



LAND BANK BALANCE SHEET - BUDGET 2007

March Actual 2005	Budget March 2006		Budget March 2007	% Change
ASSETS				
Non-current assets				
6,048,482	7,418,500		9,517,310	28.3%
100,298	182,202	Property and equipment	152,283	-16.4%
5,801,520	7,088,925	Loans	9,191,424	29.7%
146,664	147,373	Investments	173,603	17.8%
Current assets				
14,047,373	10,559,619		10,494,256	-0.6%
11,352,144	8,903,780	Loans	8,602,734	-3.4%
-	-	Hedging assets	-	0.0%
604,190	-	Derivative assets	170,302	0.0%
250,973	4,847	Trade and other receivables	652	-86.5%
134,061	-	Repurchase agreements	286,133	0.0%
45,283	128,807	Properties in possession	78,000	-39.4%
1,660,722	1,522,185	Cash and cash equivalents	1,356,435	-10.9%
Total assets				
20,095,855	17,978,119		20,011,566	11.3%
EQUITY AND LIABILITIES				
Equity				
1,674,193	913,377		1,753,439	93.1%
200,955	200,955	Capital fund	200,955	0.0%
1,473,238	712,422	Reserves	1,562,484	119.3%
Non-current interest bearing liabilities				
7,933,511	6,915,931		8,048,065	16.4%
3,144,651	3,520,840	Long-term funding	3,288,769	-6.6%
4,788,860	3,395,091	Medium-term funding	4,759,296	40.2%
Current liabilities				
10,488,151	10,148,812		10,200,062	0.5%
9,948,596	9,562,676	Short-term funding	9,882,490	3.3%
57,007	-	Hedging liabilities	48,638	0.0%
46,584	-	Derivative liabilities	-	0.0%
239,249	294,636	Trade and other payables	250,000	-16.1%
196,715	291,500	Provisions	18,934	-93.5%
-	-	Bank Overdraft	-	0.0%
Total equity and liabilities				
20,095,855	17,978,119		20,011,566	11.3%



**BUDGETED CASH FLOW STATEMENT FOR THE FINANCIAL
YEAR ENDED 31 MARCH 2007**

Profit per income statement	(21,607)
Add: Depreciation	10,881
Add: Amortisation	30,000
Add: Credit impairment charge	48,366
Cash result from operations	67,640
Loans (advanced)/ repaid	(2,721,524)
Net change in working capital items	(391,769)
Net Cash outflow from operating activities	(3,045,653)
Cash flow from investing activities	
Investments (made)/ matured	9,361
Fixed assets (purchased)/ sold	(97,664)
Properties in possession (invested)/ collected	-
Net cash outflow from investing activities	(88,303)
Cash flow from Financing activities	
Increase in funding activities	2,990,391
Net decrease in cash and cash equivalents	(143,565)
Cash at beginning of period	1,500,000



Chief Executive Officer

Date:

Chairperson of the Board

Date:

Minister of Agriculture and Land Affairs

Date:

ANNEXURE D

MATERIALITY FRAMEWORK



LAND BANK

Materiality Framework

	Version	02	Effective Date	01 April 2006	
Authorised by	Name	X Ncame	Designation	Chief Financial Officer	Signature

**Land Bank
Materiality Framework**

A. Background

• **Nature of business**

Land Bank operates as a development finance institution within the agricultural and agri-business sectors regulated by the Land & Agricultural Development Bank Act No. 15 of 2002.

As such Land Bank provides a range of financing products to a broad spectrum of clients within the agricultural industry. Financing products include wholesale and retail financing to commercial and developing farmers, co-operatives and other agriculture-related business.

• **Key aspects**

As a financial institution the key aspects of the Balance Sheet are as follows:

Balance Sheet – Advances to clients'
Funding liabilities

Income statement – Interest income from advances
Funding costs

Below are some key numbers from the 2004/5 Annual Financial Statements

Balance Sheet:

	2004/5	2003/4
	R' millions	R' millions
Loan advances (net of provisions)	17 154	15 010
Other assets	2 941	3 707
Total Assets	20 095	18 717
Funding Liabilities	17 882	15 322
Other liabilities	740	1 760
Equity	1 473	1 635
Total Equity & Liabilities	20 095	18 717

• **Basis for electing Total Assets**

As seen above Total Assets is the key aspect of the balance sheet and therefore will form the basis of the materiality framework:

**Land Bank
Materiality Framework**

• **General Control environment**

The overall control environment is considered adequate as evidenced by previous audits.

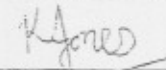
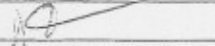
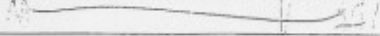
Adequate controls are in place to ensure that errors/misstatements/frauds are precluded or identified

B. Materiality Framework

Below are the items to be reported to the Accounting Executive.

Reportable Items	Motivation	Basis	%	Value at 31/03/05	Equivalent R limit
1. Errors and misstatements above materiality	Overall control over main assets is adequate to eliminate possible over-statement. Recoverability has been taken into account in view of the high provisions and arrears.	Total Assets	0.5%	R17 154m	R85.7 million
2. Theft, fraud, corruption and fruitless expenditure	All instances are considered material regardless of amount. This is in view of the controls being considered adequate.	Net impact on the Income statement	0%	Not applicable	All

Authorisation

	Name	Designation	Signature	Date
Prepared by	K Jones	Senior Manager : Management Accounting		28/2/2006
Reviewed by	X Ncame	Chief Financial Officer		28/2/2006
Approved by	A Mukoki	Chief Executive Officer		28/2/2006

ANNEXURE E

BORROWING PLAN FOR THE PERIOD
2006/7 TO 2008/9



LAND AND AGRICULTURAL
DEVELOPMENT
BANK

BORROWING PLAN FOR THE PERIOD
2006/7 TO 2008/9

February 2006

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1. INTRODUCTION

Land Bank determines its funding requirements and borrowing plan annually after it has established its loan book growth forecast. The borrowing plan is required in terms of the Public Finance Management Act and the Treasury regulations (29.1.3). The Bank must submit a three-year borrowing plan to the National Treasury, as well as quarterly reports reflecting annual borrowings and updates on the borrowing programme.

In terms of Regulation 29.1.6, the borrowing plan should include:

- Terms and conditions on which money is borrowed;
- Proposed domestic borrowing;
- Short- and long-term borrowing;
- Borrowing in relation to a pre-approved corporate plan;
- Maturity profile of debt;
- Confirmation of compliance with existing and proposed loan covenants;
- Debts guaranteed by Government;
- Motivations for Government guarantees; and
- Executive Authority's approval of borrowing programme.

The purpose of this document is to establish a borrowing plan necessary to fund the bank's loan book for the forecast period 2006/7 to 2008/9 in accordance with the requirements of the Public Finance Management Act and the Treasury regulations.

2. PUBLIC FINANCE MANAGEMENT ACT

In terms of the Public Finance Management Act:

Section 66(3): Public entities may only through the following persons borrow money, or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that public entity to any future financial commitment:

(a) A public entity listed in Schedule 2: The accounting authority for that Schedule 2 public entity.

Section 66(6): A person mentioned in subsection (2) or (3) may not delegate a power conferred in terms of that subsection, except with the prior written approval of the Minister. Land Bank has obtained approval to delegate the borrowing power to the executive management and Treasury, in a letter dated 27 February 2002.

Section 66(7): A public entity authorised to borrow money –

- (a) must annually submit to the Minister a borrowing Programme for the year; and
- (b) may not borrow money in a foreign currency above a prescribed limit, except when that public entity is a company in which the state is not the only shareholder.

Section 49(1): Every public entity must have an authority which must be accountable for the purposes of this Act.

Section 49(2): If the public entity –

- (a) has a board or other controlling body, that board or controlling body is the accounting authority for that entity.

3. LAND BANK ACT

In terms of section 24 of Land Bank Act No 15 of 2002:

- (1) The Board must adopt a borrowing policy to be approved in writing by the Minister of Agriculture and Land Affairs and the Minister of Finance.
- (2) The borrowing policy must contain guidelines to regulate the Bank's borrowing in terms of this section.
- (3) The Bank may raise additional funds, including by way of borrowing from such persons and on such terms as the Board may determine from time to time, in terms of the borrowing policy contemplated in subsection (1).

The borrowing policy of the bank as determined by the Asset and Liability Committee is to match assets and liabilities maturity profiles within pre-determined limits set by the committee. Furthermore ALCO determines the interest rate limits which are reviewed annually and approved by the Board Risk Committee.

The policy has been submitted to both the Minister of Agriculture and Land Affairs and The Minister of Finance.

4. TERMS AND CONDITIONS ON WHICH MONEY IS BORROWED

Land bank's funding is done using authorised money and capital market instruments listed in the Treasury Policy and Control Manual and/or appropriate loan finance or a combination of these funding instruments. The Treasury Policy is reviewed annually and approved by the Board Risk Committee.

Due to the dynamic nature of the financial markets the supply and demand of funding instruments change on a continuous basis. It is therefore not possible to determine beforehand which type of funding instrument will be utilised and at what point in time the long and medium term funds will be raised. Funding is done within approved ALCO limits.

Listed Bonds:

One of our listed bonds (LB107 – amount issued R1 545m) is maturing on the 15th August 2007. It is best practice to re-finance a listed bond at least a year prior to its maturity. Listed bonds are used by investors to determine return expectations (cost of funding) from their investments in Land Bank instruments (including unlisted paper). We will take account of the investor appetite and other requirements when the new bond/s is/are issued. Factors like issue size, product design, maturity concentration, etc will be appropriately researched before LB107 is re-financed. However feedback obtained from investors so far is that there is sufficient appetite for Land Bank bonds in the 10 – 15 year maturity band. We therefore assume that LB107 will be replaced by a 10 year bond in this borrowing programme.

5. BORROWING REQUIREMENTS

The Bank will borrow its funds in the domestic market. Foreign borrowings are not expected in this financial period. These borrowings are broken up into short and long term buckets as required by the Act. The borrowings are in relation to the proposed Corporate plan of the Bank. The maturity profile and proposed domestic borrowings for the period 2006/7 to 2008/9, based on the expected loan book growth forecast, are as follows:

GROSS BORROWING PROGRAMME – IN MILLIONS

DATE OF BORROWING	TOTAL GROSS BORROWING	DOMESTIC PORTION	
		SHORT TERM	LONG TERM
2006/7	11518	10502	1016
2007/8	18603	11122	7481
2008/9	12531	11495	1036
TOTAL	42652	33119	9533

NET BORROWING PROGRAMME – IN MILLIONS

DATE OF BORROWING	TOTAL NET BORROWING	DOMESTIC PORTION	
		SHORT TERM	LONG TERM
2006/7	919	476	443
2007/8	5494	620	4874
2008/9	757	373	384
TOTAL	7170	1469	5701

		1856	1856	1856
2015*			2591	2975
2022**			4500	4500
TOTAL	15744	16663	22157	22914

*This maturity profile is based on the assumption that the rating of the bank will remain the same or will improve.

**It is assumed that an amount of R4.5billion would be raised in the Capital Markets to fund Agri-BEE transactions in line with the corporate plan.

The bank is in compliance with all existing loan covenants. These debts do not require specific Government guarantees.

Head of Treasury

Date: 22/02/06

Date: 22/02/06



Chief Executive Officer

Date:



Chairperson of the Board

Date: 23 February 2006

A. J. Singh

Minister of Agriculture and Land Affairs

Date: 02 March 2006