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CONTENTS • INHOUD

GENERAL NOTICE

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REPORT

OF THE

AUDITOR-GENERAL

ON THE

ANNUAL FINANCIAL STATEMENTS OF THE LAND BANK OF SOUTH AFRICA

FOR

THE YEAR ENDED 31 DECEMBER 1999

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REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE LAND BANK OF SOUTH AFRICA FOR THE YEAR ENDED 31 DECEMBER 1999

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 6 to 61, for the year ended 31 December 1999, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 68 of the Land Bank Act, 1944 (Act No. 13 of 1944). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the board. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 Nature and scope

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall annual financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

2.2 Qualification

2.2.1 Compliance audit

In terms of section 65 of the Land Bank Act, 1944 (Act No. 13 of 1944), financial statements should be presented to the minister within three months after the end of the financial year which was 31 December 1999. Due to various problems experienced with a new accounting system which was implemented during 1999, financial statements could not be compiled and presented timeously and were only signed by the managing director on 22 September 2000 and presented to this office shortly thereafter.

2.3 AUDIT OPINION

2.3.1 Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Land Bank at 31 December 1999, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the relevant act.

2.3.2 Qualified opinion: Compliance audit

Based on the audit work performed, except for the matter reported in paragraph 2.2.1, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Delegation of powers of authorisation

As reported on page 2 in paragraph 3.1 of the previous report (RP162/1999), the board had delegated powers of authorisation to the managing director in terms of the Land Bank Act. These powers were delegated to facilitate the process of transformation. Corporate governance requires that the ultimate responsibility remain with the board. It was also suggested to the bank that these delegations be reviewed regularly and confirmed or adjusted as the situation changes.

Authorisation of loans had also been delegated to the branch directors during the prior year. The branch director could use his or her discretion to delegate these powers of authorisation to the branch loan team. Formal procedures for the delegation of these powers and the vesting of responsibilities in such cases were only authorised by the board on 20 July 2000 and will be evaluated during the next audit.

3.2 New computer system

During the year a number of factors including the implementation of a new system together with the restructuring of the Land Bank contributed to the late completion of the accounting records. These factors resulted in a backlog in the processing of transactions for the 1999 financial year. Additional measures had to be implemented to ensure the quality of the accounting records, which resulted in further time constraints on an already depleted personnel contingent.

The finalisation of the financial results for the 1999 financial year has further resulted in a backlog of transactions for the new financial year. This processing backlog is of concern as the integrity of the accounting records might be placed at risk. This matter should be closely monitored by management to ensure that the Land Bank is not exposed to additional risk.

3.3 Requirements of the Public Entities Act

3.3.1 Corporate governance

The Land Bank was listed as a public entity on 1 January 1998. Management has successfully implemented the majority of the requirements of the King Report on Corporate Governance. An affirmative action programme and a code of ethical conduct have not been formally adopted by the bank. I have been informed that the Employment Equity Bill is currently being implemented by the Land Bank's Employment Equity committee. The code of ethical conduct is currently under discussion by the board.

3.3.2 Directors' report

The directors' report, as required by the Public Entities Act, 1992 (Act No. 93 of 1992), is regarded as part of the financial statements. This is the second directors' report in terms of the act and although certain improvements could be made, I am satisfied that the basic requirements of the act have been met in all material respects.

3.3.3 Subsequent events: Allegations against the managing director

On 20 July 1999 a special investigative team was appointed by the Board of Directors of the Land Bank to investigate allegations made by the former chairperson of the board against the managing director. These allegations included racism, mismanagement, nepotism and the violation of regulations by granting herself a salary increase.

The investigation was not a governmental, judicial or a quasi-judicial process, but an internal investigation of the Land Bank authorised by the board. The investigators presented their findings to the board, which indicated that the allegations of racism, mismanagement and nepotism were without foundation. The board took a decision to offer the previous managing director a severance package effective 31 December 1999, which she accepted.

The Public Protector also conducted an investigation into a complaint against the managing director of the Land Bank, which included the above allegations, in terms of the Public Protector Act, 1994 (Act No. 23 of 1994). The findings were in line with those mentioned above.

3.4 Outstanding motor vehicle loans

As reported in paragraph 3.2 on page 2 of the previous report [RP162/1999], motor vehicle loans of two employees, totalling R322 359, had not yet been recovered.

During the year R74 808 in respect of a loan of R143 823 was recovered following legal proceedings and attachment of assets, interest of R12 705 was reversed and the difference of R56 310 was written off. Regarding the other vehicle, the Land Bank has now reached a settlement with the employee and it was an order of the court that the outstanding balance of R245 851, including interest up to 31 October 2000, would form part of the settlement amount.

3.5 Change in generally accepted accounting practice

Due to a change in generally accepted accounting practice, the financial statements of the South African Mortgage Insurance Company Limited, a wholly owned subsidiary of the Land Bank, will with effect from 1 January 2001 be consolidated with those of the Land Bank, as the exemption that was previously allowed is no longer applicable.

4. APPRECIATION

The assistance rendered by the bank during the audit is sincerely appreciated.

A N DZUGUDA
for *Auditor-General*
PRETORIA
2000-12-10

DIRECTORS' REPORT

Overview

Growth and consolidation in 1999 have prepared the Land Bank to extend its role in financing development in the agricultural sector. The year saw the Bank making good progress in addressing its government mandate while achieving good financial results. Sound accounting and risk management policies have contributed to financial sustainability, enabling the Bank to maintain its premium credit rating while increasing its development impact.

Financial performance of the Land Bank has generally improved on both the previous year and the targets set and approved by the Board and shareholder. Net Interest income reflects an increase of 34% over previous year, due to growth in the loan book of 13%, and sound funding strategies followed. Expenses increased by 12% over 1998 levels, but reduced to 27,7% of total income from 30,43% in 1998.

The Development Fund, which comprises a reserve created from the transfer of imputed notional taxation and dividend, specifically for the purpose of funding the Silver, Bronze and Step-Up loans made to previously disadvantaged farmers, was increased by R 168 million, and the fund reserve continues to exceed the exposure in that sector.

No financial assistance was received from the state or commitments made on its behalf.

The results for 1999 provide a solid grounding for continued growth and the introduction of new products and services planned for 2000.

Financial position

The Land Bank has improved its already strong financial position with the surplus for 1999 exceeding R434 million after taking all necessary provisions. The increase in the reserves has impacted favourably on the balance sheet ratios. Prudent growth in the loan book has also maintained the asset quality of the portfolio, albeit after stringent provision having been taken for potential irrecoverable debts, in particular that of the Northern Transvaal Co-operative, against which further provision of R80 million was taken due to the financial position of that client. The capital adequacy ratio was bolstered by good profitability and prudent growth, increasing to 18,39% from 17,61%. The Loan portfolio remains weighted towards long-term loans underpinned by mortgage bond security, which category grew by 17%.

The Land Bank had set, as an objective, the maintenance of its long-term credit rating as defined by Fitch-IBCA as AA, and this was maintained.

Development mandate

In fulfilling its development mandate, the Land Bank continues to address the four criteria set by government in 1997. They are

- To deliver new and appropriately designed products for new clients
- To continue supporting commercial farming enterprises
- To fulfil a wider development mandate contributing to rural stability, job creation and good agricultural practice
- To run itself efficiently, on a cost-effective basis, with comparable benchmarks to private sector institutions.

The Bank set itself a fifth performance goal, namely

- To create a new working culture that would provide the foundation for achieving the identified business goals.

Achievement of these objectives was positive. The Silver, Bronze and Special Mortgage Loan products were refined and augmented during the year, which further met the needs of new clients and delivery of these products exceeded target, as shown later in this report under the heading of Outreach to Historically Disadvantaged Clients. The commercial farming sector was supported, the loan book reflecting significant growth in this area, which also exceeded the targets which were set as shown later in this Report. A Social Accounting function was launched in 1998, and the first Social Report issued in 1999, measuring the social impact of the activities of the Land Bank, and serving as a basis for development of products and strategies to promote positive social impact from the interventions of the Land Bank, as well as within the client base. The improved cost to income ratio also compares favourably to other financial institutions, including those from the commercial sector.

In addressing its mandate, the Bank's overall direction remained the same in 1999. The new Board appointed in April indicated that the Bank must increase its focus on extending outreach to the historically disadvantaged and consolidating its position in the commercial farming sector within prudent and sustainable business and financial parameters. This approach is built on the existing success in formulating and implementing a sustainable development finance model.

Corporate governance

The nature of the Bank's business

The Land Bank provides retail and wholesale banking services and financial products, micro finance and equity finance to the agricultural sector in South Africa. This is done in terms of a mandate from government, the Bank's sole shareholder. Details of government's mandate to the Bank are set out at the beginning of this report. The Land Bank is a statutory body governed by the Land

Bank Act No. 13 of 1944 as amended. The Bank is financially sound and sustainable and receives no government subsidies. Details of its financial performance are contained in the Financial Statements at the end of this document.

The Board

A Board of Directors appointed by Cabinet governs the Bank. Before 1997 the Bank had a permanent executive board. In 1997 the Cabinet appointed a non-executive Transformation Board for a two-year period to oversee the transformation process at the Bank. The Transformation Board's term of office came to an end in April 1999 and Cabinet appointed a new Board of Directors with a three-year term of office. Three of the 11 board members are Executive Directors and the remaining eight are non-Executive Directors. A Non-executive Director Chairs the Board. All Board Committees are chaired by non-executive directors (see Appendix One for the names of Board Members and Senior Management). The Minister of Agriculture, to whom the board members report, determines the remuneration of board members

The Board's function is 'to ensure that appropriate, policies, strategies and mechanisms are in place to meet the needs of clients in a way that will satisfy the government mandate whilst enhancing investor confidence.'

Investigation of allegations against the MD

In the second half of the year much of the Board's time was taken up dealing with allegations against the then Managing Director, Dr Helena Dolny, made by the former Chairperson Designate of the Board. The Board established an ad hoc committee of three members, chaired by the Board Chair to address the issue and commissioned an independent investigation led by Michael Katz of Edward Nathan Friedland Inc. The Board formulated an action plan to address procedural improvements suggested in the report. By mutual agreement the MD left the employment of the Bank on December 31, 1999.

Instances of fraud

During the year the Bank detected a number of instances of fraud at its branches but no material losses were incurred. Working with its internal and external auditors, the Bank has put stricter systems in place to prevent similar occurrences in the future. Instances of fraud are followed up and disciplinary action taken where necessary. A number of criminal prosecutions are under way as a result of the investigations. Management has also set up a whistle blowing facility with a toll free number for internal and external complaints. All complaints are being thoroughly investigated.

Board committees

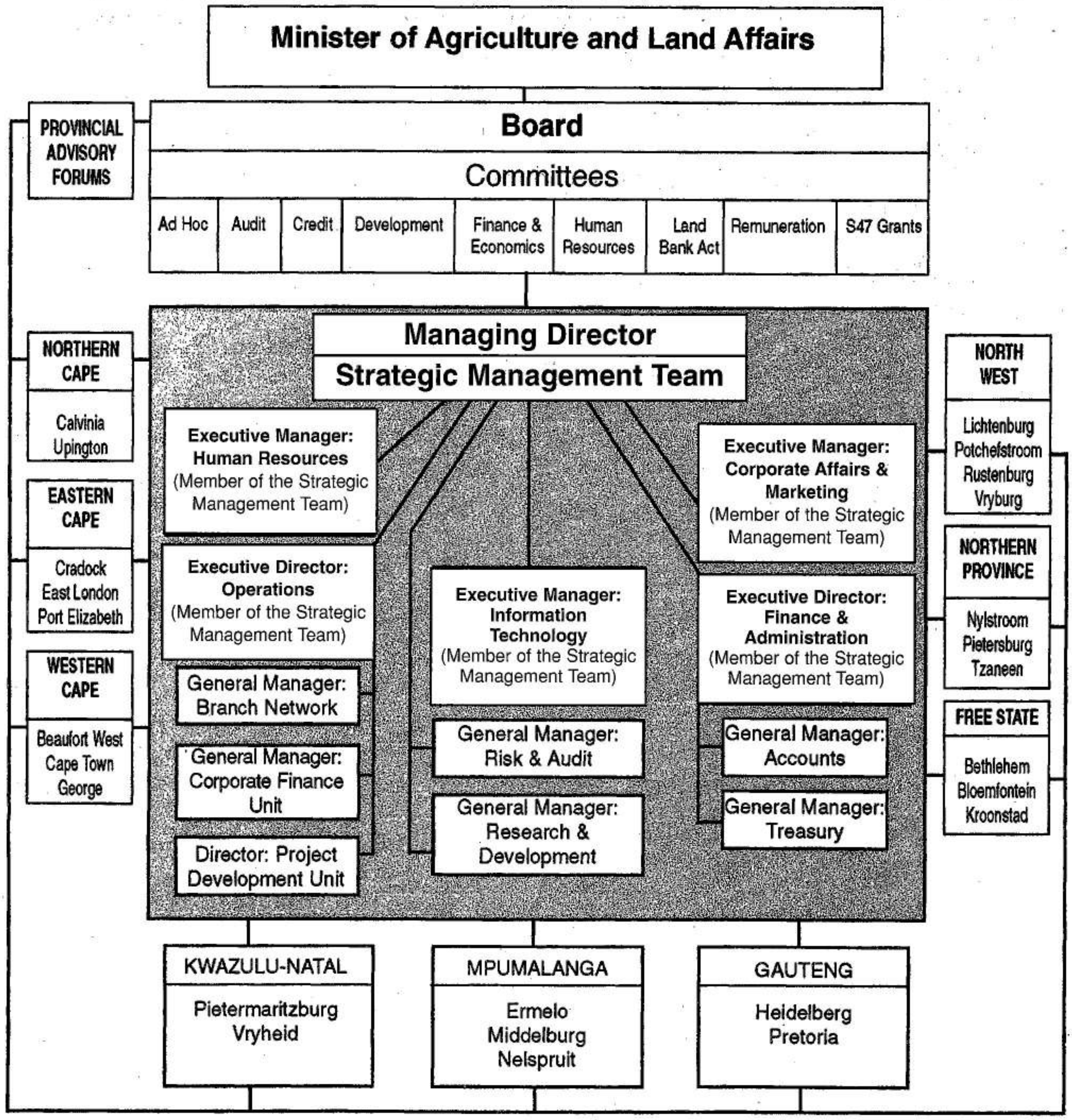
After its appointment in March the new Board added three additional committees to the existing four bringing the total to seven. A non-executive Board member chairs each of the committees. The committees are:

- Ad hoc (MD's position)
- Audit
- Credit
- Development / section 47 grants committee
- Finance and Economics
- Human Resources
- Land Bank Act
- Remuneration

The Credit and Development committees were established in the last quarter of 1999.

The roles of the different committees and the number of meetings held in 1999 are set out below. Many of the board committees did not meet regularly during 1999.

Land Bank governance and management structure



Ad Hoc Committee

This committee was established to investigate the allegations against the former MD. The outcome of this process is dealt with above. The Board Chairperson and two other non-executive Board members sat on the committee. The Board Chairperson chaired the committee. This Committee met as required.

Audit Committee

The Audit Sub-Committee assists the Board to fulfil its oversight responsibilities for:

- Financial, management and other reporting practices
- Internal control structure and risk management
- Compliance with laws, regulations and ethics.

The committee approves the Strategic Internal Audit Plan prepared by PriceWaterhouseCoopers, the internal auditors. The Audit Committee met four times in 1999.

Credit Committee

The committee focuses on developing credit policies and guidelines to assist the Board in meeting its oversight objectives in terms of the King Report on Corporate Governance. Its function is to maintain a sound and effective credit risk management structure by approving and monitoring overall lending rules, policies and guidelines and ensuring they are consistently applied and are responsive to the changing, expanding and diverse agricultural sector markets. This committee did not meet in 1999. However, the credit policies applied were consistent with meeting the objectives of growth in loans and maintenance of the capital adequacy ratio as set.

Development Committee

The function of this committee is to have oversight of the Bank's performance in fulfilling its development mandate and to give the Bank policy content and direction in fulfilling its development mandate specifically the development and delivery of finance products to poor-resource farmers. The committee met once in October 1999 and gave input to revisions to loan policy which contributed towards the growth in the development loan book.

Finance and Economics Committee

The Finance and Economics (F&E) committee is responsible for ensuring that the Board has an in-depth understanding of the Bank's financial position. It reports to the Board on the Bank's compliance with legal requirements including the ratification of interest rates on deposits and credit balances, its exercise of fiduciary responsibility and its evaluation of risk exposure. The committee did not meet during 1999.

Human Resources Committee

The function of the committee is to approve medium and long term human resources goals and strategies and to oversee human resources management. It also provides a mandate for strategic negotiations with the Bargaining Unit and the labour Unions, ensures that the Bank is meeting stakeholder expectations in the area of human resources and acts on matters presented to it in terms of the staff regulations. Due to the focus on the Ad Hoc Committee, the committee did not meet in 1999.

Land Bank Act Committee

The committee was set up to consider changes needed to align the Act with the present mandate and functions of the Bank, particularly in the field of business practice and corporate governance. Another concern is to make the legislation more accessible to lay readers. The committee liaises with the legal drafting experts who are preparing new draft legislation. The committee had its first meeting in October 1999.

Section 47 Grants Committee

Section 47 of the Land Bank Act entitles the Bank to make grants out of its profits to representative agricultural organisations. These grants are also made to support training, capacity building and development projects in the agricultural sector. The objective of this committee is to consider all applications received from candidates requesting grants, which was achieved. During 1999 the Bank made grants totalling R1.3 million to a range of organisations whose applications met its criteria of supporting agriculture related research, training and organisational development initiatives. The committee met twice in 1999.

Remuneration Committee

The Remuneration Committee conducts an annual review of the remuneration of management and staff taking account of the market, and considers and makes recommendations to the Board on remunerations policy and other related strategic issues. This committee met twice in 1999. The remuneration policy of the Land Bank is to pay at the market median for each position, and objectives set for implementation of this policy were to effect the adjustment to median for Head Office in 1999, and to complete Branches in 2000. These objectives were met.

Key strategies

The Bank's key strategic intent is to achieve a financially sustainable business model focused on social and development impact. Meeting client needs with cost effective and competitive products and services, building an efficient, representative and committed workforce and good relations with our stakeholders are critical elements in this strategy.

Financial sustainability

The Bank continued to raise its own finances in 1999 and did not receive any funding from government during the year. It raised funds from the issue of instruments in the capital and money markets and encourages support from investors by generating and retaining surpluses and maintaining a sound risk profile.

Funding for the historically disadvantaged sector comes from a Development Fund. The Bank has capitalised the fund with internal transfers in the form of imputed notional tax and dividend payments that the Bank would have paid if government had not waived them. The development fund creates a firewall, separating assets employed in activities perceived as high risk from other assets. In addition, entity risk is kept at prudent levels by maintaining ample capital adequacy ratios even after exclusion of the identified development fund from the capital base. The Bank generates significant surpluses and the notional tax and dividends provide a substantial fund to finance the Bank's development activities while maintaining its solid financial position. The surplus generated for the year was R 434 million, which compares favourably with the target surplus of R 260 m. The financial strength of the Bank, as indicated by the Capital Adequacy ratio, increased to 18,39% against the target of 16%.

Outreach to historically disadvantaged clients

The Bank is designing new products and establishing distribution channels to significantly accelerate financing of historically disadvantaged farmers. This market has large numbers of potential clients and relatively low loan values (all lower than R 250 000). The Land Bank is streamlining processes and introducing technology to ensure cost effective throughput of higher loan volumes. It is also developing and applying suitable loan criteria to ensure wider access to finance within sound risk management parameters.

During 1999 the number of mandate clients has grown by 67% and of Step Up clients by 65% against target growth of 35%. Development project finance increased by R37 million which amount exceeded target growth, with new loans to the value of R131million in process.

Social and ethical accounting, auditing and reporting

As a development finance institution the Bank has to measure both its social and financial performance. A major innovation during 1999 was the decision to establish mechanisms to measure and assess the social impact of its activities on its stakeholders. This will help the Bank to focus on what matters and makes a difference to its stakeholders. This includes the design of products that support rural development, monitoring the impact of loans and other products and enhancing the equity contribution of procurement, employment and other business practices. The scope of the Social and Ethical Accounting, Auditing and Reporting Project includes the setting of objectives for social impact, and these objectives have been set for the year 2001.

Commercial farmers

The Bank has redefined its loan criteria to maintain its support to the commercial sector. These revisions included prudent removal of unnecessary barriers, and revisions of the basis for determining security values. At the same time it has taken measures to ensure that growth in its loans to commercial farmers and agricultural enterprises does not lead to undue geographic or crop exposure and to avoid the unwitting creation of debt traps for farmers. The geographical and crop exposure analysis and comparison to last year , is set out at Annexure C to the Annual Financial Statements. It is pursuing modest overall expansion of the loan book, maintaining sound credit risk management.

Stakeholder relations

The objective is to strengthen relationships with key stakeholders in order to promote the Bank's image, mandate activities and growth and development in the agricultural sector. Planned activities consisted of the MD's programme of meetings with investors and key stakeholders in government and provincial forums where branch directors and Head Office representatives meet stakeholders. In terms of this programme the Land Bank has been represented at each meeting of the National Minister for Agriculture and Land Affairs with the Members of Executive Council at the national congress of the major Agricultural Unions, and each major investor was met once by senior Land Bank executives. A Board member is assigned to each of the provincial forums. Each province held at least one forum during 1999. The forums were well attended by stakeholder representatives. They are an important source of information on concerns and issues affecting relationships with the Bank and will continue in 2000.

During the year the Bank had quarterly meetings with the National African Farmer's Union (NAFU) executive. The two parties signed a Memorandum of Understanding setting out agreed roles at provincial and national levels. The Bank also held regular meetings with Agri-SA during 1999.

In the last quarter, the Stakeholder Relations Manager embarked on a programme to build relationships with key stakeholders in the provinces, focusing on the provinces prioritised by government for rural development, namely the Eastern Cape, KwaZulu-Natal and the Northern Province. This programme was completed according to plan, and has been extended for the year 2000.

Transformation

Head Office restructuring was essentially completed during 1999. Headcount was reduced by 59%, from 295 employees to 121 against the objective of 121 employees or 61%. The focus of transformation has shifted to capacity building and equity in a workforce that broadly represents the country's demographic profile. An Employment Equity process was commenced and structures established to drive this process, in accordance with the objective set. New procurement policies ensure access to historically disadvantaged suppliers while obtaining value.

Resignations during the transformation process created some difficulties in achieving the balance of skills and capacities required by the new structure. The bank has addressed this through redeployment, training and, where necessary, employment of specialised staff to provide capacity not available internally.

At branch level transformation focused on developing the skills and capacities needed for effective implementation of the team based approach. The Bank set up teams to address poor service and work quality.

Delays in implementing the new IT system caused some problems with issuing accounts to clients in the second half of the year. The problems did not compromise the integrity of the bank's financial systems. Phase one of the new system was successfully implemented in February 2000 and the target date for bringing all accounting functions up to date is November 2000. The problem is dealt with in more detail in the IT section of this report.

Operations

The Operations Unit contributes to the Land Bank's mission through the delivery of retail and wholesale financial services. The objective is to deliver service efficiently and cost effectively through competent staff, agents and intermediaries. Good relations with all our stakeholders are critically important.

Retail clients are serviced through a network of 25 branches, while a Corporate Finance Unit based in Pretoria, with an additional office in Cape Town, delivers corporate and wholesale products. In 1999 the Bank established a Development Projects Unit to co-ordinate delivery on the development mandate. This unit works closely with the Corporate Finance Unit and the branches on the products and projects needed to deliver on the development mandate.

Branch network

As part of the business planning process the branches set targets for growth in their loan books taking account of local circumstances and the need to avoid overexposure to particular sectors and geographic areas. In general branches have achieved these targets.

Retail loan book, 1999
(increase in loans granted from 1 January 1999 to 31 December 1999)

- Growth in loan book exceeded the target growth by 12%, mainly in long term loans to farmers.
- During 1999 the Bank has increased its outreach by opening satellite offices, of which 22 are in operation.
- There are plans for the agents that market Step Up to market a broader range of products in the future. In addition to this, there are initiatives under way which will extend the use of intermediaries as a distribution channel.

Corporate Finance Unit

The Corporate Finance Unit (CFU) operating from Pretoria and Cape Town contributes to the Land Bank's mission by providing a range of wholesale products to intermediaries and finance to corporate clients involved in agriculture related business throughout South Africa. The unit has taken steps to meet the needs of co-operatives converting to other business entities.

Although corporate clients reduced their inventory levels due to the unfavourable climatic conditions CFU's short term loan book and overall results compare favourably with those of the previous year. The unit has worked closely with the newly established Development Projects Unit to meet the government mandate by supplying the needs of all clients in all areas.

Corporate Finance Unit Loan Book
(loans granted from 1 January 1999 to 31 December 1999)

The total loan book grew from R5 139 million in 1998 to R5 236 million in 1999, which only met 73% of the Target growth, despite being 2% above 1998 loan values. The seasonal nature of crops, climatic conditions and the effect of deregulation (49% decline in crop values over the past two seasons) must be borne in mind when assessing the modest growth in loan book.

All clients are meeting their commitments with the exception of four problem cases that the unit is continuously monitoring. The Bank has taken adequate provision for any expected losses.

Research and Development

The unit provides key decision makers in the Bank with the market intelligence and management information to make optimal strategic and tactical decisions. It also identifies, designs, launches and monitors new products and reviews and modifies existing products to meet the requirements of all the Bank's clients.

During 1999 the unit developed a product launch procedure, whereby the necessary components of product design, product packaging, product promotion, staff training and system modification are encapsulated into a formal procedure. It also developed Gold Premium and Platinum risk categories to reward the higher volume lower risk categories with lower interest rates based onto a market-driven reduction from the current prime overdraft rate, and following market trends. Current information pricing is available to clients from any Land Bank Branch. This has had a positive impact on loan volumes. Interest capitalisation was amended from annual to monthly, bringing the Bank into line with commercial practice and making it easier for clients to compare rates. Clients continue to pay the same effective rate.

The unit has a range of products designed to support the Bank in addressing its mandate scheduled for release in 2000, which include a flexible mortgage bond facility, fixed interest rate products, and special mortgage products designed to complement the Land Reform initiatives of the Government.

Training

The Land Bank continues to place significant emphasis on skills development. While no formal comprehensive plan has yet been set, focus areas were identified for the interim, and the required training was carried out. All branches participated in a peer-training programme run by a qualified peer trainer at each branch. Training focused on technical and management skills. In addition 38 staff members are taking the Capable Managers course through UNISA and eight are training as valuators through Technikon RSA.

IT

Phase one of the Land Bank Automated Process (LAMP) systems, originally scheduled for completion in mid 1999 was delayed and was only completed in February 2000. The delay was mainly due to problems in transferring data from the old system to the new system and problems in customising the software. The Bank developed a prioritised action plan to address the problem. This resulted in all data being captured on the new system by the end of December 1999 and month end and annual financial statements coming on line in February 2000. In the light of this experience the Bank will re-plan Phase Two of the IT system roll out.

Human Resources

Human Resource strategy and activities focused on transforming workforce demographics, skills development, compensation systems and performance management. At Head Office 55% of new recruits in 1999 were black and 43% women. The Bank appointed more than 58% of the new black recruits to management level. The establishment of an Employment Equity Committee and the introduction of an Employment Equity policy will help to achieve a more representative workforce.

Risk and Audit

The unit manages the Bank's overall risk profile. Responsibilities include capital adequacy, treasury / funding risks, liquidity, interest rate risk and investor perception risk. On the operational side, the unit establishes and monitors overall lending rules, policies and guidelines for the Land Bank, ensuring that these are consistently applied and are responsive to the changing, expanding and diverse client base. The unit helps to ensure that the Bank's development activities do not prejudice its risk rating and its ability to access funds on local and international money markets.

The unit also assists the business units to maintain proper credit standards, holding risk-taking within reasonable limits and minimising losses.
The key objective set was the maintenance of the capital adequacy ratio at 18%, which was exceeded while still meeting the growth objectives of the loan book, which were met in the Retail Book, but not in Corporate Finance business.

Asset protection

The Land Bank has signed a memorandum of understanding with the Development Bank of South Africa providing access to Treasury Dealer Rooms at the Development Bank in the event of a disaster. The bank is in the process of formulating a comprehensive disaster recovery and business continuity plan. Compliance with policy is ensured by established internal audit procedures, which were completed during the year. The preservation of investment quality rating for Debentures of the Land Bank is the underlying objective and the Fitch IBCA rating of AA for long-term stock was retained.

Risk management

The Land Bank's risk management process (credit initiation, early problem recognition and remedial action) is an integrated and continuous cycle driven by established policy guidelines reviewed and approved by the Board. Each business unit has an established credit process involving delegated approval authority, credit policies and procedures approved by the Board. Doubtful or non-performing loans are identified at an early stage through regular monitoring of loan repayments, site inspection and standard classification levels that indicate the potential risk of loss. The mechanisms facilitate prudent and timely provisioning policies. These processes have resulted in adequate provision having been taken for all known or expected future losses. Some credit decisions are delegated to senior management according to a tiered policy based on loan exposure; while all significant loans are centrally approved.

The Credit Risk exposure is tracked by both geographical and crop sector exposure and details of this exposure is set out in Annexure C to the Annual Financial Statements.

Internal control

The Bank's internal controls are based on written policies and procedures that are implemented by trained, skilled staff. The internal auditors, PriceWaterhouseCoopers monitor controls. An Internal Audit Committee governs the scope of the internal audit and, with management, agrees to the annual Internal Audit Plan. High-risk areas are audited at least once a year while branch audits are done on a rotational basis. Forensic and other special services are included.

Financial report

Quantified objectives

Item	Objective	Actual
Growth in the Loan Book	14%	13%
Net Surplus	R94m	R434m
Expense: income	57%	27%
Capital adequacy	16%	18%

The financial objectives of the Land Bank are aimed at remaining a financially sustainable, going concern with no reliance on government subsidy, or other commitments by state or other non-government bodies. This has been achieved by good financial return on investment, and thereby improving the Debt/Equity ratio and maintaining adequate cash flow to meet commitments.

There have been no major changes in the use of fixed assets during the year.

In the opinion of the Directors, the financial statements fairly represent the Bank's state of affairs and its financial position as at the date of the Balance Sheet. The report of the external auditors is totally independent, and the audit report is unqualified.

There have been no significant post balance sheet events.

Board members

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Ms Memela TBJ		082 895 7943	012 312 3909 012 312 3669 W
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Mr. Nkosi SN DDG DLA cor. Jacob Maree & Paul Kruger Streets Public Works Building 7th Floor, Room 734, South Block	P .O. Box 477 NATURENA 2064	083 445 1336	012 323 1541 012 312 9569 W 011 942 1790 H
Mr. Toms AR		082 894 0981	012 326 2488 012 312 3666 W
Mr. Van Veijeren CG Underberg Processing Co-operative P.O. Box 345 MALELANE 1320	Malelane Toyota C/O Mr. Horn MALELANE	083 255 9904	013 790 0590 013 790 0745
Tiyani Mongwe Secretariat		082 898 5563	012 328 4056 012 312 3608

STATEMENT 1

BALANCE SHEET AS AT 31 DECEMBER 1999

	NOTES	1999 R'000	1998 R'000
Capital employed			
Capital fund	2	200,955	200,955
Reserves	3	2,552,038	2,140,547
Total equity		2,752,993	2,341,502
Long-term funding	4	2,530,338	2,371,697
Medium-term funding	5	1,861,409	935,927
		7,144,740	5,649,126
Employment of capital			
Property and equipment	6	83,949	107,123
Loans to farmers	7	8,240,188	7,043,617
Loans to co-operatives	8	579,920	601,098
Loans to statutory agricultural institutions	9	301,213	230,380
Investments	10	101,896	65,847
Current assets			
Section 34 short-term loans	7	1,493,527	1,113,387
Loans to co-operatives	8	4,311,316	4,275,949
Loans to agri-related companies	11	43,832	31,795
Sundry debtors	12	783,660	390,662
Other assets	13	54,167	68,457
Bank balance		714,950	332,587
Grain-silo loans to non - co-operatives		-	14
Total current assets		7,401,452	6,212,851
Current liabilities			
Promissory notes	14	3,228,046	2,715,500
Bills payable	14	2,781,000	3,030,000
Call bonds	14	1,215,401	1,420,000
Deposits	15	549,060	674,936
Bank overdraft		1,683	5,751
Sundry creditors	16	1,377,475	466,068
Provisions	17	411,213	299,521
Balance of funds received from the state for grain-silo loans to non - co-operatives		-	14
Total current liabilities		9,563,878	8,611,790
Net current liabilities		(2,162,426)	(2,398,939)
		7,144,740	5,649,126

We hereby certify that these statements have been compiled from the books of the bank and to the best of our knowledge and belief are correct.

T B J MEMELA
ACTING MANAGING DIRECTOR
PRETORIA 22 SEPTEMBER 2000

S VAN SCHALKWYK
CHIEF ACCOUNTANT

Financial statements signed for and on behalf of the Land Bank Board at PRETORIA by:

A R TOMS
22/09/2000

C VAN VEIJEREN

STATEMENT 2

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTES	1999 R'000	1998 R'000
Income			
Interest received	18	**2,447,149**	2,321,489
Sundry income	19	**4,122**	55,065
Total income		**2,451,271**	2,376,554
Expenditure			
Interest paid	20	**1,663,072**	1,738,161
Administration costs	21	**218,073**	194,288
Movement in provisions	23	**129,062**	68,337
Depreciation		**6,126**	4,755
Revaluation of assets		**441**	-
Share of post-acquisition loss of associated company	10	**214**	-
Total expenditure		**2,016,988**	2,005,541
Surplus before transfers to reserves		**434,283**	371,013
Surplus transferred to reserves	24	**434,283**	371,013
Unappropriated surplus at the end of the year		**-**	-

STATEMENT 3

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTES	1999 R'000	1998 R'000
Cash flows from operating activities			
Cash received from clients		**2,447,599**	1,796,099
Cash paid to employees and suppliers		**(1,362,472)**	(1,596,274)
Increase income earning assets		**(1,673,756)**	(1,439,535)
Net cash outflow from operating activities	25.2	**(588,629)**	(1,239,710)
Cash flows from investing activities			
Proceeds on disposal of property & equipment	25.3	**787**	9,673
Additions to property & equipment	25.4	**(6,858)**	(13,549)
New additions		**-**	-
Replacement additions		**(6,858)**	(13,549)
Increase in investments	25.5	**(36,049)**	(23,548)
Net cash outflow from investing activities		**(42,120)**	(27,424)
Cash flows from financing activities			
Increase / (Decrease) in long-term funding	25.6	**158,641**	(490,571)
Increase in short-term funding	25.7	**797,665**	2,151,046
Increase / (Decrease) in medium-term funding	25.8	**60,874**	(42,296)
Net cash inflow from financing activities		**1,017,180**	1,618,179
Net increase in cash and cash equivalents		**386,431**	351,045
Cash and cash equivalents at beginning of year		**326,836**	(24,209)
Cash and cash equivalents at end of year	25.1	**713,267**	326,836

STATEMENT 4

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 1999

	BALANCE 31/12/97 R'000	MOVEMENTS R'000	BALANCE 31/12/98 R'000	**MOVEMENTS R'000**	**BALANCE 31/12/99 R'000**
CAPITAL	200,955	-	200,955	**-**	**200,955**
DISTRIBUTABLE					
General	1,628,742	183,404	1,812,146	**226,396**	**2,038,542**
Interest equalisation fund	100,000	-	100,000	**-**	**100,000**
Building/Capital expenditure	18,000	(9,000)	9,000	**13,450**	**22,450**
Development Fund	-	100,000	100,000	**26,347**	**126,347**
Silver & Bronze Development Fund	-	96,609	96,609	**168,090**	**264,699**
	1,947,697	371,013	2,318,710	**434,283**	**2,752,993**
NON DISTRIBUTABLE					
Asset revaluation	22,792		22,792	**(22,792)**	**-**
	1,970,489	371,013	2,341,502	**411,491**	**2,752,993**

SCHEDULE A

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies on which the annual financial statements are based conform with South African statements of generally accepted accounting practice.

The most important policy directives which are set out below, are consistent with those of the previous years, except where otherwise disclosed.

1.1 Financial assets and liabilities

Investments in financial assets are initially recognised at cost. Subsequently, financial assets are stated at fair value except for fixed maturity investments such as loans to clients which are stated at carrying value, while provision is made separately for irrecoverable debt. Financial liabilities are recognised at the original debt less principal repayments and amortisations, except for money market instruments which are re-measured at fair value. The recognition of a financial instrument on the balance sheet ceases when the contractual relationship between the Land Bank and another enterprise comes to an end with the result that it no longer represents a financial asset of one enterprise and a financial liability or equity of another enterprise.

A distinction is made between interest earnings, which is the bank's main source of income and income from other sources such as dividends received. All securities held for trading purposes are revalued at balance sheet date and the net profit or loss is accounted for in income. Gains and losses on hedging instruments are accounted for in income for the period.

1.2 Liquidity risk

To manage the liquidity risk the bank arranges standby facilities at other financial institutions and maintains a portfolio of sufficient liquid assets to meet its commitments on time.

Interest rate risk

The bank manages the interest rate risk by making use of various funding sources and a number of long, medium and short-term financial instruments with a variety of maturity dates.

Although almost all loans are granted at floating interest rates and the interest rates in respect of short-term credit instruments can also be regarded as floating rates, the rates applicable to debenture loans and medium-term promissory notes are fixed for several years. An Interest Equalisation Fund was specifically created for this purpose.

During periods of declining interest rates the bank might be exposed to interest rate risks if lending rates are reduced while long and medium-term funding rates are fixed at higher levels. In times of market instability the exposure to interest rate risks is managed by means of financial derivatives in order to convert fixed interest rates into floating interest rates or vice versa. Furthermore, as a result of the falling interest rates during the second half of 1999, the bank refrained from issuing longer term credit instruments with fixed interest rates but instead issued longer term floating rate notes and other structured funding instruments with floating interest rates in order to address the interest rate and liquidity risk simultaneously.

(Full details of the maturity dates of the financial instruments are provided in Annexure C).

1.3 Credit risk management

Funding

The bank limits its counter parties exposures from its money market operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counter party is managed by setting transaction/exposure limits, which are reviewed regularly.

The bank is also exposed to credit-related losses in the event of non-performance by counter parties to hedging instruments. The counter parties to these contracts are major financial institutions. The bank continually monitors its positions and the credit ratings of its counter parties and limits the amount of contracts it enters into with any one party.

In assessing credit risk, the impact of master netting agreements is taken into account on an aggregated basis, while the value of collateral is not taken into account.

Lending

Debtors comprise a large number of customers, dispersed across different geographical areas in South Africa. Ongoing credit evaluations are performed on the financial position of these debtors. Although all debts are stated at carrying value, provision is made for bad debt separately. At year-end there was no significant concentration of risk for which adequate provision has not been made.

1.4 Interest

Accrued interest payable to and by the bank is reflected in the financial statements. Interest prepaid on bills and promissory notes as at the financial year-end is deducted from interest paid, while interest received in advance is deducted from interest received.

In order to simplify the bank's accounting system and to give recognition to best practice, it was decided to change to the monthly (instead of annually) capitalisation of interest on all debtors accounts as from 1 July 1999. To ensure that clients were not penalised, the applicable interest rate was reduced by approximately 1,5% from "Nominal Annual Capitalised Annually" (NACA) to "Nominal Annual Capitalised Monthly" (NACM).

For comparison purposes the applicable loan balances as well as sundry debtors and sundry creditors were restated (refer to Annexure B).

Schedule A *(continued)*

1.5 Fair value of financial instruments

At year-end the carrying amounts of cash and short-term deposits, accounts receivable, accounts payable, accrued expenses, and short-term borrowings approximated their fair values due to short-term maturities of these assets and liabilities. The fair value in respect of accounts receivable represent the carrying value less provision for bad debts.

The following methods and assumptions were used by the bank in establishing fair values.

Financial instruments traded in an organised financial market:

The amounts disclosed in respect of the market making portfolio are stated at fair value. The fair value of these financial instruments represents the positive or negative cash flows which would have occurred if the rights and obligations arising from those instruments were closed out in an orderly market transaction at year-end. Quoted market prices are available for government and semi-government bonds, debentures and options.

Financial instruments not traded in an organised financial market:

The carrying amounts of creditors, accruals and dividends payable reported in the balance sheet approximates their fair value. The fair value in respect of debtors represents the carrying value less provision for bad debt.

1.6 Land Bank debentures

Primary issues

Land Bank debentures which are unsecured, are stated at cost. Discounts and premiums arising on the issue of stock are amortised over the period of the debt, using the yield-to-maturity basis. Those discounts and premiums are recognised in interest paid.

1.7 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 lifetime of the stock using the yield-to-maturity method. Profits and losses are recognised on realisation and disclosed as interest paid, while coupon interest together with discounts and premiums amortised, are transferred to interest received.

1.8 Secondary market transactions in Land Bank debentures and other institutional stock

Debentures and other institutional stock repurchased are valued at fair value as at the financial year-end. 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.

Schedule A *(continued)*

1.9 Repurchase agreements

Where financial instruments are sold from the hedging or market making portfolio and the Land Bank agrees to repurchase these at future dates, and the risk of ownership remains with the bank, the consideration received is included in current liabilities.

Conversely where financial instruments are purchased subject to commitments to resell these at future dates, and the risk of ownership does not pass to the bank, the consideration paid is included in current assets.

In previous years the net effect of consideration received/paid was included in the market making portfolio which forms part of debentures.

The figures for the applicable years are as follows:

	1999	1998
Financial instruments sold	**R1 150 769 227**	R350 415 235
Financial instruments purchased	**R 575 353 955**	R224 122 094

If the figures for 1998 had been disclosed on this basis, sundry creditors would have increased by R350,4 million, sundry debtors by R224,1 million.

1.10 Derivative instruments

The bank is making use of derivative instruments for both funding and hedging purposes. Premiums received or paid in respect of derivatives earmarked for funding and hedging, are amortised over the lifetime 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 market making purposes are stated at fair value while profits and losses are included in interest paid. These instruments are exposed to interest rate risk.

1.11 Interest rate swaps

Interest rate swaps are used to convert a percentage of the fixed interest rate borrowed funds to floating interest rates. This derivative instrument is therefore used as a hedging tool against the risk which exists between fixed interest rate borrowed funds and floating lending rates. The profit and/or loss realised by these transactions is regarded as an increase/decrease in the cost of funding and does therefore form part of interest paid in the income statement.

1.12 Property and equipment

Bank premises are independently valued every 5 years on the basis of open market value with current use.
The current carrying value is based on the valuation as at 31 December 1999. Unrealised revaluation surpluses and deficits are transferred to a revaluation of property reserve.

Schedule A *(continued)*

Valuation surpluses realised on sale are transferred from the revaluation of property reserve to the income statement. Any deficit arising from the professional valuation of property is charged directly against the revaluation of property reserve. Where a permanent diminution in value is identified, the deficit is eliminated against the revaluation of property reserve, with any excess being charged to the income statement. Furniture, office and computer equipment as well as vehicles are included at historical cost less accumulated depreciation.

Other than property, on which depreciation is not provided, depreciation on equipment is calculated on the straight line basis over their expected useful lives at the following rates:

Furniture and fittings	16.70% to 20.00%
Computer equipment	33.00%
Motor vehicles	20.00%

1.13 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 adverse agricultural conditions in the past, 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 13. Also refer to note 23.1.

1.14 Provision for bad debt

Although specific provisions are made against identified doubtful debt, general provisions are maintained to cover potential losses which, although not specifically identified, may be present on any portfolio of advances. Accrual of interest on advances is suspended when the recoverability of the advance becomes uncertain. Advances are written off once the probability of recovering any significant amounts becomes remote.
Refer to note 23.1.

1.15 Post-employment benefits

1.15.1 Contributions to medical aid fund

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

Since this policy creates a contingent liability should there be an actuarial shortfall in the fund, it was decided to fund the actuarially calculated accrued commitment. Actuarial valuations of the bank's liability are conducted on a biannual basis. (Refer note 23.6.)

Schedule A *(continued)*

According to the latest valuation which was done on 31 December 1999, the total liability for current and future pensioners amounted to R116 million (1997 – R81 million) of which an amount of R107 million was provided for at 31 December 1999. Although the liability in respect of expired service amounted to R70,2 million on 31 December 1999, it is the bank's policy to fund the total liability of R116 million over a period of time.

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.

The amount already provided for is currently invested in a separate fund.

1.15.2 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. The next statutory actuarial valuation will be conducted as at 31 December 2000. According to the valuation as at 31 December 1998 the fund was in a healthy financial position but steps should be taken to address the increased cost of risk benefits. The total shortfall in respect of risk benefits amounted to 2,87% of salaries or a cash equivalent of R2,7 million. The fund also does 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 R71,6 million. On 31 December 1999, 928 employees were members of the Land Bank Retirement Fund. The Land Bank's contribution to the retirement fund is expensed as incurred.

The most important valuation assumptions can be summarised as follows:

Active members:

- SA56 – 62 mortality rates.
- Morbidity rate at a particular age will be equal to 75% 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.

1.16 Associated company

The associated company is a company which is not a subsidiary and in which the bank holds a long-term investment and exercises a significant influence on its financial and operating policy. The results of the associated company are accounted for according to the equity method, based on its most recent financial statements.

The investment in the associated company is written down when there is considered to be a permanent diminution in value.

1.17 Directors' emoluments

The directors' emoluments in respect of the Land Bank are disclosed in note 21 to the financial statements. The earnings and perquisites of the executive and non-executive directors were as follows:

<u>Directors emoluments</u>

	Executive Directors		Non – Executive Directors	
	1999	1998	**1999**	1998
Salaries, allowances and contribution to funds	**2 188 893**	1 488 896	**224 000**	293 525
Bonuses	**183 945**	54 163	-	-
Expense allowance	**59 758**	29 457	-	-
	2 432 596	1 572 516	**224 000**	293 525

1.18 Limitations on disclosure

As result of either the sensitivity or the impracticality thereof, detail information regarding the following aspects are not provided:

- Strike rates of all options
- Interest rates applicable to swaps
- Profits/losses on market making activities, including options and repurchase agreements
- Preparing and maturity dates of swaps
- Interest cash flow risk on floating rates
- Period for which swaps are rated
- Effective interest rate on zero coupon swaps
- Information regarding terms of swap contracts

1.19 Imputed tax and dividend

In terms of the provisions of section 10 (1) (A) of the Income Tax Act, 1997 (Act No. 28 of 1997) the Land Bank is exempted from income tax.

The board of the bank however decided to implement an imputed tax deduction of 35% on net profit for the purpose of development funding.

In the same token it was also decided to calculate an imputed dividend of 15% on "after tax" profits, as no dividends are paid to government which is the bank's sole shareholder. A total

Schedule A *(continued)*

amount of R194 million was allocated to the development reserves as at 31 December 1999. If the same policy was applied to the 1998 net profit, an amount of R166,0 million would have been available. However a total amount of R196,6 million was allocated to the Development Reserves on 31 December 1998.

The gross income from the above-mentioned sources will in future be allocated to the Development Fund Reserve on an annual basis, for funding of the development loan book.

1.20 Impairment of assets

To eliminate the possibility of impairment losses, provision is made in various ways depending on the type of asset involved and can be summarised as follows:

- Loans	- Provision for irrecoverable debt as per notes 1.14 and 23.1
- Farm property bought in	- Revaluation of all properties. Refer to notes 1.13 and 23.1
- Property and equipment	- Revaluation of property. Refer to notes 1.12 and 6
	- Depreciation of other fixed assets as per notes 1.12 and 6
- Investments	- Market value of medical fund as per note 10
	- Actuarial valuation of shares in SAVVEM. Refer to note 10
	- Director's valuation of shares in Rutec. Refer to note 10

1.21 General reserve

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

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 biannually on 31 March and 30 September. The average effective interest rate amounts to 4.7% for both financial years.

3. RESERVES	**1999 R'000**	1998 R'000
3.1 Distributable		
General reserve	**2 038 542**	1 812 146
Silver and bronze development fund	**264 699**	96 609
Interest equalisation fund	**100 000**	100 000
Capital expenditure	**22 450**	9 000
Total distributable reserves	**2 425 691**	2 017 755
3.2 Non-distributable		
Revaluation of property	**-**	22 792
Reserves earmarked for development funding	**126 347**	100 000
Total non-distributable reserves	**126 347**	122 792
Total reserves (refer note 24)	**2 552 038**	2 140 547

Schedule A *(continued)*

Silver and Bronze Development Fund

In order to separate the funding of poor resourced farmers (silver and bronze range) from the commercial loan book (gold range) an amount of R101,2 million from the 1999 surplus was allocated to the Silver and Bronze Development Fund while R66,8 million was transferred from the reserves earmarked for development funding.

Interest equalisation fund

During a period of declining interest rates the bank's long-term funding costs may exceed interest earnings on long and medium-term loan portfolios.

Capital expenditure

This reserve serves as an allocation for future capital expenditure regarding bank premises as well as information technology infrastructure.

Revaluation of property

Refer to note 1.12.

Reserves earmarked for development funding

An amount of R26,3 million was allocated to this reserve for further loans to be granted under the silver and bronze range during the next financial year.

	1999 R'000	1998 R'000
4. LONG-TERM FUNDING		
Debentures		
Funding portfolio (capital)	**2 997 274**	2 701 572
Discount	**74 728**	44 574
Funding portfolio (at cost)	**3 072 002**	2 746 146
Hedging portfolio (at cost)	**(555 923)**	(375 660)
Nominal value 1999 – R602 million	**(544 598)**	
1998 – R444 million		(371 754)
Discount	**(11 325)**	(3 906)
	2 516 079	2 370 486
Options (net at fair value)	**10 261**	4 772
	2 526 340	2 375 258
Market making portfolio (net at fair value)	**3 998**	(3 561)
	2 530 338	2 371 697

Schedule A *(continued)*

		1999 **R'000**	1998 R'000
	Refer to note 1.9 for details of restatement of market making portfolio comparative balance		
5.	**MEDIUM-TERM FUNDING**		
5.1	**Medium-term promissory notes**		
	Nominal value 1999 – R1 236,9 million	**996 801**	
	1998 – R1 280,8 million		935 927
5.2	**Zero coupon structured notes**	**202 466**	-
5.3	**Floating rate promissory notes**	**662 142**	-
		1 861 409	935 927
	Average effective interest rates are not provided for notes for these instruments.		
	The average annual rate of interest on net financial market instruments amounted to	**12,73%**	19,22%
6.	**PROPERTY AND EQUIPMENT**		
6.1	**Bank premises**		
	Valuation	**70 250**	93 772
	Carrying value (opening balance)	**93 772**	84 948
	Building projects completed	**-**	9 204
	Disposals	**(289)**	(380)
	Revaluation	**(23 233)**	-
	Carrying value (closing balance)	**70 250**	93 772

Bank premises were independently valued during December 1999 by Landdata Valuations (Pty) Limited, members of the South African Institute of Valuers, at open market value with current use as basis.

Schedule A *(continued)*

		1999 R'000	1998 R'000
6.2	**Furniture and fittings**		
	Carrying value (opening balance)	**5 303**	6 340
	Additions	**622**	656
	Disposals (carrying value)	**(65)**	(13)
	Depreciation	**(1 755)**	(1 680)
	Carrying value (closing balance)	**4 105**	5 303
	Cost price	**10 083**	9 685
	Accumulated depreciation	**(5 978)**	(4 382)
	Carrying value	**4 105**	5 303
6.3	**Computer equipment**		
	Carrying value (opening balance)	**4 405**	3 097
	Additions	**5 265**	2 995
	Disposals (carrying value)	**(22)**	(23)
	Depreciation	**(2 963)**	(1 664)
	Carrying value (closing balance)	**6 685**	4 405
	Cost price	**14 256**	10 063
	Accumulated depreciation	**(7 571)**	(5 658)
	Carrying value	**6 685**	4 405
6.4	**Motor vehicles**		
	Carrying value (opening balance)	**3 643**	4 929
	Additions	**971**	125
	Disposals (carrying value)	**(297)**	-
	Depreciation	**(1 408)**	(1 411)
	Carrying value (closing balance)	**2 909**	3 643
	Cost price	**7 707**	8 148
	Accumulated depreciation	**(4 798)**	(4 505)
	Carrying value	**2 909**	3 643
	Total fixed assets (carrying value)	**83 949**	107 123

Schedule A *(continued)*

	1999 R'000	1998 R'000
7. LOANS TO FARMERS		
7.1 Long- and medium-term loans		
(refer to Annexure A for funding details)		
Long-term mortgage loans		
Gold range	**6 311 390**	5 362 053
Silver range	**5 398**	-
	6 316 788	5 362 053
7.2 Section 34 medium-term loans		
(refer to Annexure A for funding details)		
Gold range	**1 743 930**	1 595 274
Silver and bronze range	**179 470**	86 290
Total long- and medium-term loans	**8 240 188**	7 043 617
7.3 Short-term loans		
(refer to Annexure A for funding details)		
Gold range	**1 433 199**	1 098 507
Silver and bronze range	**49 163**	10 729
Step up loans	**11 165**	4 151
	1 493 527	1 113 387

Section 34 medium-term loans are mainly granted for the purchase of livestock and implements while section 34 short-term loans are used for production credit (refer to Annexure C for maturity details)

Schedule A *(continued)*

		1999 R'000	1998 R'000
8.	**LOANS TO CO-OPERATIVES**		
	Long-term mortgage loans	**579 920**	601 098
	Short-term cash credits	**4 311 316**	4 275 949
		4 891 236	4 877 047
9.	**LOANS TO STATUTORY AGRICULTURAL INSTITUTIONS**		
	Long-term mortgage loans	**301 213**	230 380
10.	**INVESTMENTS**		
10.1	**Medical aid fund (managed portfolio)**		
	Opening balance	**65 782**	42 269
	Yield/(loss) on investment	**30 982**	(7 928)
	Additional contribution	**-**	31 441
	Closing balance	**96 764**	65 782

Directors' valuation – R96,7 million (1998 : R65,8 million) The amounts transferred to the medical aid fund provision since 31 December 1995, were entrusted to a portfolio manager. The net yield (loss) on this unlisted investment for the relevant year was credited (debited) 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. This investment is exposed to interest rate and market risk.

		1999 R'000	1998 R'000
10.2	**Standard Corporate Merchant Bank**	**2 466**	

Discount on 7 year coupon structures note, amortised to 31/12/99. Directors' valuation – R2,5 million

10.3 SAVVEM (unlisted)

	1999 R'000	1998 R'000
Shares in the South African Mortgage Insurance Company Limited (SAVVEM) Directors' valuation – 30 June 1999 (R 96,8 million)	**30**	30

Schedule A *(continued)*

	1999 R'000	1998 R'000

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 the Land Bank guarantees the solvency of SAVVEM, the company's actuarial value of the surplus as at 30 June 1999 amounted to R96,8 million (1998-R201 million). The board is of the opinion that it would not be meaningful to consolidate the financial statements of SAVVEM. The financial statements of this unlisted company are attached as an annexure to these financial statements. An administration fee based on the number of policies in operation is paid to the Land Bank annually.

10.4 Associated company

	1999 R'000	1998 R'000
Rutec (Pty) Ltd (unlisted)		
35% shares at book value 28/02/1999	1 172	-
Goodwill	2 430	-
	3 602	-
	(987)	-
Share of current year's shortfall	(214)	-
Dividend received	(773)	-
Carrying value as at 31/01/2000	2 615	-
Directors' valuation as at 31/01/2000	2 615	-

The main business of Rutec (Pty) Ltd is to provide agricultural training courses and to sell general merchandise. Although the company's financial year-end is 28 February the latest available (unauditede) figures are those of 31 January 2000.

	1999 R'000	1998 R'000
10.5 SU management services (service account)	21	35
	101 896	65 847

11. LOANS TO AGRI – RELATED COMPANIES

	1999 R'000	1998 R'000
Short-term cash credits		
Gold range	42 561	30 029
Silver and bronze range	1 271	1 766
	43 832	31 795

Schedule A *(continued)*

	1999 R'000	1998 R'000
12. SUNDRY DEBTORS		
SAVVEM	**8 626**	1 256
Accrued interest (receivable)	**26 365**	21 158
Interest pre-paid	**132 099**	110 691
Loans to employees	**24 038**	33 433
Repurchase agreements	**575 354**	224 122
Sundry amounts receivable	**14 743**	-
Other	**2 435**	2
	783 660	390 662
13. OTHER ASSETS		
Landed property account	**19 794**	23 146
Properties sold – being transferred	8 704	7 788
Unsold properties on hand	11 090	15 358
Less: Provision – irrecoverable debt (refer note 23.1)	**(8 219)**	(6 029)
	11 575	17 117
Section 34 shortfalls	**2 592**	1 340
Dividend due by SAVVEM	**40 000**	50 000
	54 167	68 457

14. PROMISSORY NOTES, BILLS AND CALL BONDS

14.1 Promissory notes (unsecured) at nominal value

	1999 R'000	1998 R'000
Balance at year-end	**3 228 046**	2 715 500
Average effective interest rate	**11.69%**	21.98%

14.2 Bills (unsecured) at nominal value

	1999 R'000	1998 R'000
Balance at year-end	**2 781 000**	3 030 000
Average effective interest rate	**10.99%**	21.05%

14.3 Call bonds (unsecured) at nominal value

	1999 R'000	1998 R'000
Balance at year-end	**1 215 401**	1 420 000

Schedule A *(continued)*

		1999 R'000	1998 R'000
	Average effective interest rate (refer to Annexure C for maturity dates)	**13.75%**	17.63%
15.	**DEPOSITS**		
	Development trusts	**16 036**	14 409
	Co-operatives	**133 208**	115 884
	Control boards	**-**	290 018
	SAVVEM and other small institutional deposits	**19 479**	21 739
	Forced stock sales	**227 430**	225 949
	Retirement fund	**1 323**	6 549
	Standard Bank deposit	**150 000**	-
	Other	**1 584**	388
		549 060	674 936
	Average effective interest rate	**11.8%**	17.92%
16.	**SUNDRY CREDITORS**		
	Interest payable on debentures	**101 027**	-
	Accrued expenses	**66 751**	47 295
	Audit fees	**946**	652
	Interest received in advance	**3 671**	5 496
	Prepaid instalments	**-**	17 676
	Repurchase agreements	**1 150 769**	350 415
	Doubtful interest receivable	**24 865**	12 073
	SAVVEM premiums outstanding	**12 344**	9 884
	Other	**17 102**	22 577
		1 377 475	466 068
17.	**PROVISIONS** (refer note 23)		
	Irrecoverable debt	**247 781**	165 971
	Accrued leave	**8 765**	7 574
	Section 47 grants	**10 681**	8 007
	Upgrading of computer system	**9 588**	19 834
	Transformation	**-**	1 550
	Medical fund	**106 764**	65 782
	Retrenchment packages	**24 934**	30 803
	Retirement fund shortfall	**2 700**	-
		411 213	299 521

Schedule A *(continued)*

		1999 R'000	1998 R'000
18.	**INTEREST RECEIVED**		
	Per loan type		
	Mortgage loans	**980 091**	819 891
	Section 34 medium-term loans	**338 933**	253 644
	Section 34 seasonal loans	**247 736**	149 001
	Wholesale	**744 930**	890 144
	Other	**135 459**	208 809
		2 447 149	2 321 489
19.	**SUNDRY INCOME**		
	Application and valuator's fees	**1 159**	1 133
	Bond fees	**534**	294
	Commission earned	**71**	228
	Rent received	**775**	648
	Unclaimed interest on debentures	**371**	1 648
	Surplus on sale of property and equipment	**114**	93
	SAVVEM administration fees	**1 088**	1 020
	Dividend on unlisted shares in subsidiary SAVVEM	**-**	50 000
	Other	**10**	1
		4 122	55 065
20.	**INTEREST PAID**		
	Capital fund	**8 999**	8 999
	Debentures	**349 024**	440 732
	Medium-term promissory notes	**122 019**	131 407
	Bills	**352 088**	475 370
	Promissory note	**471 327**	348 586
	Call bonds	**229 146**	225 200
	Deposits and credit balances	**129 881**	107 156
	Commercial banks	**588**	711
		1 663 072	1 738 161

Schedule A *(continued)*

	1999 R'000	1998 R'000
21. ADMINISTRATION COSTS		
Contributions to Land Bank Retirement Fund	**12 692**	14 111
Contributions to medical aid fund	**12 910**	14 113
Personnel costs	**131 526**	121 022
Operating leases:		
Office premises	**1 013**	857
Equipment	**2 291**	2 278
Maintenance and transport	**7 367**	5 641
Repairs and maintenance	**10 235**	7 233
Professional fees	**10 459**	3 346
Rates and taxes	**7 726**	7 283
Stationery	**2 269**	2 402
Postage, telephone, etc.	**7 395**	6 134
Printing and advertisements	**3 065**	3 909
Audit fees (External):		
For audit	**791**	577
Expenses	**50**	30
Audit fees (Internal)	**414**	296
Directors' emoluments (refer note 1.17)	**2 657**	1 866
Services as directors	**224**	294
Other services	**2 433**	1 572
Commission paid	**144**	-
On time bonus	**2 609**	-
Other	**2 460**	3 190
Total administration costs	**218 073**	194 288
22. SHORTFALLS WRITTEN OFF		
Landed property account	**2 980**	301
Section 34 loans	**1 523**	5 528
Personnel housing loans	**-**	254
	4 503	6 083
	(90)	(219)
Surpluses realised	**(75)**	(106)
Shortfalls recovered	**(14)**	(52)
Sundries	**(1)**	(61)
	4 413	5 864
Set off against provision - irrecoverable debt (refer note 23.1)	**(4 413)**	(5 864)
	-	-

Schedule A *(continued)*

	1999 R'000	1998 R'000
23. MOVEMENT IN PROVISIONS		
Refer to note 17		
23.1 Irrecoverable debt		
Opening balance	**172 000**	127 000
Net shortfalls written off (refer note 22)	**(4 413)**	(5 864)
Transfer from profit and loss account	**88 413**	50 864
	256 000	172 000
Provision for shortfalls under Landed property account (refer note 13)	**(8 219)**	(6 029)
	247 781	165 971
23.2 Accrued leave		
Opening balance	**7 574**	9 207
Paid out	**(4 804)**	(7 526)
	2 770	1 681
Transfer from profit and loss account	**5 995**	5 893
	8 765	7 574
23.3 Section 47 grants		
Opening balance	**8 007**	7 121
Paid out	**(2 326)**	(4 114)
	5 681	3 007
Transfer from profit and loss account	**5 000**	5 000
	10 681	8 007
23.4 Upgrading of computer system		
Opening balance	**19 834**	30 000
Paid out	**(18 071)**	(10 166)
	1 763	19 834
Transfer from profit and loss account	**7 825**	-
	9 588	19 834

Schedule A *(continued)*

	1999 R'000	1998 R'000
23.5 Transformation costs		
Opening balance	**1 550**	4 250
Paid out	**(1 689)**	(4 177)
	(139)	73
Transfer from profit and loss account	**139**	1 477
	-	1 550
23.6 Medical fund provision		
Opening balance	**65 782**	73 710
Yield/(loss) on investment	**30 982**	(7 928)
Transfer from profit and loss account	**10 000**	-
	106 764	65 782
23.7 Retrenchment packages		
Opening balance	**30 803**	25 700
Paid out	**(14 859)**	(-)
	15 944	25 700
Transfer from profit and loss account	**8 990**	5 103
	24 934	30 803
23.8 Retirement fund shortfall		
Transfer from profit and loss account (refer note 1.15.2)	**2 700**	-
	2 700	-
Total transfers to provisions	**129 062**	68 337

Schedule A *(continued)*

	1999 R'000	1998 R'000
24. TRANSFERS TO (FROM) RESERVES		
Opening balance	**2 140 547**	1 769 534
Revaluation of property	**(22 792)**	-
	2 117 755	1 769 534
Current years transfers to reserves	**434 283**	371 013
Capital expenditure	**13 450**	(9 000)
Silver and Bronze Development Fund	**101 224**	96 609
Transfer to Silver and Bronze Development Fund	**66 866**	-
Reserves earmarked for development funding	**93 213**	100 000
Transfer from reserves earmarked for development funding	**(66 866)**	-
General reserve	**226 396**	183 404
Closing balance (refer note 3)	**2 552 038**	2 140 547

25. NOTES TO THE CASH FLOW STATEMENT

25.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and high liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk in changes in value.

	1999 R'000	1998 R'000
Bank balances	**714 950**	332 587
Bank overdraft	**(1 683)**	(5 751)
	713 267	326 836

25.2 Cash received from operations

	1999 R'000	1998 R'000
Surplus before transfer to reserves	**434 283**	371 013
Adjusted for:		
Depreciation	**6 126**	4 755
Surplus on sale of property and equipment	**(114)**	(93)
Revaluation of property	**441**	-
	440 736	375 675

Schedule A *(continued)*

		1999 R'000	1998 R'000
	Movement in loans	**(1 673 756)**	(1 439 535)
	(Increase) in section 34 short-term loans	**(380 140)**	(470 706)
	Decrease in loans to co-operatives	**21 178**	115 408
	Decrease in loans to control boards	**-**	160 065
	Increase in loans to agri-related companies	**(12 037)**	(31 795)
	Increase in loans to farmers	**(1 196 571)**	(1 179 284)
	Increase in loans to co-operatives	**(35 367)**	(5 792)
	Decrease in grain-silo loans	**14**	28
	Increase in loans to statutory agricultural institutions	**(70 833)**	(27 459)
	Movement in working capital	**644 391**	(175 850)
	Increase in sundry debtors	**(392 998)**	(580 455)
	Decrease/ (Increase) in other assets	**14 290**	(52 564)
	Increase in sundry creditors	**911 407**	431 021
	Increase in provisions	**111 692**	26 148
		(588 629)	(1 239 710)
25.3	**Proceeds on disposal of property and equipment**	**787**	9 673
25.4	**Additions to property and equipment**	**(6 858)**	(13 549)
	Bank premises	**-**	9 184
	Building projects in progress	**-**	589
	Furniture and fittings, computer equipment and motor vehicles	**6 858**	3 776
25.5	**Increase in investments**	**(36 049)**	(23 548)
	Medical aid fund	**(30 982)**	(23 513)
	SU management services account	**14**	(35)
	Associated company	**(2 615)**	-
	Standard Corporate Merchant Bank	**(2 466)**	-
25.6	**Increase/ (Decrease) in long-term funding**		
	Debentures	**158 641**	(490 571)

Schedule A *(continued)*

		1999 R'000	1998 R'000
25.7	**Increase in short-term funding**	**797 665**	2 151 046
	Increase in promissory notes	**512 546**	1 434 906
	(Decrease)/Increase in bills payable	**(249 000)**	275 000
	(Decrease)/Increase in call bonds	**(204 599)**	412 000
	(Decrease)/Increase in deposits	**(125 876)**	29 168
	Decrease in grain-silo loans non-co-operatives	**(14)**	(28)
	Increase in floating rate promissory notes	**662 142**	-
	Increase in zero coupon structured notes	**202 466**	-
25.8	**Increase (Decrease) in medium-term funding**	**60 874**	(42 296)
	Increase/(Decrease) in medium-term promissory notes	**60 874**	(42 296)
26.	**COMMITMENTS AND CONTINGENT LIABILITIES**		
26.1	**Loans granted but not yet paid out**		
	Individual farmers	**1 089 068**	1 030 539
	Co-operatives	**118 639**	85 294
	Although these figures represent the real amount payable, the payment date is not known.	**1 207 707**	1 115 833
26.2	**Guarantees in respect of co-operatives**	**87 761**	129 917
	These are amounts guaranteed in respect of co-operatives but it is unknown when the guarantees will be presented for payment.		
26.3	**Secondary market**		
	Commitments in respect of transactions effected during December 1999, with a settlement date in January 2000.		
26.3.1	**Debentures/ Stock purchased**		
	Land Bank debentures		
	Nominal value 1999 – R126 million	**122 946**	
	1998 – R 25 million		19 586
	Other institutional stock		
	Nominal value 1999 – R1 075 million	**1 082 120**	
	1998 – R 310 million		275 921
		1 205 066	295 507

Schedule A *(continued)*

	1999 R'000	1998 R'000
26.3.2 Debentures/ Stock sold		
Land Bank debentures		
Nominal value 1999 – R539,9 million	**514 015**	
1998 – R288 million		246 104
Other institutional stock		
Nominal value 1999 – R124 million	**124 248**	
1998 – R 18 million		14 705
	638 263	260 809
26.4 Interest rate swaps		
26.4.1 Interest payable		
Fixed		
Nominal value 1999 R0,4 million	**(5 207)**	-
Floating		
Nominal value 1999 R0,4 million	**5 350**	-
	143	-
26.4.2 Interest receivable		
Fixed		
Nominal value 1999 R1 million	**(35 385)**	-
Floating		
Nominal value 1999 R1 million	**28 263**	-
	(7 122)	-

The Land Bank entered into various interest rate swaps where either the fixed or the floating interest rate is payable by the bank on a predetermined date. The floating rate is not available beforehand and the possibility of reimbursement is not applicable.

26.4.3 Zero coupon structured notes

	1999 R'000	1998 R'000
Interest payable		
Floating		
Nominal value 1999 R200 million	**5 852**	

Schedule A *(continued)*

	1999 R'000	1998 R'000
26.5 Liability in respect of SAVVEM		
Land Bank guarantees the solvency of SAVVEM. As a result of the company's substantial surplus, no outflow of capital from the Land Bank is foreseen.		
Assets – Actuarial value as at 30 June	**296 492**	376 373
Liabilities – Actuarial value as at 30 June	**(199 662)**	(174 707)
Surplus as at 30 June	**96 830**	201 666

27. Related parties

All related party transactions, balances and trading terms are clearly depicted in these annual financial statements.

Annexure A

	1999 R'000	1998 R'000

FUNDING OF THE LOAN BOOKS

In accordance with the Strauss commission report development financing is separated from other financing activities. Although all the bank's financing activities are disclosed in one set of financial statements the following information is provided to indicate how the two loan books are funded. As the undermentioned figures represent only the various loan books and not all the bank's assets, the amounts indicated in respect of the financial instruments will not necessarily correlate with the figures provided in the financial statements.

1. GOLD RANGE

	1999 R'000	1998 R'000
Total loan book	**14 705 297**	12 294 164
Funded by:		
Reserves	**2 515 421**	2 070 523
Capital fund	**200 955**	200 955
Debentures	**2 530 338**	2 837 878
Medium-term promissory notes	**996 801**	935 916
Bills	**2 781 000**	2 889 165
Promissory notes	**3 228 046**	2 557 318
Call bonds	**1 215 401**	198 635
Deposits and credit balances	**1 237 335**	603 774
	14 705 297	12 294 164

2. SILVER AND BRONZE RANGE

	1999 R'000	1998 R'000
Loans to farmers	**245 195**	95 100
Loans to co-operatives and agri – related companies	**19 483**	1 765
Less: Net credits	**-**	(291)
Commercial bank (step up loans)	**21**	35
	264 699	96 609
Funded by reserves.	**264 699**	96 609

Annexure B

RESTATEMENT OF BALANCES AS AT 31/12/1998

Loan type	Original balance	Arrear interest	Accrued interest	Arrear premium	Sundry debits	Dep. Account credits, etc.	Repurchase agreements	Restated balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loans to farmers								
Long-term (Gold)	4817 721	166 606	434 101	3 707	90	(60 172)	-	5 362 053
Sec. 34 medium-term (Gold)	1 421 154	32 212	(437) 142 289	-	56	-	-	1 595 274
Sec. 34 medium-term (Silver & bronze)	80 938	-	7 218	-	-	(1 866)	-	86 290
Sec. 34 short-term (Gold)	984 198	4 35[illegible]	109 956		-	-	-	1 098 507
Sec. 34 short-term (Silver & bronze)	10 011	-	718	-	-	-	-	10 729
Loans to co-operations								
Long-term	552 269	1 235	47 594	-	-	-	-	601 098
Short-term	4 275 949	-	-	-	-	-	-	4 275 949
Statutory agricultural institutions	212 844	-	17 536	-	-	-	-	230 380
	12355084	204 406	758 975	3 707	146	(62 038)	-	13260 280
Deposits								
Forced stock sales	(210 233)	-	(15 716)	-	-	-	-	(225 949)
Sundry debtors	1 133 774	(204 406)	(758 975)	(3 707)	(146)	-	224 122	390 662
Sundry creditors	(193 407)	-	15 716	-	-	62 038	(350 415)	466 068
Debentures	(2497990)	-	-	-	-	-	126 293	(2371697)

Note

Although these figures have been restated for balance sheet purposes, the 1998 figures for the maturity, sectorial and geographical analysis could as result of practical reasons, not be restated.

Annexure C

MATURITY, SECTORIAL AND GEOGRAPHICAL ANALYSIS

1. FUNDING PORTFOLIO

MATURITY AND PORTFOLIO ANALYSIS

1.1 DEBENTURES

	1999 R'000	1998 R'000
Within 1 year	-	-
From 1 year to 3 years		
LB 06 12,50% 15/05/2000	**1 768 269**	1 502 030
More than 3 years		
LB01 11.50% 30/06/2010	**1 491 781**	1 244 116

1.2 HEDGING PORTFOLIO

	1999 R'000	1998 R'000
Within 1 year		
From 1 year to 3 years		-
Government stock	**10 042**	-
Transnet stock	**279 148**	-
	289 190	-
More than 3 years		
Development bank stock	**33 993**	-
Government stock	**266 676**	293 587
Transnet stock	-	71 459
Eskom stock		10
	-	614
	300 669	375 660

1.3 OPTIONS

	1999 R'000	1998 R'000
(Nominal value)		
Within 6 months		
Total calls bought	**65 000**	60 000
Total puts bought	-	160 000
Total calls written	-	140 000
From 6 months to 18 months		
Total calls written	**80 000**	-
Total puts written	**300 000**	300 000

Annexure C *(continued)*

	1999 R'000	1998 R'000
1.4 MEDIUM-TERM PROMISSORY NOTES		
Within 1 year	**826 111**	127 692
From 1 year to 3 years	**261 422**	634 226
More than 3 years	**144 000**	174 009
	1 231 533	935 927
1.5 PROMISSORY NOTES		
Within 3 months	**2 432 500**	2 635 500
From 3 to 6 months	**795 546**	80 000
	3 228 046	2 715 500
1.6 BILLS		
Within 91 days	**2 781 000**	3 030 000
1.7 CALL BONDS		
At call	**1 215 401**	1 420 000
1.8 FLOATING RATE PROMISSORY NOTES		
Within 3 months	**460 000**	-
From 1 to 3 years	**202 142**	-
	662 142	-
1.9 ZERO COUPON STRUCTURED NOTES		
More then 3 years	**202 466**	-
1.10 SWAPS		
Within 1 year	**400 000**	-
From 1 to 3 years	**1 000 000**	-
	1 400 000	-

Annexure C *(continued)*

	1999 R'000	1998 R'000
2. LOAN PORTFOLIO		
2.1 LOANS TO FARMERS		
2.1.1 SECTORIAL ANALYSIS		
(Details of the total loan book are not available but information regarding loans granted during the respective years is provided)		
Long-term (Gold range)		
Purchase of land	**711 712**	701 909
Repayment of bonds	**626 559**	233 593
Settlement of debts	**621 739**	73 530
Purchase of stock	**10 141**	14 954
Purchase of equipment	**3 226**	18 750
Improvements	**20 228**	59 370
Working capital	**200**	981
	1 993 805	1 803 087
(Silver range)		
Purchase of land	**8 268**	-
Section 34 medium-term loans (Gold range)		
Purchase of livestock	**250 418**	356 507
Purchase of implements	**205 026**	361 193
	455 444	717 700
Section 34 medium-term loans (Silver and bronze range)		
Purchase of livestock and implements	**85 324**	80 938

Annexure C *(continued)*

	1999 R'000	1998 R'000
Section 34 short-term loans (Gold range)		
Sector		
Wine	**170 622**	139 931
Deciduous fruit	**298 203**	203 683
Sugar cane	**38 803**	68 739
Citrus	**55 450**	47 839
Nuts	**587**	1 483
Hops	**3 070**	1 000
Wood	**5 185**	7 860
Battening	**19 681**	20 875
Tropical fruit	**22 964**	19 968
Ostriches	**2 300**	3 918
Poultry	**4 956**	7 868
Herbs	**4 332**	4 897
Green houses	**10 706**	11 446
Grain	**191 143**	286 356
Processing	**25 554**	2 814
Vegetables	**56 612**	52 025
	910 168	880 702
Section 34 short-term loans (Silver and bronze range)		
Production credit	**23 651**	8 881
Establishment	**2 447**	1 130
	26 098	10 011
Micro financing	**11 165**	4 151
	37 263	14 162

2.1.2 MATURITY ANALYSIS

Long-term loans (Gold range)		
Within 5 years	**191 993**	97 413
From 5 years to 10 years	**1 005 686**	650 970
From 10 years to 15 years	**1 258 327**	1 068 911
From 15 years to 20 years	**2 144 971**	1 771 206
More than 20 years	**1 710 413**	1 229 221
	6 311 390	4 817 721

Annexure C *(continued)*

	1999 R'000	1998 R'000
(Silver range)		
More than 20 years	**5 398**	-
Section 34 medium-term loans (Gold range)		
Within 1 year	**21 593**	504
From 1 year to 5 years	**402 788**	177 769
From 5 years to 10 years	**1 079 494**	1 029 015
More than 10 years	**240 055**	213 866
	1 743 930	1 421 154
Section 34 medium-term loans (Silver and bronze range)		
From 1 year to 5 years	**21 166**	687
From 5 years to 10 years	**132 933**	62 779
More than 10 years	**25 371**	17 472
	179 470	80 938
Section 34 short-term loans (Gold range)		
Within 1 year	**985 276**	51 625
More than 1 year	**447 923**	932 573
	1 433 199	984 198
Section 34 short-term loans (Silver and bronze range)		
Within 1 year	**28 503**	30
More than 1 year	**20 660**	9 981
	49 163	10 011
Step up loans	**11 165**	4 151
Within 1 year	**11 165**	4 151

The maturity analysis is based on the remaining period from year-end to contractual maturity.

Annexure C *(continued)*

	1999 R'000	1998 R'000
2.1.3 GEOGRAPHICAL ANALYSIS		
Long-term loans (Gold range)		
Province		
Eastern Cape	**1 091 783**	760 010
Free State	**965 626**	763 768
Gauteng	**70 427**	46 927
Kwa-Zulu Natal	**726 631**	655 867
Mpumalanga	**555 905**	427 982
Northern Cape	**722 406**	548 402
Northern Province	**470 365**	339 317
North West	**689 143**	498 540
Western Cape	**1 019 104**	776 908
	6 311 390	4 817 721
(Silver and bronze range)		
Eastern Cape	**1 234**	-
Free State	**212**	-
Gauteng	**119**	-
Kwa-Zulu Natal	**133**	-
Mpumalanga	**1 122**	-
Northern Cape	**646**	-
Northern Province	**224**	-
North West	**1 272**	-
Western Cape	**436**	-
	5 398	-
Section 34 medium-term loans (Gold range)		
Province		
Eastern Cape	**202 212**	150 187
Free State	**362 201**	304 357
Gauteng	**58 072**	36 106
Kwa-Zulu Natal	**114 186**	114 700
Mpumalanga	**173 977**	165 578
Northern Cape	**158 340**	128 941
Northern Province	**220 718**	147 712
North West	**298 418**	224 761
Western Cape	**155 806**	148 812
	1 743 930	1 421 154

Annexure C *(continued)*

	1999 R'000	1998 R'000
Section 34 medium-term loans and Section 34 short-term loans (Silver and bronze range)		
Province		
Eastern Cape	**25 573**	7 706
Free State	**14 356**	12 215
Gauteng	**3 400**	2 704
Kwa-Zulu Natal	**4 856**	2 337
Mpumalanga	**6 672**	4 380
Northern Cape	**34 849**	4 530
Northern Province	**35 123**	16 853
North West	**52 867**	41 570
Western Cape	**1 774**	2 805
	179 470	95 100
Section 34 short-term loans (Gold range)		
Province		
Eastern Cape	**174 618**	54 041
Free State	**101 217**	67 827
Gauteng	**12 495**	9 209
Kwa-Zulu Natal	**136 715**	141 155
Mpumalanga	**143 902**	66 285
Northern Cape	**153 131**	80 589
Northern Province	**86 600**	32 140
North West	**145 803**	68 532
Western Cape	**478 718**	464 420
	1 433 199	984 198
(Silver and bronze range)		
Eastern Cape	**1 159**	-
Free State	**2 429**	-
Gauteng	**720**	-
Kwa-Zulu Natal	**12 904**	-
Mpumalanga	**1 262**	-
Northern Cape	**8 689**	-
Northern Province	**14 286**	-
North West	**7 055**	-
Western Cape	**659**	-
	49 163	-

Annexure C *(continued)*

	1999 R'000	1998 R'000
Average effective interest rate (Gold range)		
Long-term loans to farmers	**18.8%**	18.1 %
Fixed loans to co-operatives	**18.8%**	18.1 %
Section 34 medium-term loans	**21.3%**	21.2 %
Cash credit advances to co-operatives	**18.1%**	20.4 %
Section 34 short-term loans	**20.7%**	21.8 %
Average effective interest rate (Silver and bronze range)		
Section 34 medium-term loans	**25.8%**	23.2 %
Section 34 short-term loans	**25.3%**	24.6 %
Step up loans	**23.4%**	23.4 %

LOANS TO CO-OPERATIVES, STATUTORY AGRICULTURAL INSTITUTIONS, CONTROL BOARDS AND AGRI-RELATED COMPANIES

2.2.1 SECTORIAL ANALYSIS

	1999	1998
Including loans to:		
Co-operatives (refer note 8)	**4 891 236**	4 828 218
Statutory agricultural institutions (refer note 9)	**301 213**	212 844
Agri-related companies (refer note 11)	**43 832**	31 795
	5 236 281	5 072 857
Sector		
Citrus	**71 842**	73 267
Dairy	**47 742**	15 532
Fruit	**13 326**	29 343
Grain	**3 115 428**	3 154 318
Irrigation boards	**301 213**	212 844
Manufacture	**108 154**	116 282
Meat	**211 031**	189 258
Ostriches	**2 253**	68 958
Tobacco	**81 935**	50 813
Trade	**196 805**	218 420
Wine	**343 847**	366 548
Sundries	**742 705**	577 274
	5 236 281	5 072 857

Annexure C *(continued)*

	1999 **R'000**	1998 R'000
2.2.2 MATURITY ANALYSIS		
Long-term mortgage loans		
Within 5 years	**61 774**	28 117
From 5 years to 10 years	**404 729**	418 173
More than 10 years	**414 630**	318 823
	881 133	765 113
Short-term cash credits		
Within 1 year	**3 325 805**	404 446
More than 1 year	**1 029 343**	3 903 298
	4 355 148	4 307 744
2.2.3 GEOGRAPHICAL ANALYSIS		
Eastern Cape	**282 168**	243 678
Free State	**225 364**	548 431
Gauteng	**372 205**	380 954
KwaZulu-Natal	**407 761**	274 246
Mpumalanga	**178 380**	155 552
Northern Cape	**440 771**	309 009
Northern Province	**330 137**	341 736
North West	**1 811 130**	1 721 871
Western Cape	**1 188 365**	1 097 380
	5 236 281	5 072 857

Schedule B

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

DIRECTORS AND ADMINISTRATION

COMPANY REGISTRATION NUMBER:	54/03095/06
COMPOSITION OF BOARD OF DIRECTORS:	Dr. H.M. Dolny Dr. A.S. Jacobs Mr.A.R Toms Mr. S. van Schalkwyk Mr. C.J. du Toit Mr. H.D. Bardner Mr. J.N.D. Mativandlela
REGISTERED ADDRESS:	192 Visagie Street PRETORIA 0002
AUDITORS:	PricewaterhouseCoopers Inc PRETORIA
BANKERS:	ABSA - BANK

COMPOSITION OF THE FINANCIAL STATEMENTS

Schedule B ***(continued)***

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED

We have audited the annual financial statements set out on pages 4 to 11 for the year ended 30 June 1999. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

PricewaterhouseCoopers Inc
Registered Accountants and Auditors
Chartered Accountants (SA)

PRETORIA
29 NOVEMBER 1999

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the South African Mortgage Insurance Company Limited, a subsidiary of the Land and Agricultural Bank of South Africa. The financial statements, presented on pages 4 to 10, have been prepared in accordance with generally accepted accounting practice, and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the company is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

The financial statements were approved by the board of directors on ...., and are signed on its behalf:

....	....
S van Schalkwyk	H D Bardner

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
BALANCE SHEET AT 30 JUNE 1999

	Note	1999 R	1998 R
ASSETS			
Non-current assets			
Investments	5,1	374,915,083	367,022,275
Current Assets		14,458,289	9,544,125
Accounts receivable	6	11,434,079	8,143,679
Bank and Cash	7	3,024,210	1,400,446
TOTAL ASSETS		389,373,372	376,566,400
EQUITY AND LIABILITIES			
Capital and reserves		349,154,481	326,373,493
Share Capital	8	30,000	30,000
Insurance fund	9	349,124,481	326,343,493
Non-current liabilities		-	-
Current Liabilities		40,218,891	50,192,907
Sundry creditors		218,891	192,907
Dividends payable		40,000,000	50,000,000
TOTAL EQUITY AND LIABILITIES		389,373,372	376,566,400

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	Note	1999 R	1998 R
Revenue	1	22,219,994	19,579,513
Realised capital and interest on portfolios		27,611,988	45,328,947
Total Income		49,831,982	64,908,460
Operating expenses	2	25,585,748	33,115,166
Operating profit		24,246,234	31,793,294
Net finance costs	3	(1,465,246)	3,544,558
Profit before tax		22,780,988	35,337,852
Tax	4	-	-
NET PROFIT FOR THE YEAR		22,780,988	35,337,852

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 1999

	Note	1999 R	1998 R
SHARE CAPITAL			
Ordinary shares			
Opening balance	8	30,000	30,000
Shares issued		-	-
Total share capital at end of year		30,000	30,000
INSURANCE FUND			
Balance at beginning of the year		326,343,493	341,005,641
Net profit or loss for the year		22,780,988	35,337,852
Dividends declared		-	(50,000,000)
At end of year	9	349,124,481	326,343,493

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	Note	1999 R	1998 R
CASH FLOWS FROM OPERATING ACTIVITIES		9,516,572	(19,207,184)
Cash receipts from insurance		18,929,594	25,091,991
Cash paid to suppliers and beneficiaries		2,052,224	12,156,267
Cash generated from operations	10	20,981,818	37,248,258
Interest received		1,712,859	6,338,053
Interest paid		(3,178,105)	(2,793,495)
Dividends paid		(10,000,000)	(60,000,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investments		(7,892,808)	(43,514,134)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		1,623,764	(62,721,318)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,400,446	64,121,764
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	3,024,210	1,400,446

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

1. ACCOUNTING POLICIES

The financial statements are compiled on the historical cost convention and incorporate the following principal accounting policies which are consistent in all material respects with those adopted for the previous year, except as otherwise stated.

1.1 Trade receivables

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

1.2 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with the Land Bank.

1.3 Outstanding Claims

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

1.4 Investments

Marketable securities are shown at book value and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

1.5 Revenue

Premiums are recorded in the financial statements at face value.

2. OPERATING EXPENSES

	1999 R	1998 R
Operating expenses include:		
Directors' emoluments		
- as directors	4,100	16,700
- other	1,659	-
Auditors' remuneration		
-current year	16,177	14,706
- under provision previous year	-	3,751
Claims paid	22,327,057	29,866,789
Portfolio management costs	1,716,280	1,810,999
Regional services council levies	35,523	36,396
Other administration Costs	1,484,952	1,365,825
	25,585,748	33,115,166

3. NET FINANCE COSTS

	1999 R	1998 R
Interest on investments	1,712,859	6,338,053
Interest paid	(3,178,105)	(2,793,495)
	(1,465,246)	3,544,558

4. TAXATION

No provision is made for income tax, as the company is not taxable in terms of the provisions of Section 10 (1) (cA) of the Income Tax Act of 1997 (Act 28/1997).

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
NOTES - CONTINUED

		1999 R	1998 R
5.	**INVESTMENTS**		
5,1	**BOOK VALUE**	**374,915,083**	**367,022,275**
	RMB Asset Management (Pty) Ltd.	138,222,678	137,439,197
	Coronation Asset Management (Pty) Ltd.	116,516,205	115,215,541
	Investec Asset Management (Pty) Ltd.	120,176,200	114,367,537
5,2	**MARKET VALUE**	**414,135,419**	**414,830,223**
	RMB Asset Management (Pty) Ltd.		
	Market value on 30 June	**153,060,679**	**156,202,242**
	Equities	78,582,938	80,614,332
	Bonds	29,177,026	31,077,490
	Cash	17,413,763	26,135,793
	Property	3,224,110	2,807,200
	International Investments	24,662,842	15,567,428
	Coronation Asset Management (Pty) Ltd.		
	Market value on 30 June	**131,977,310**	**131,739,304**
	Equities	72,651,972	61,926,981
	Bonds	31,016,080	29,545,295
	Cash	7,143,997	12,661,997
	Property	-	-
	International Investments	21,165,261	17,591,212
	Investec Asset Management (Pty) Ltd.		
	Market value on 30 June 1999	**129,097,430**	**126,888,677**
	Equities	70,394,634	69,136,566
	Bonds	30,200,826	30,784,371
	Cash	9,970,705	5,306,459
	Property	-	-
	International Investments	18,531,263	16,877,226
6.	**ACCOUNTS RECEIVABLE**		
	Premiums accrued	16,899,595	13,197,824
	Provision for outstanding claims	(4,987,894)	(4,900,223)
	Interest	(477,622)	(153,922)
		11,434,079	8,143,679
7.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	10,912	8,397
	Call money at the Landbank	3,013,298	1,392,049
		3,024,210	1,400,446
8.	**SHARE CAPITAL**		
	Authorised		
	50 000 Ordinary shares of R 2 each	100,000	100,000
	Issued		
	15 000 Ordinary shares of R 2 each	30,000	30,000

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
NOTES - CONTINUED

		1999 R	1998 R
9.	**INSURANCE FUND**		
	Refer to Statement of Changes in Equity		
10.	**RECONCILIATION OF NET PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation	22,780,988	35,337,852
	Adjustments for:		
	Interest expense	3,178,105	2,793,495
	Interest received	(1,712,859)	(6,338,053)
	Operating profit before working capital changes	24,246,234	31,793,294
	Working capital changes:		
	Accounts receivable	(3,290,400)	5,512,478
	Accounts payable	25,984	(57,514)
		20,981,818	37,248,258

11. **EMPLOYEES IN SERVICE**
The company makes use of Land Bank employees.

12. **RETIREMENT BENEFIT INFORMATION**
The company does not employ any staff member and retirement benefits are therefore not applicable.

13. **FINANCIAL INSTRUMENTS AND FAIR VALUE**
The amounts disclosed in respect of the investment portfolio are stated as book value. The value represents the positive and negative cash flows.

14. **INSURANCE ACT.**
In terms of Section 21(5) of the Land Bank Act, No. 13 of 1944, this company is exempted from the provisions of the Long Term Insurance Act 52 of 1998.

15. **RISK MANAGEMENT**
Over and above the annual actuarial valuation; full details of all possible trends in the company's underwriting experience, are reported to the directors and shareholders.

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED
ANNEXURE A

16. RISK DISTRIBUTION - PREMIUMS

	1999 R	1998 R
Age up to 35 years	1,831,937	1,727,952
Age 36 to 45 years	5,242,729	4,551,831
Age older than 46	16,331,045	13,575,079
TOTAL	23,405,712	19,854,863

RISK DISTRIBUTION - INSURED CAPITAL

	1999 R	1998 R
Age up to 35 years	823,034,536	829,253,695
Age 36 to 45 years	1,049,201,011	965,996,791
Age older than 46	1,392,137,611	1,184,832,430
TOTAL	3,264,373,158	2,980,082,916

17. MATURITY ANALYSIS

	1999 R	1998 R
Within 5 years	79,398,783	81,027,075
From 5 to 10 years	723,523,473	675,949,251
From 10 to 15 years	739,545,076	803,222,674
From 15 to 20 years	977,799,681	794,662,828
More than 20 years	744,106,144	625,221,088
	3,264,373,158	2,980,082,916

18. GEOGRAPHICAL ANALYSIS

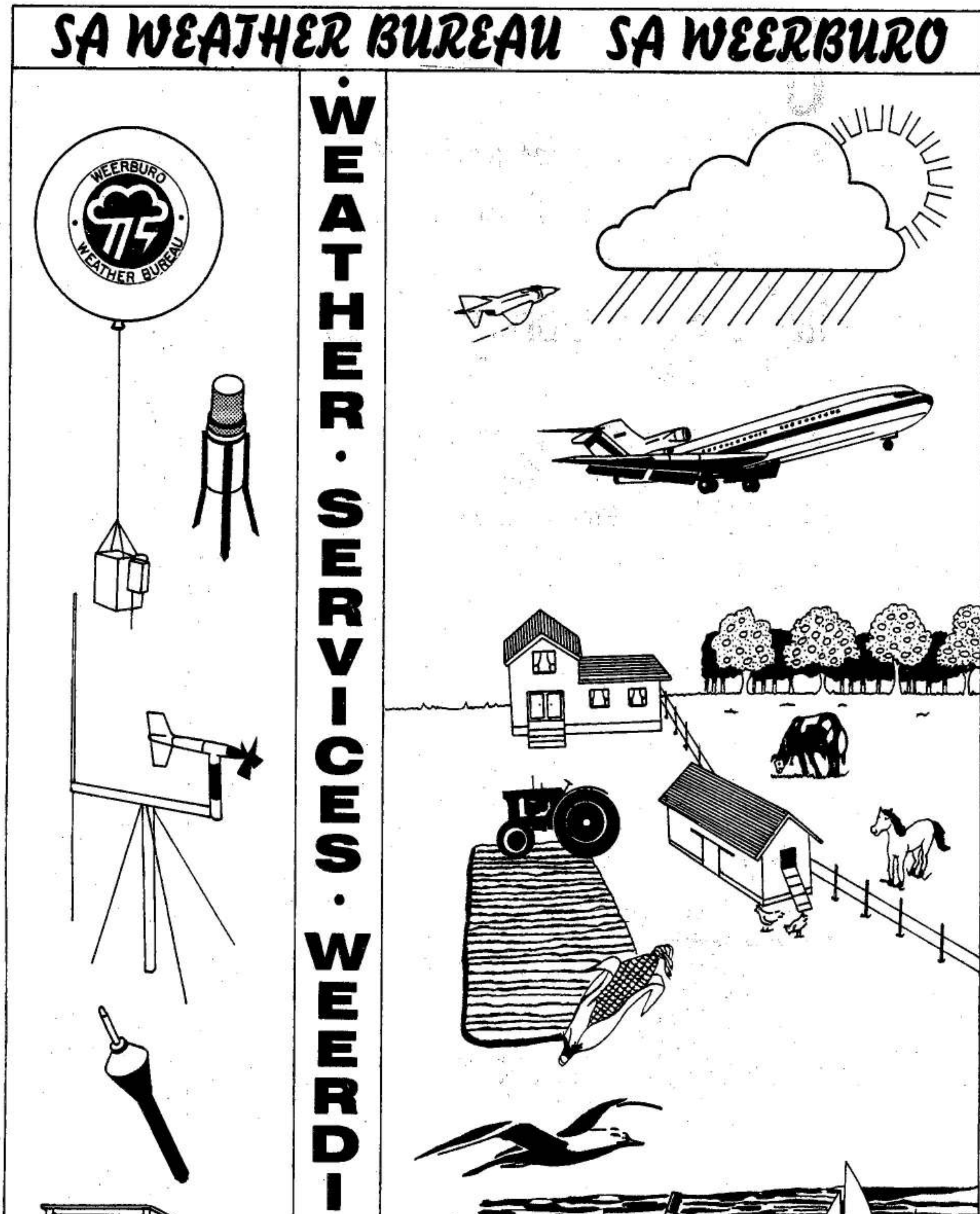
	1999 R	1998 R
Mpumalanga	269,442,751	256,106,158
Gauteng	37,128,207	32,379,007
North West	411,506,762	343,143,425
Northern Province	187,711,905	163,216,131
Free State	574,108,756	561,868,743
Kwazulu Natal	342,229,904	332,779,424
Northern Cape	440,121,862	392,134,376
Western Cape	427,470,635	379,967,843
Eastern Cape	574,652,375	518,487,811
	3,264,373,158	2,980,082,916

Schedule B *(continued)*

SOUTH AFRICAN MORTGAGE INSURANCE COMPANY LIMITED

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	1999 R	1998 R
INCOME	51,544,841	71,246,513
Premium Income	22,219,994	19,579,513
Realised Capital and interest on portfolios	27,611,988	45,328,947
Interest on Investments	1,712,859	6,338,053
LESS: EXPENSES	28,763,853	35,908,661
Administration Costs	1,506,888	1,400,982
Directors' remuneration	5,759	16,700
As Director	4,100	16,700
Other	1,659	-
Audit fees	16,177	18,457
Current year	16,177	14,706
Prior year under provision	-	3,751
Other administration costs	1,484,952	1,365,825
Claims paid	22,327,057	29,866,789
Portfolio management fees	1,716,280	1,810,999
Interest paid	3,178,105	2,793,495
Regional Services Council Levies	35,523	36,396
NET PROFIT FOR THE YEAR	22,780,988	35,337,852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