestaan uit die volgende:		
	Personnel costs/Personeeluitgawes	139 698	118 239
	Maintenance and transport/Onderhoud- en vervoer	4 564	3 935
	Operating lease expenses/Bedryfshuuruitgawes	795	849
	Repairs and maintenance/Onderhoud en instandhouding	9 418	9 586
	Professional fees/Professionele gelde	1 898	1 445
	Rates and taxes/Heffings en belastings	7 049	6 015
	Stationery/Skryfbehoeftes	1 708	1 365
	Postage, telephone, etc./Posgeld, telefoon, ens.	4 980	3 852
	Transformation expenditure/Transformasiekoste	4 000	-
	Audit fees (External)/Ouditgelde (Ekstern):		
	For audit/Vir oudit	513	370
	Expenses/Uitgawes	24	18
	Under provision prior year/Ondervoorsiening vorige jaar	114	-
	Audit fees (Internal)/Ouditgelde (Intern)	145	139
		174 906	145 813
	Other/ander	2 127	2 272
	Total administration costs/Totale administrasiekoste	177 033	148 085
18.	**Shortfalls written off o Tekorte afgeskryf**		
	Landed property account/Grondbesitrekening	3 086	5 194
	Section 34 loans/Artikel 34-lenings	2 206	1 861
	Personnel housing loans/Personeel behuisinglenings	18	-
		5 310	7 055
		(1 033)	(1 585)
	Surpluses realised/Surplusse gerealiseer	463	429
	Shortfalls recovered/Tekorte verhaal	457	868
	Sundries/Diverse	113	288
		4 277	5 470
	Set off against Provision Irrecoverable debt/ Verreken teen Voorsiening Oninvorderbare skuld	(4 277)	(5 470)
		-	-

(Refer note/Verwys aantekening 19.1)

SCHEDULE/BYLAE A (continued/vervolg)

	1997 R'000	1996 R'000

19. **Provisions o Voorsienings**

19.1. ***Irrecoverable debt o Oninvorderbare skuld***

	1997 R'000	1996 R'000
Opening balance/Aanvangssaldo	40 000	40 000
Net shortfalls written off/Netto tekorte afgeskryf	(4 277)	(5 470)
	35 723	34 530
Transfer from Income Statement/ Oordrag van Inkomstestaat	91 277	5 470
	127 000	40 000
Provision for shortfalls under Landed Property Account/ Voorsiening vir tekorte onder Grondbesitrekening	(3 615)	(5 122)
	123 385	34 878

(**Refer note**/Verwys aantekening 12)

The financial position of one of the Bank's major clients deteriorated during the past financial year to such an extent that the Bank will inevitably suffer a considerable loss as a result of irrecoverable debt. Apart from this it was also decided as a result of the restructuring of the agricultural economy, to revise the basis on which this provision is calculated, resulting in a total provision of R 127 million.

Die finansiële posisie van een van die Bank se groot kliënte het gedurende die afgelope finansiële jaar sodanig verswak dat die Bank noodwendig 'n aansienlike verlies sal lei as gevolg van oninvorderbare skuld. Afgesien hiervan is daar ook besluit om as gevolg van die herstrukturering van die landbou-ekonomie die basis waarop die voorsiening bereken word, te hersien, wat 'n totale voorsiening van R 127 miljoen tot gevolg gehad het.

19.2. ***Accrued leave o Opgelope verlof***

	1997 R'000	1996 R'000
Opening balance/Aanvangssaldo	12 838	10 683
Paid out/Uitbetaal	(5 626)	(2 480)
	7 212	8 203
Transfer from Income Statement/ Oordrag van Inkomstestaat	1 995	4 635
	9 207	12 838

19.3. ***Section 47 grants o Artikel 47-toekennings***

	1997 R'000	1996 R'000
Opening balance/Aanvangssaldo	5 000	5 000
Paid out/Uitbetaal	(2 879)	(3 934)
	2 121	1 066
Transfer from Income Statement/ Oordrag van Inkomstestaat	5 000	3 934
	7 121	5 000

19.4. ***Upgrading of Computer System o Opgradering van Rekenaarstelsel***

Due to the fact that the existing computer system does not support the core business processes which are still paper driven, it was decided to modernise the system.

Voortspruitend uit die feit dat die bestaande rekenaarstelsel nie die Bank se hoofbesigheid wat nog op 'n papierbasis bedryf word, ondersteun nie, is daar besluit om die stelsel te moderniseer.

	1997 R'000	1996 R'000
Total estimated cost/Totale geskatte uitgawe	30 000	-
Transfer from Income Statement/ Oordrag van Inkomstestaat	30 000	-
	-	-

SCHEDULE/BYLAE A (continued/vervolg)

	1997 R'000	1996 R'000

19.5. ***Transformation Costs* o *Transformasiekoste***

Although a major part of the Bank's transformation process has been completed, a fair amount of expenses will still have to be incurred.

Alhoewel 'n groot gedeelte van die Bank se transformasieproses reeds voltooi is, sal aansienlike uitgawes nog aangegaan moet word.

	1997 R'000	1996 R'000
Transfer from Income Statement/ Oordrag van Inkomstestaat	4 250	-

19.6. ***Medical Fund Provision* o *Mediesefondsvoorsiening***

	1997 R'000	1996 R'000
Actuarially calculated commitment/ Aktuarieelberekende verpligting	73 710	70 710
Previous provision/Vorige voorsiening	(37 300)	(20 000)
Cumulative yield on investment/ Kumulatiewe opbrengs op belegging	(4 969)	(2 435)
Transfer from Income Statement/ Oordrag van Inkomstestaat	(31 441)	(17 300)
Future contingent liability/ Toekomstige voorwaardelike verpligting	-	30 975

19.7. ***Retrenchment Packages***

It was decided during the previous financial year to make provision for a potential liability of R 25,7 million in respect of retrenchment packages and that it will be funded over a period of time. Provision has now been made for the full liability.

19.7. ***Afleggingspakkette***

Daar is gedurende die vorige finansiële jaar besluit om voorsiening te maak vir 'n moontlike verpligting van R 25,7 miljoen ten opsigte van afleggingspakkette en dat dit oor 'n tydperk befonds sal word. Daar word nou vir die volle verpligting voorsiening gemaak.

	1997 R'000	1996 R'000
Liability/Verpligting	25 700	25 700
Previous provision/Vorige voorsiening	(10 000)	-
	15 700	25 700
Transfer from Income Statement/ Oordrag van Inkomstestaat	(15 700)	(10 000)
	-	15 700
Total transfers to provisions/ Totale oordragte na voorsienings	179 663	41 339

(Refer note/Verwys aantekening 15)

20. **Transfers to (from) Reserves o Oordragte na (van) Reserwes**

	1997 R'000	1996 R'000
Building Reserve/Geboureserwe	(1 500)	(7 452)
Retirement Fund Stabilisation Fund/ Aftreefonds-stabilisasiefonds	(5 000)	5 000
General Reserve/Algemene Reserwe	103 810	152 825
	97 310	150 373
Transfer from Retirement Fund Stabilisation Fund/ Oordrag van Aftreefonds-stabilisasiefonds	-	(3 000)
Payment to Land Bank Retirement Fund/ Betaling aan Landbankaftreefonds	-	3 000
	97 310	150 373

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
21.	**Cash Flow Statement o Kontantvloeistaat**		
21.1.	***Cash produced by operations o*** ***Kontant deur bedrywighede voortgebring***		
	Income from operations/Bedryfsinkomste	97 310	150 373
	Adjustment for depreciation/ Aansuiwering vir waardevermindering	4 267	2 766
	Permanent diminution in value of a Land Bank building/ Permanente vermindering in waarde van 'n Landbankgebou	2 300	-
		103 877	153 139
	Net profit on disposal of fixed assets/ Netto wins met verkoop van vaste bates	(374)	(1 103)
		103 503	152 036
21.2.	***Generated by increase (reduction) in working capital o*** ***Voortgebring deur 'n toename (vermindering) in bedryfskapitaal***		
	Increase in other assets and investments/ Toename in ander bates en beleggings	15 321	16 559
	Increase in sundry debtors/ Toename in diverse debiteure	24 403	117 978
	Decrease in sundry creditors/ Afname in diverse krediteure	6 429	10 676
	Increase in provisions/ Toename in voorsienings	(170 922)	(33 283)
		(124 769)	111 930
21.3.	***Proceeds on disposal of fixed assets o*** ***Opbrengs met verkoop van vaste bates***		
	Carrying value of assets disposed of/ Drawaarde van bates verkoop	701	1 209
	Net profit on disposal/ Netto wins met verkoop	374	1 103
		1 075	2 312
21.4.	***Additions to fixed assets o Toevoegings tot vaste bates***		
	Bank premises/Bankeiendomme	15 007	14 712
	Building projects in progress/Onvoltooide projekte	(6 748)	13 107
	Furniture et cetera./Meubels ensovoorts	7 805	7 924
		16 064	35 743
21.5.	***(Decrease) Increase in loans o*** ***(Afname) Toename in lenings***		
	Increase in loans to farmers/ Toename in lenings aan boere	714 339	404 624
	(Decrease) Increase in loans to co-operatives/ (Afname) Toename in lenings aan koöperasies	(904 419)	1 128 637
	(Decrease) Increase in loans to control boards/ (Afname) Toename in lenings aan beheerrade	(42 863)	21 470
	Increase in loans to Statutory agricultural institutions/ Toename in lenings aan Statutêre landbou-instellings	26 971	14 186
		(205 972)	1 568 917

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
21.6.	***Decrease (Increase) in financing*** o ***Afname (Toename) in finansiering***		
	(Increase) Decrease in debentures/ (Toename) Afname in obligasies	(694 193)	751 394
	(Increase) Decrease in medium term promissory notes/ (Toename) Afname in mediumtermynpromesses	(678 172)	50 094
	Decrease (Increase) in promissory notes/ Afname (Toename) in promesses	1 347 962	(1 018 056)
	Decrease (Increase) in bills payable/ Afname (Toename) in wissels betaalbaar	519 000	(1 434 000)
	Increase in call bonds/ Toename in aanvraageffekte	(254 000)	(218 000)
	Decrease in deposits/Afname in deposito's	267 985	276 768
	(Increase) Decrease in bank balance/ (Toename) Afname in banksaldo	(89 327)	26 558
		419 255	(1 565 242)
21.7.	***(Increase) Decrease in reserves*** o ***(Toename) Afname in reserwes***		
	Transfer to Land Bank Retirement Fund/ Oordrag na Landbankaftreefonds	-	3 000
22.	**Commitments and contingent liabilities** o **Verpligtinge en voorwaardelike aanspreeklikhede**		
22.1.	***Loans granted but not yet paid out*** o ***Lenings toegestaan maar nog nie uitbetaal nie***		
	Individual farmers/Individuele boere	494 151	284 079
	Co-operatives/Koöperasies	264 948	238 086
	Staff housing/Personeelbehuising	-	1 449
		759 099	523 614
22.2.	***Guarantees in respect of co-operatives*** o ***Waarborge ten opsigte van koöperasies***	139 439	119 965
22.3	*Secondary market • Sekondêre mark*		
22.3.1.	***Debentures/Stock purchased*** o ***Obligasies/Effekte gekoop***		
	Land Bank Debentures/Landbankobligasies (**Nominal value**/Nominale waarde: 1997 - R 36 000 000; 1996 - R 105 000 000)	33 362	99 547
	Other institutional stock/ Ander institusionele effekte (**Nominal value**/Nominale waarde: 1997 - R 462 000 000; 1996 - R 101 000 000)	448 540	95 608
		481 902	195 155

SCHEDULE/BYLAE A (continued/vervolg)

		1997 R'000	1996 R'000
22.3.2.	***Debentures/Stock sold*** o ***Obligasies/Effekte verkoop***		
	Land Bank Debentures/Landbankobligasies (**Nominal value**/Nominale waarde: 1997 - R 274 000 000; 1996 - R 253 000 000)	255 218	236 404
	Other institutional stock/ Ander institusionele effekte (**Nominal value**/Nominale waarde: 1997 - R 125 000 000; 1996 - R 61 000 000)	120 767	57 493
		375 985	293 897
22.4.	***Liability in respect of SAVVEM*** o ***Verpligting ten opsigte van SAVVEM***		
	Land Bank has the liability to guarantee the solvency of SAVVEM./ Landbank het 'n verpligting om SAVVEM se solvensie te waarborg.		
	Assets - Actuarial value as at 30 June/ Bates - Aktuariële waarde soos op 30 Junie	384 691	347 292
	Liabilities - Actuarial value as at 30 June/ Verpligtinge - Aktuariële waarde soos op 30 Junie	(165 864)	(95 226)
	Surplus as at 30 June/ Surplus soos op 30 Junie	218 827	252 066

23. **Comparative numbers**

Certain comparative figures have been restated in order to improve comparability. Provisions regarding the Medical Fund and Retrenchment Package liability were previously shown as reserves.

23. **Vergelykende syfers**

Sekere vergelykende syfers is hersaamgestel ten einde vergelykbaarheid te verbeter. Voorsienings ten opsigte van die Mediesefonds- en Afleggingspakket verpligting is in die verlede as reserwes getoon.

SCHEDULE / BYLAE B (page / bladsy 1)

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED

We have audited the annual financial statements. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statement presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion the financial statements fairly present the financial position of the company at 30 June 1997 and the results of its operations and cash flow information for the year then ended in conformity with generally accepted accounting practice and in the manner required by the Companies Act.

COOPERS & LYBRAND,
Chartered Accountants (SA).
Registered Accountants and Auditors.

PRETORIA.

30 NOVEMBER 1997.

VERSLAG VAN DIE ONAFHANKLIKE OUDITEURE AAN DIE LEDE VAN SUID-AFRIKAANSE VERBANDVERSEKERINGS-MAATSKAPPY BEPERK

Ons het die finansiële jaarstate geouditeer. Hierdie finansiële state is die verantwoordelikheid van die maatskappy se direkteure. Dit is ons verantwoordelikheid om oor hierdie finansiële state verslag te doen.

Ons het ons oudit ooreenkomstig algemeen aanvaarde ouditstandaarde uitgevoer. Hierdie standaarde vereis dat ons die oudit beplan en uitvoer om redelike versekering te verkry dat in alle wesenlike opsigte, redelike openbaarmaking in die finansiële state geskied. 'n Oudit behels 'n evaluering van die toepaslikheid van die rekeningkundige beleid, 'n ondersoek op 'n toetsgrondslag van bewyse wat die bedrae en ander geopenbaarde inligting wat by die finansiële state ingesluit is ondersteun, 'n beoordeling van die redelikheid van beduidende ramings en oorwegings van die toepaslikheid van die algehele aanbieding van die finansiële state. Ons is van mening dat ons ouditprosedures in die omstandighede toepaslik was om ons mening, wat hieronder weergegee word, uit te spreek.

Na ons mening word die finansiële toestand van die maatskappy op 30 Junie 1997 en die resultate van die bedrywighede en kontantvloei-inligting vir die jaar geëindig op daardie datum, in ooreenstemming met algemeen aanvaarde rekeningkundige praktyk, redelik weergegee deur genoemde state op die wyse deur die Maatskappywet vereis.

COOPERS & LYBRAND,
Geoktrooieerde Rekenmeesters (SA).
Geregistreerde Rekenmeesters en Ouditeure.

PRETORIA.

30 NOVEMBER 1997.

SCHEDULE / BYLAE B (page / bladsy 2)

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

1. **PRINCIPAL BUSINESS AND ACTIVITIES**

The main business of the company is the insurance of mortgage and charge loans granted by the Land and Agricultural Bank of South Africa.

2. **GENERAL FINANCIAL OVERVIEW**

The financial position of the company and the results of its activities are clearly shown in the attached annual financial statements. The net income for the accounting period was R 52 468 419 (1996 : R 46 618 195) which income could be directly associated with the main business of the company.

3. **DIVIDENDS PAID AND PROPOSED**

A dividend of R 60 000 000 was provided for, during the current financial year.

4. **DIRECTORS AND SECRETARY**

The Board of Directors currently consists of the following persons:

The honourable H.E. Martins, Messrs. W.D. van Wyk, D.W. Maree and Dr. A.S. Jacobs.

The Secretary is Mr. Steyn van Schalkwyk.

5. **MATERIAL FACTS OR CIRCUMSTANCES THAT OCCURED AFTER THE BALANCE SHEET DATE**

No important facts or circumstances which are of importance to the asessment of the company's financial position did occur during the period from the balance sheet date to the date of this report.

DIREKTEURSVERSLAG VIR DIE JAAR GEëINDIG 30 JUNIE 1997

1. **HOOFBESIGHEID EN BEDRYWIGHEDE**

Die hoofbesigheid van die maatskappy is die versekering van verband- en laslenings toegestaan deur die Land- en Landboubank van Suid-Afrika.

2. **ALGEMENE FINANSIëLE OORSIG**

Die stand van die maatskappy se sake asook die bedryfsresultate word duidelik in die aangehegte finansiële jaarstate aangetoon. Die netto inkomste vir die rekeningkundige tydperk het R 52 468 419 (1996 : R 46 618 195) bedra welke inkomste toegeskryf word aan die hoofbesigheid van die maatskappy.

3. **DIVIDENDE BETAAL EN VOORGESTEL**

'n Dividend van R 60 000 000 is gedurende die finansiële jaar voorsien.

4. **DIREKTEURE EN SEKRETARIS**

Die Raad van Direkteure bestaan tans uit die volgende persone:

Sy edele H.E. Martins, Mnre. W.D. van Wyk, D.W. Maree en Dr. A.S. Jacobs.

Die Sekretaris is mnr. Steyn van Schalkwyk.

5. **WESENLIKE FEITE OF OMSTANDIGHEDE WAT PLAASGEVIND HET NA BALANSSTAATDATUM**

Geen belangrike feite of omstandighede wat van belang is vir die beoordeling van die maatskappy se stand van sake het tussen die datum van die balansstaat en die datum van hierdie verslag plaasgevind nie.

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

SCHEDULE / BYLAE B (page / bladsy 3)

BALANCE SHEET AT 30 JUNE 1997
BALANSSTAAT OP 30 JUNIE 1997

	Notes Aant.	1997 R	1996 R
CAPITAL EMPLOYED/KAPITAAL AANGEWEND			
SHARE CAPITAL/AANDELEKAPITAAL	2	30 000	30 000
INSURANCE FUND/VERSEKERINGSFONDS	3	341 005 641	348 537 222
		341 035 641	348 567 222
EMPLOYMENT OF CAPITAL/AANWENDING VAN KAPITAAL			
INVESTMENTS/BELEGGINGS	4	323 508 141	185 186 432
NET CURRENT ASSETS/NETTO BEDRYFSBATES		17 527 500	163 380 790
CURRENT ASSETS/BEDRYFSBATES		77 777 921	163 604 643
Outstanding premiums/ Uitstaande premies	1.2	13 656 157	14 274 517
Premiums accrued/Premies opgeloop		13 781 800	17 474 961
Provision for outstanding claims/ Voorsiening vir uitstaande eise		(121 457)	(3 060 749)
Interest/Rente		(4 186)	(139 695)
Cash in bank/Kontant in bank		5 375	4 318
Call money/Daggeld		64 116 389	149 325 808
CURRENT LIABILITIES/BEDRYFSLASTE		60 250 421	223 853
Dividend declared to Land Bank/ Dividend verklaar aan Landbank		60 000 000	–
Sundry creditors and provisions/ Diverse krediteure en voorsienings		250 421	223 853
		341 035 641	348 567 222

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

SCHEDULE / BYLAE B (page / bladsy 4)

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 1997
INKOMSTESTAAT VIR DIE JAAR GEëINDIG 30 JUNIE 1997

	Note Aant.	1997 R	1996 R
PREMIUM INCOME/PREMIE-INKOMSTE		21 884 605	26 888 566
REALISED CAPITAL AND INTEREST ON PORTFOLIOS/ GEREALISEERDE KAPITAAL EN RENTE OP PORTEFEULJES		40 533 127	25 701 756
INTEREST ON INVESTMENTS/RENTE OP BELEGGINGS		20 682 432	21 379 439
		83 100 164	73 969 761
LESS/MIN:			
TOTAL EXPENDITURE/TOTALE UITGAWES		30 631 745	27 351 566
Administration cost/Administrasiekoste		1 867 508	1 633 358
Directors' remuneration/Direkteursvergoeding		5 949	2 825
As directors/As direkteure		4 200	2 100
Other/Ander		1 749	725
Auditor's fees - for audit/ Ouditeursvergoeding - vir oudit		9 883	9 000
Current year/Huidige jaar		9 883	9 000
Other administration cost/ Ander administrasiekoste	5	1 851 676	1 621 533
Claims paid/Eise betaal		23 493 982	22 288 038
Portfolio management fees/Portefeulje bestuurskoste		1 059 806	816 122
Interest paid/Rente betaal		3 046 484	2 550 535
Regional services levies/Streeksdiensteraadheffings		74 362	63 513
SCMB investment written off/SCMB belegging afgeskryf		1 089 603	-
SURPLUS INCOME FOR THE YEAR/SURPLUS INKOMSTE VIR DIE JAAR		52 468 419	46 618 195
INSURANCE FUND AT THE BEGINNING OF THE YEAR/ VERSEKERINGSFONDS AAN DIE BEGIN VAN DIE JAAR		348 537 222	301 919 027
INSURANCE FUND BEFORE DECLARATION OF DIVIDEND/ VERSEKERINGSFONDS VOOR DIVIDEND VERKLARING		401 005 641	348 537 222
DIVIDEND DECLARED/ DIVIDEND VERKLAAR		(60 000 000)	-
INSURANCE FUND AT THE END OF THE YEAR/ VERSEKERINGSFONDS AAN DIE EINDE VAN DIE JAAR		341 005 641	348 537 222

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

SCHEDULE / BYLAE B (page / bladsy 5)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1997
AANTEKENINGE BY DIE FINANSIëLE STATE OP 30 JUNIE 1997

1. **ACCOUNTING POLICIES**

The main accounting policies of the company are as follows:

1.1. Claims reported up to 30 June of each year but not yet paid, are shown as claims payable in the financial year.

1.2. Outstanding premiums are shown as current assets in the financial statements. A provision is made for probable uncollectable premiums.

1. **REKENINGKUNDIGE BELEID**

Die belangrikste aspekte van die rekeningkundige beleid van die maatskappy is die volgende:

1.1. Eise wat aangemeld word tot 30 Junie van elke jaar maar op daardie datum nog nie betaal is nie, word as uitstaande eise in die finansiële rekening aangetoon.

1.2. Uitstaande premies word as 'n bedryfsbate in die finansiële state aangetoon. 'n Voorsiening vir moontlike onverhaalbare premies word gemaak.

	1997 R	1996 R
2. SHARE CAPITAL/AANDELEKAPITAAL		
Authorised/Gemagtig		
50 000 ordinary shares of R 2 each/ 50 000 gewone aandele van R 2 elk	100 000	100 000
Issued/Uitgereik		
15 000 ordinary shares of R 2 each/ 15 000 gewone aandele van R 2 elk	30 000	30 000
3. INSURANCE FUND/VERSEKERINGSFONDS		
Life fund/Lewensfonds	341 005 641	348 537 222
Balance at beginning of year/ Saldo aan die begin van die jaar	348 537 222	301 919 027
Add/Plus:		
Net surplus for the year/ Netto surplus vir die jaar	52 468 419	46 618 195
Less/Min:		
Dividend declared/ Dividend verklaar	60 000 000	-
	341 005 641	348 537 222

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

SCHEDULE / BYLAE B (page / bladsy 6)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 1997
AANTEKENINGE BY DIE FINANSIëLE STATE OP 30 JUNIE 1997
(continued/vervolg)

	1997 R	1996 R
4. INVESTMENTS/BELEGGINGS		
Portfolio investments/Portefeuljebeleggings . .	**323 508 141**	185 186 432
Standard Merchant Bank/ Standard Aksepbank	–	85 865 958
Rand Merchant Bank/Rand Aksepbank . . . . . (Market value/Markwaarde R154 018 175)	**110 976 121**	99 320 474
Investec . . . . (Market value/Markwaarde R112 247 771)	**104 970 485**	–
Coronation . . . . (Market value/Markwaarde R119 890 725)	**107 561 535**	–
	323 508 141	185 186 432

5. ADMINISTRATION COST

The Board approved that commission, re-insurance premium and administration cost due to the Land Bank be replaced by an administration cost of R 60 per policy per year. The effect of this decision is disclosed below:

5. ADMINISTRASIEKOSTE

Die Raad het goedgekeur dat kommissie, herversekeringspremie en administrasiekoste wat aan die Landbank betaal word, met 'n administrasiekoste van R 60 per polis per jaar vervang word. Die effek van die besluit word hieronder uiteengesit:

	1997 R	1996 R
Administration cost/Administrasiekoste	**1 851 676**	1 621 533
Other administration cost/ Ander administrasiekoste	**279 167**	277 105
R 60 per policy per year/R 60 per polis per jaar	**1 572 509**	1 344 428
	1 851 676	1 621 533

6. No provision is made for income tax, as the company is not taxable in terms of the provisions of Section 10 of the Income Tax Act, 1962 (Act No. 58 of 1962)

6. Geen inkomstebelasting word voorsien nie, aangesien die maatskappy ingevolge die bepalings van Artikel 10 van die Inkomstebelastingwet, 1962 (Wet No. 58 van 1962), van die betaling van inkomstebelasting vrygestel is.

7. In terms of Section 21 (5) of the Land Bank Act, 1944 (Act No. 13 of 1944), this company is exempted from the provisions of the Insurance Act, 1943 (Act No. 27 of 1943).

7. Ingevolge artikel 21 (5) van die Landbankwet, 1944 (Wet No. 13 van 1944), is hierdie maatskappy vrygestel van die bepalings van die Versekeringswet, 1943 (Wet No. 27 van 1943).

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
SUID-AFRIKAANSE VERBANDVERSEKERINGSMAATSKAPPY BEPERK

SCHEDULE / BYLAE B (page / bladsy 7)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 1997
KONTANTVLOEISTAAT VIR DIE JAAR GEëINDIG 30 JUNIE 1997

	Note Aant.	1997 R	1996 R
Cash obtained from activities after the increase of R 644 928 (1996 - R 1 357 524) in working capital has been taken into account/Kontant deur bedrywighede voortgebring nadat die toename van R 644 928 (1996 - R 1 357 524) in bedryfskapitaal in berekening gebring is	1	35 477 399	26 431 767
Less/Min:			
Interest paid/Rente betaal		(3 046 484)	(2 550 535)
Add/Plus:			
Interest received on investments/ Rente ontvang op beleggings		20 682 432	21 379 439
Funds available from working activities/ Fondse beskikbaar uit bedryfsaktiwiteite		53 113 347	45 260 671
Less/Min:			
Dividend declared/Dividend verklaar		-	-
Funds available from activities/ Fondse beskikbaar uit bedrywighede		53 113 347	45 260 671
Less/Min:			
Investment activities/Beleggingsaktiwiteite:			
(Increase)/Decrease in investments / (Toename)/Afname in beleggings		(138 321 709)	103 484 431
		(85 208 362)	148 745 102
CASH EFFECTS OF FINANCING ACTIVITIES/ KONTANTGEVOLGE VAN FINANSIERINGSAKTIWITEITE			
(Increase)/Decrease in call account/ (Toename)/Afname in daggeld		85 209 419	(148 742 646)
Increase in cash in bank/ Toename in kontant in bank		(1 057)	(2 456)
Cash utilised (available)/ Kontant benut (beskikbaar)		85 208 362	(148 745 102)

NOTES/AANTEKENINGE

1. **MOVEMENT IN NET WORKING CAPITAL/ BEWEGING IN NETTO BEDRYFSKAPITAAL**

	1997	1996
(Increase)/Decrease in outstanding premiums/ (Toename)/Afname in uitstaande premies	618 360	(1 382 217)
Increase/(Decrease) in sundry creditors/ Toename/(Afname) in diverse krediteure	26 568	24 693
Net (increase)/decrease in working capital/ Netto (toename)/afname in bedryfskapitaal	644 928	(1 357 524)

Land and Agricultural Bank of South Africa
Land- en Landboubank Suid-Afrika

Financial Statements for the year ended 31 December 1997
Finansiële State vir die jaar geëindig 31 Desember 1997

These financial statements were audited by the Auditor General and an unqualified audit opinion was issued.

Hierdie finansiële state is deur die Ouditeur-Generaal geoudit en 'n ongekwalifiseerde ouditmening is uitgereik.

Copies of the Auditor General's report can be obtained from the Government Printer under reference number RP148.

Afskrifte van die Ouditeur-Generaal se verslag kan van die Staatsdrukker bekom word onder verwysingsnommer RP148.

Dr. H.M. Dolny
Managing Director
Besturende Direkteur

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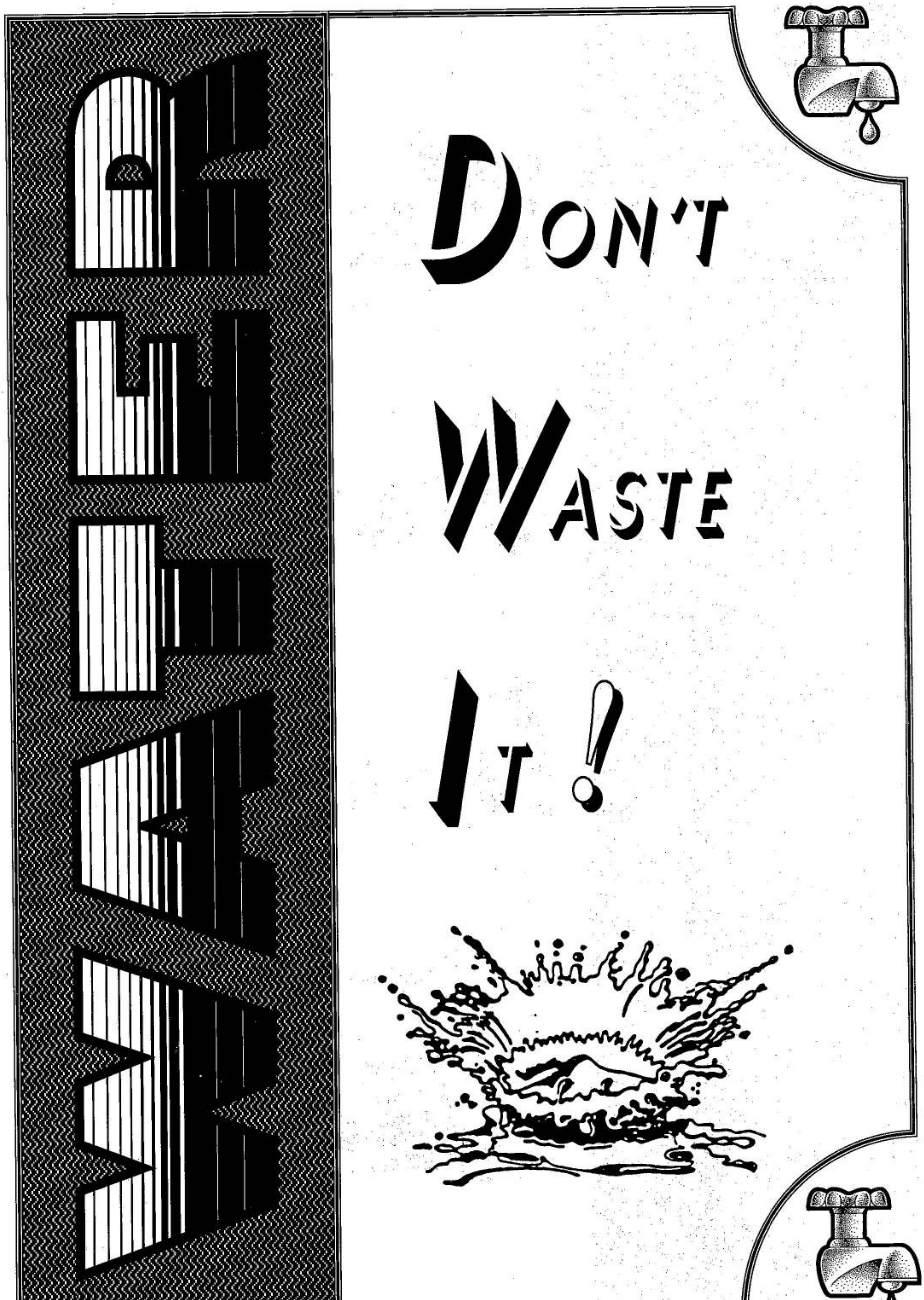
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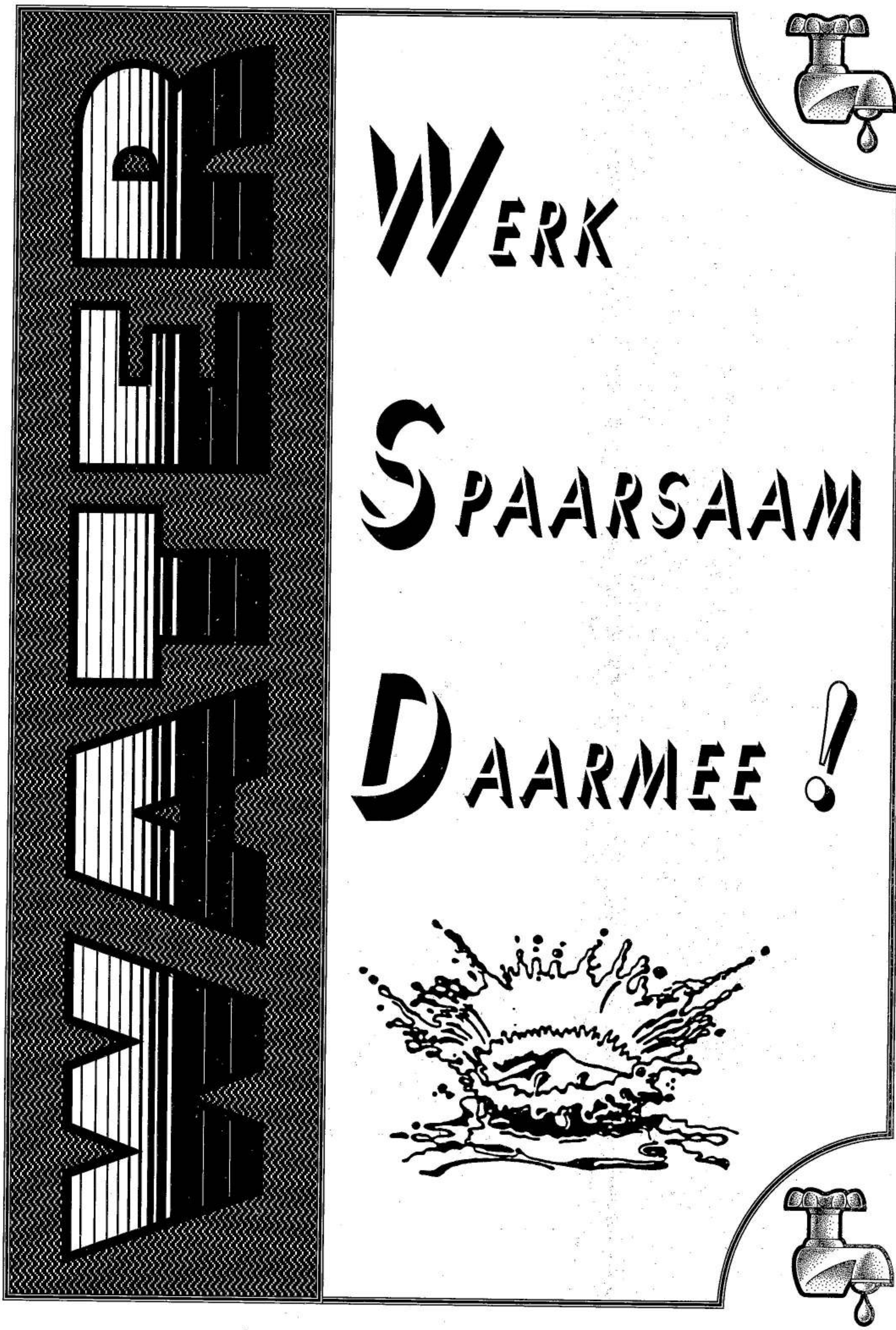
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