African Water Utilities Regional Comparative Utility Creditworthiness Assessment Report

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Athi Water Services Board

Kenya Water Utility Analysis **July 2008**

Security class	Rating scale	Currency	Rating	Rating watch	Expiry date
Long term	National	KShs	BBB+	No	07/2009
Short term	National	KShs	A2		

Financial data:
(US$'m Comparative)

	30/06/06	30/06/07
KShs/US$ (avg.)	73.7	70.8
KShs/US$ (close)	74.2	66.8
Total assets	3.4	5.5
Total debt	0.0	0.0
Total capital	1.7	2.4
Cash & equiv.	1.7	1.4
Turnover	5.5	7.3
EBITDA	1.1	0.7
NPAT	1.1	0.6
Op. cash flow	0.9	0.4
Market cap.	n.a.	
Market share	n.a.	

Fundamentals:

Athi Water Services Board ("AWSB") is a state corporation mandated by the Kenyan Ministry of Water and Irrigation ("MWI") (under the Water Act of 2002) with the management and development of water infrastructure in Nairobi and surrounding districts. Following its establishment in 2003, AWSB commenced operations in 2004, taking over management of water assets from the City Council of Nairobi ("CCN"). The water board is responsible for the contracting out of water and sewerage service provision to Water Service Providers ("WSPs"), with Nairobi City Water and Sewerage Company ("NCWSC") being its largest client.

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Rating rationale

The rating is based on the following key factors:

- AWSB's significant reliance on the performance of NCWSC (contributing 96% core operating revenue in F07) and the revenue risk implied, was a significant constraining factor on the rating.
- Being a wholly government-owned utility, AWSB has implicit support from the Kenyan government.
- A level of comfort is provided by AWSB's sound management and corporate governance structures.
- AWSB does not own the water assets under its mandate, with ownership still vesting with the CCN (which has failed to maintain these assets despite receiving significant lease fee revenue from AWSB). Cognisance is taken of the fact, however, that all new investment in existing infrastructure will be conducted by AWSB, while it is the intention to transfer all existing assets from CCN to AWSB by 2012 (at zero cost).
- AWSB's large operating expense base, driven by the high proportion of lease revenue ceded to CCN, has served to undermine the water board's profitability.
- Of concern is AWSB's aging debtors and declining days cash on hand.
- Total debt funding of KShs5.8bn over the next 4 years, to finance the expansion of the network and development of water sources, will result in a significant rise in gearing levels going forward. Notwithstanding, this will in turn increase billing and revenue capacity of WSP's.

Funding and liquidity profile

While AWSB has remained ungeared over the review period (with grants largely funding the water board's capex activity), liquidity strain is evident. This has been characterised by a significant increase in working capital absorption, with net debtors increasing to KShs165m in F07 (F06: KShs80m). This resulted in days cash on hand declining to 50 days in F07 from 209 days in F05 (F06: 103 days). Although the percentage of the debtors book collected declined to 40% in F07 (F06: 56%), the water board does not provide for bad debts. The water board spent a net amount of KShs88m on capex projects in F07 (F06: KShs32m), which saw a relative increase in fixed assets reflected on the balance sheet.

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Background

The formation of Athi Water Services Board ("AWSB") in 2003 was a direct result of the enactment of the Water Act of 2002. The act was setup with the objective of decentralising and delineating the management of water infrastructure and the provision of water. Before the formation of water service boards, the Ministry of Water and Irrigation ("MWI") administered national water supply and sanitation. Following the passing of the Act, MWI appointed AWSB to manage and develop water and sewerage assets in Nairobi and surrounding districts. Prior to this appointment, water assets in Nairobi (the water board's largest service area) were managed by the City Council of Nairobi ("CCN"), which currently maintains ownership of these assets.

Under the Act, the MWI is responsible for policy formulation through the Water Sector Reform Steering Committee ("WSRSC") and Water Sector Reform Secretariat ("WSRS"). Falling under the MWI are two regulatory authorities; Water Resources Management Authority ("WRMA") and Water Services Regulatory Board ("WSRB"). A Water Services Trust Fund ("WSTF") assists in financing the provision of water services to areas without financial capacity to develop water services.

AWSB's key functions under the WSRB licence are:

- The management and development of water and sewerage assets in the greater Nairobi area;
- the contraction of Water Service Providers (water companies such as Nairobi City Water and Sewerage Company Ltd) to provide water and sewerage services under a Service Provision Agreement (SPA); and
- the oversight of water and sewerage service provision in its jurisdiction.

Under the current framework, AWSB does not own the bulk of the water and sewerage assets under its mandate, although it holds (on trust) and manages these assets. As such, the water board pays a leasing fee to the CCN based on a percentage of the lease fees it receives from the Water Service Providers (WSPs). These assets cover approximately 40,000km^2 and service a population of over 6 million people. In December 2004, the Government of Kenya ("GoK") put a transfer plan in place, which sought to facilitate the transfer of the full ownership of water assets from the CCN to AWSB by June 2006, at zero cost to the water board. However, as a result of political resistance, the transfer process has been delayed considerably and is now expected to only be completed by 2012. In order to accurately determine the value of the assets it holds, AWSB has recently appointed an independent third party (Lloyd Masika Consortium) to carry out an asset valuation exercise. The study determined that assets leased by AWSB had a total market value of KShs8.7bn and replacement value of KShs21.2bn[1]. This notwithstanding, given the sizeable capital expenditure program in place, the value of the assets owned by CCN will be naturally diluted, given the planned investment in these assets.

AWSB's areas of coverage are Nairobi City and surrounding districts of Kajiado, Loitoktok, Kiambu East, Kiambu West, Machakos, Yatta, Makueni, Kibwezi, Thika and Gatundu. ASWB currently has 17 WSPs operating under its mandate in these areas. WSPs are mostly private companies initially setup by local authorities, but may include NGOs, and community groups. A large proportion of AWSB's operational revenue (96%) is garnered from the Nairobi City Water and Sewerage Company ("NCWSC").

Operating environment

Economic

Following years of economic stagnation, Kenya has seen economic recovery since 2004, and the country's macroeconomic environment has stabilised, notwithstanding the downturn occasioned by violence following the December 2007 elections. The economy grew at 6.1% in 2006, up from 5.8% in 2005. It grew a further 6.5% in 2007, even though external development assistance to Kenya amounted to only about 5% of government spending and about 1% of GDP. On average, Kenya's economy has grown by 5.1% in the period 2003-2007, making it one of the fastest growing economies in Sub-Saharan Africa. This recovery has been mainly due to improved macroeconomic management and progress in structural reform. As a result, public debt has declined and prices have stabilised. Several decades of declining economic performance, however, combined with rapid population growth, translated to increased poverty and worsening unemployment. Between the 1970s and 2000, the number of Kenyans classified as poor grew from 29% to about 57%, despite increases in overall per capita incomes.[2]

The Kenyan economy is largely dependent on agriculture, which accounts for more than a quarter of GDP and employs nearly 75% of the country's

[1] AWSB Asset Valuation Report, 2007
[2] World Bank, 2007

economically active population. The sector, together with tourism, manufacturing and telecommunications has underpinned growth in the past three years, despite erratic weather patterns. Whilst the economy's outlook remains positive, growth estimates for 2008 have had to be revised downwards to around 4% (previously around 7%) as a direct consequence of the disruptions caused by the post-election violence. Going forward, the Kenyan economy, being heavily reliant on rain-fed agriculture and limited agricultural exports (exposed to world price fluctuations), will continue to be vulnerable to alternating periods of prosperity and depression. In addition, poor governance and corruption also have had a negative impact on growth, making it expensive to do business in Kenya, while another large drag on Kenya's economy is the burden of HIV/AIDS. Risks to continuing robust growth also include weak infrastructure, drought and the diminution of financial flows from donors because of corruption allegations leveled against the government. Despite these setbacks, however, the formation of the coalition government has gone a long way towards allaying the international finance community's fears about the country, and 2008 has seen a reversal in stance of several international bodies with regards to financial involvement in Kenya.

Kenya's annual inflation reflected a steady climb throughout 2007, buoyed by higher food, transport and energy prices. This was despite a marked decline in the first quarter of 2007, when the y-o-y growth in CPI reduced to 5.9% from 15.6% in March 2006. Inflation soared to 12% in December 2007. Overall, average inflation for the year amounted to 9.8%. The inflation outlook for 2008 remains bleak and has been worsened by the post-election violence. Energy imports, rising food prices and bottlenecks resulting from the economic impasse in 1Q 2008 continued to drive the month-on month CPI inflation to over 31% by May 2008, leading to a revision of fiscal and monetary policy strategies.

Regulatory

Following the enactment of the Water Act of 2002, the MWI ceased to be directly involved in the regulation of water services and appointed a regulatory authority. The regulatory structure comprises the WSRB and WRMA. The WSRB's responsibility is to enforce the Water Act, including development and maintenance of quality standards, approval of tariff increases and issuance of licenses for service provision. The WRMA is tasked with the national management and regulation of water resources (including the issuance of licenses for water abstraction from any source and disposal of treated effluent into rivers). In the event of a dispute the case is submitted to the Water Appeals Board, which then has the final decision. AWSB operates in a fairly regulated environment under which it has the authority to make certain operational decisions. However, the legal framework restricts the water board's ability to make major capex and policy decisions without approval from WSRB and sometimes the MWI, which somewhat limits its flexibility and lengthens the decision-making process.

Operations

AWSB's operational framework is set by a tripartite agreement entered into with CCN and NCWSC, which spells out the roles of all parties involved. Although ownership of the assets still vests with the CCN, AWSB currently has operational control. At present AWSB holds 4 water reservoirs with a combined capacity of 80,000 megalitres, together with water infrastructure covering 6,000km^2. However, rapid population growth, driven by massive rural-urban migration, has seen Nairobi's population reaching an estimated 3 million people, which continues to place considerable pressure on water assets. In addition, limited water sources, in a region that continues to be highly susceptible to drought, has negatively affected supply.

Given that the water board's main responsibility is the maintenance and development of water infrastructure, daily operations require highly technical skills. In this regard, the water board employs 5 engineers with the bulk of the manpower sourced through district water officers (paid by the MWI). However, capacity constraints have led to WSPs carrying out certain maintenance work (then having to submit claims to AWSB). This, however, requires express permission from the water board and due to time and work pressures, WSPs often carry out work without obtaining the required approval. More specifically, AWSC have rejected a claim from NCWSC amounting to KShs194m for works executed since its inception on the basis of non-compliance with the procedures for delegated works as required by the SPA. Given the concentration in revenues, a significant level of risk is inherent in that NCWSC can withhold lease payments in order to offset expected reimbursements for delegated works.

Given the low technological component and long useful life of water infrastructure, the level of operational risk is generally considered low for water utilities. However, given the aging nature of

water assets in AWSB's jurisdiction, operational risk is significantly higher. In this respect, the old infrastructure is a large contributor to the high unaccounted-for water (or non-revenue water) - currently at 45% - as a substantial amount of water is lost through leaks and burst pipes. These commercial losses are exacerbated by theft, vandalism and poor metre reading & billing systems. This results in reduced revenues for the WSPs and in turn AWSB. In light of the aforementioned, proper maintenance and replacement of assets (which currently only covers 40% of AWSB's jurisdiction, leaving huge areas unserviced) is crucial going forward.

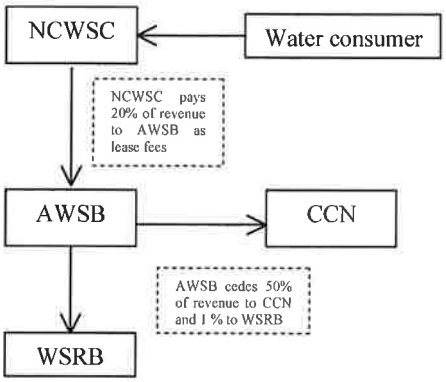
Water sales and tariffs

Although AWSB is not directly involved in the sale and provision of water and sewerage services, it is indirectly reliant on tariff levels and water volumes (including water sources and treatment capacity) sold by its WSPs. AWSB derives its revenue from lease fees charged to the WSPs for use of the water assets (currently determined as a percentage of water sold as set out by the tripartite agreement). In this regard, although the number of connections has increased over the review period and demand for water & sanitation services continues to be high, tariffs have remained unchanged (and not indexed to inflation) over the past ten years. As such, rising inflation has resulted in a considerable compression of margins for WSPs, with tariffs currently close to operation and maintenance cost-recovery. In this regard, a study carried out by an independent third party (WS Atkins International) in October 2007 recommended that tariffs in Nairobi be increased by at least 75% and 300% for water and sewerage respectively in order to achieve full cost recovery given the existing cost structure. Recommendations were also made for these increases to be gradually phased in over a period of 5 years for water and 10 years for sewerage. WS Atkins also recommended that a tariff indexation policy be adopted until full cost recovery is achieved.

Under the legal framework, NCWSC can propose tariff increases based on services provided and costs, but these must be reviewed and approved by AWSB. However, further approval may be required from the WSRB or MWI. In this regard, social factors and political resistance have dampened efforts to raise tariffs.

The diagram below depicts the flow of water revenue in the Nairobi area. Whilst AWSB's core operating revenue is derived largely from Nairobi City Water and Sewerage Company, accounting for 96% in F07, from 100% in F06, cognisance is taken of the risk posed by smaller WSPs, which may constitute unfunded mandates as they generate relatively small amounts of revenue but yet may require substantial capital funding. From a regulatory perspective, the water board is not required to match the source of revenue with capital expenditure, which heightens this risk.

Nairobi Water Revenue Structure



Initially set at 10% of the WSP's revenue, lease fees paid to AWSB increased to 15% in 2005 before increasing further to 20% in January 2006. AWSB then cedes 50% of this revenue to the CCN, and a 1% fee to the WSRB. The cessation of 50% of revenue to CCN represents a substantial leakage and significantly undermines AWSB's revenue and growth potential, as CCN does not use the revenue to develop the assets. However, once the transfer has been completed, AWSB will retain all its revenue, which should result in improved operating performance.

Table 1: Debtors breakdown KShs'm	**F06**	**F07**
Lease fees receivable (from WSPs)	78.4	139.4
Advances to district water offices	1.1	1.6
Staff debtors	0.0	1.5
IDA grants receivable	0.0	18.0
National Water Corporation Pipeline Co.	0.3	4.1
Total debtors	**79.8**	**164.6**

In F07, the increase in trade debtors was characterised by a KShs61m increase in lease fees receivable and KShs18m in IDA grants receivable. The increase in lease fees was ascribed to improved performance by WSPs, as well as the increase in the percentage of revenue payable as lease fees (from 15% to 20%).

Table 2: Debtors age analysis	**F06**		**F07**	
	KShs'm	**%**	**KShs'm**	**%**
Current	21.0	26.3	47.2	28.7
31-60 days	22.5	28.2	46.8	28.4
61-90 days	9.0	11.3	18.0	10.9
91-120 days	13.8	17.3	23.0	14.0
121-150 days	13.5	16.9	13.0	7.9
>150 days	0.0	0.0	16.6	10.1
Total	**79.8**	**100.0**	**164.6**	**100.0**

Going forward, an adjustment in the tariff structure, as well as growth of the customer base, are crucial if water utilities are to become financially self-sustainable and capable of financing infrastructural development. However, a significant challenge to growing the revenue base remains the culture of non-payment. In this regard, awareness campaigns and sound credit policies and implementation thereof are required to improve payment records, particularly in domestic consumers who have historically shown a lack of willingness to pay water bills.

Financial performance

A synopsis of AWSB's financial results is reflected at the end of this report, with brief comment following.

AWSB's financial performance is directly linked to the performance of NCWSC, its largest client. In F07, a significant 69% of total income (including other income) was garnered from the NCWSC, while the remainder comprised largely of government grants and sale of tender documents (that is the development of transitional business plans for WSPs). Despite slightly weaker performance by NCWSC, the water board reported a 26% increase in operational revenue to KShs515m in F07. This was on the back of revenue from other WSPs, as well as the 2006 percentage increase to 20% taking full effect. AWSB also recorded a robust 61% increase in grants and sale of tender documents, which saw total revenue increase by 35% to KShs724m in F07.

Notwithstanding the aforementioned, an 18% rise in lease payments to KShs272m (which comprised 40% of total operating costs) and a 104% increase in grant expenditure (30%) saw total expenses increase by 48% to KShs674m. Staff costs (driven by an increase in staff levels and inflation adjustments) represented a relatively low 10% of overall expenditure (F06: 11%). The water board reported a 40% lower EBITDA of KShs50m in F07. Following a depreciation charge of KShs8m, the water board reported operating income of KShs42m (F06: KShs79m).

Overall, the water board has evidenced decreased profitability over the review period (driven by the aforementioned rise in operating expenses), with the operating margin declining from 34% in F05 to 8% in F07 (F06: 19%). AWSB has reflected modest year to date performance, with total revenue exceeding budget by 9%, while expenses surpassed forecasts by 8%.

Table 3: Operating performance KShs'm	F07	YTD* Actual	YTD* Budget	Variance %
Income				
Lease fees - WSPs	514.5	398.1	395.6	0.6
Grants - restricted	136.3	7.3	0.2	3,550.0
Grants - unrestricted	69.6	0.0	0.0	n.a.
Miscellaneous income	3.4	27.3	0.9	2,937.0
Total revenue	**723.9**	**432.7**	**396.7**	**9.1**
less: Expenditure				
Staff costs	(69.1)	(52.8)	(57.3)	(7.9)
Board costs	(7.6)	(3.2)	(4.9)	(34.8)
Operational expenses	(83.6)	(75.4)	(80.6)	(6.4)
Administrative expenses	(40.3)	(18.1)	(20.4)	(11.3)
General expenses	(5.2)	(17.2)	(16.7)	3.0
Lease fees – CCN	(251.4)	(182.5)	(182.5)	0.0
Lease fees - WSRB	(20.7)	(24.6)	(20.8)	18.1
Grant expenditure	(203.3)	(40.2)	(0.0)	n.a
Total expenditure	**(681.3)**	**(414.0)**	**(383.2)**	**8.0**
Surplus/deficit	**42.6**	**18.7**	**13.5**	**38.5**

** For the nine months ended March 2008.*

Following an annualised 9% increase in cash generated by operations in F06, AWSB reported a 39% decline in F07. Given AWSB's operational expansion since inception, the water board evidenced a KShs22m working capital absorption in F07 (an increase of 44% from F06). This saw a 58% decline to KSh29m in cash flow from operations. This is largely attributed to the shifting of cash to debtors as evidenced by the increased average days receivable to 87 days in F07 (F06: 42 days). Since inception AWSC has invested KShs129m in water assets, of which KShs88m was spent in F07. This expenditure was partially funded by KShs23m in capital grants, which resulted in a net cash decrease of KShs37m.

Funding profile

Since inception, AWSB (which has remained ungeared) has primarily been funded by grants, from the Government of Kenya ("GoK") and the International Development Association ("IDA") – (a lending window for the World Bank), amongst others. Given the capital-intensive nature of AWSB's operations, it is expected that the water board would reflect a more sizeable balance sheet. However, this is not the case, given the inefficient ownership structure, although as mentioned, the development of assets by AWSB will see the gradual transfer of these assets onto its balance sheet. To date, 69% of fixed assets relate to water assets and work in progress. This notwithstanding, the water board's ability to leverage financing is thus somewhat constrained at present. Taking cognisance of the expected capex over the next four years and the funding thereof, gearing is forecast to increase significantly relative to historical levels.

As at F07, the water board reflected cash holdings of KShs92.5m, down from KShs129m, used largely to fund working capital. Days cash on hand has decreased from 209 days in F05 to 50 days in F07 (F06: 103 days). Currently 82% of cash vests with Co-operative Bank, which is unrated.

Capex projects and funding

Recently, AWSB has embarked on a number of infrastructure development projects aimed at increasing production capacity (to service growing demand) and expanding sewerage systems in the greater Nairobi area. The water board has received substantial support over the last 3 years from the IDA in the form of a US$15m (KShs975m) grant to fund its setup costs, which was meant to operationally prepare both AWSB and NCWSC for the bulk of the funding expected to come through in the first half of F09 (specifically October 2008).

Table 4: Capex and funding KShs'm	F08	F09	F10	F11
Capex				
Water supply infrastructure -IDA	112.0	1,720.0	1,500.0	1,500.0
Water supply infrastructure -AFD	1,461.0	450.0	650.0	750.0
Water and sanitation -districts	0.0	747.4	1,094.8	6,323.9
Intervention -informal settlements	48.0	110.0	120.0	120.0
Nairobi city W&S development	150.0	162.0	65.0	75.0
Total	**1,771.0**	**3,189.4**	**3,429.8**	**8,768.9**
Capex funding				
Internal funds	0.0	172.0	95.0	105.0
SIDA/DANIDA (KWSP)	50.0	--	--	--
IDA grants	112.0	220.0	--	--
IDA loans	0.0	1,500.0	1,500.0	1,500.0
AFD grants	1,461.0	200.0	300.0	350.0
AFD loans	0.0	250.0	350.0	400.0
EU grant	48.0	90.0	90.0	90.0
GoK grants	100.0	757.4	1,094.8	6,323.9
Total	**1,771.0**	**3,189.4**	**3,429.8**	**8,768.9**

The WSTF has funded some of the projects undertaken, while the World Bank and AFD are financing other ongoing projects (including the rehabilitation of the Sasumua Dam). A large portion of the funding from the World Bank is targeted towards water infrastructure (pipes, metres, sewerage systems and treatment facilities) and water systems for informal settlements. An amount of US$66m (KShs4.5bn) is to be disbursed through the IDA to MWI, which will then on-lend through the Ministry of Finance to AWSB. The loan will be extended to AWSB with an 8-year moratorium (at an interest rate of 1.5% per annum) and AWSB will only start repaying the loan in 2016 over a period of 15 years. The water board is also receiving €30m (KShs3.3bn) from the AFD, with one third of this funding disbursed as a loan and the balance as a grant. In addition, AWSB will receive a grant of €2.7m from the EU restricted to the development of water systems for informal settlements.

Currently, the most significant project the water board is undertaking is the rehabilitation of the Sasumua Dam (financed by the AFD). Once complete (by end of 2008), the dam will have a storage capacity of 16 million m^3, from the current 3.8 million m^3. With sewerage services being the least covered in the southern part of Nairobi and surrounding districts, a substantial portion of the US$60m funding from IDA is earmarked for sewerage works. This will augment recent efforts made through the Southern Outfall Trunk Sewer project, carried out in partnership with NCWSC.

Future prospects

Whilst funding from the World Bank and AFD will secure the water board's operational revenue in the long term (i.e once capex projects have been completed and the new capacity comes on-stream), it is not expected to drive short term revenue growth.

Table 5: Operating budget KShs'm	F08	F09	F10	F11
Income				
Lease fees - WSPs	565.8	622.4	746.9	821.5
Grants - restricted	150.0	165.0	198.0	217.8
Grants - unrestricted	96.1	105.7	126.8	139.5
Miscellaneous income	3.8	4.2	2.5	27.0
Total revenue	**815.7**	**897.3**	**1,074.2**	**1,205.8**
less: Expenditure				
Staff costs	(78.7)	(90.5)	(99.5)	(114.4)
Board costs	(8.3)	(9.1)	(9.9)	(10.8)
Operational expenses	(151.4)	(166.5)	(249.8)	(288.5)
Administrative expenses	(50.0)	(62.5)	(78.1)	(97.7)
General expenses	(5.4)	(5.9)	(6.5)	(7.2)
Lease fees - NCC	(282.9)	(311.2)	(373.4)	(410.8)
Lease fees - WSRB	(28.3)	(31.1)	(37.3)	(41.1)
Grant expenditure	(101.6)	(111.8)	(123.0)	(135.3)
Total expenditure	**(706.6)**	**(788.6)**	**(977.5)**	**(1,105.7)**
Profit before finance costs	109.1	108.7	96.7	100.1
less: Financing costs				
AFD	0.0	(37.7)	(37.7)	(36.3)
World Bank	0.0	(48.2)	(48.2)	(48.2)
Total finance costs	**0.0**	**(85.9)**	**(85.9)**	**(84.5)**
Surplus/ deficit	**109.1**	**22.8**	**10.8**	**15.5**
Key ratios:				
Turnover growth (%)	12.7	10.0	19.7	12.3
Operating margin (%)	13.4	12.1	9.0	8.3
Net interest coverage (x)	n.a.	1.3	1.1	1.2
Total debt to equity (%)	n.a.	50.5	71.2	46.1

In F08 the water board plans to achieve revenue growth of 13% to KShs816m, accompanied by 4% growth in total operating expenses, which should see improved profitability. However, the growth of concessionary grant revenue, although substantial in the short term, is considered unsustainable in the

long term. The relative underperformance in the first 9 months of F08 is also noted. Finance charges will remain low as finance is to be provided at low interest rates, relative to the commercial market. Although a portion of the AFD funding is to be disbursed as grant funding, gearing levels are expected to rise significantly over the next three years. Moreover, the water board has a number of pending project proposals for the development of water sources and production capacity, although funding for this has not been secured.

Athi Water Services Board

(KShs in millions except as noted)

Income Statement	Year end : 30 June	2005*	2006	2007
Revenue		166.5	407.8	514.5
Other income		27.7	130.2	209.4
Operating expenditure		(137.0)	(455.2)	(673.9)
EBITDA		**57.2**	**82.8**	**50.0**
Depreciation		(0.2)	(3.5)	(8.1)
Operating income		**57.0**	**79.2**	**41.8**
Net finance charges		0.0	0.6	0.8
Net income		**57.0**	**79.8**	**42.6**
Cash Flow Statement				
Cash generated by operations		**57.3**	**83.4**	**50.8**
Working capital: (increase)/decrease		14.8	(15.5)	(22.3)
Net finance charges		0.0	0.0	0.0
Cash flow from operations		**72.0**	**67.9**	**28.5**
Maintenance capex		(0.2)	0.0	0.0
Net expansionary capex and investments		(8.9)	(32.1)	(88.2)
Capital contributions		44.8	(11.2)	22.8
Cash movement: (increase)/decrease		(107.7)	(24.6)	36.9
Borrowings: increase/(decrease)		0.0	0.0	0.0
Net increase/(decrease) in debt		**(107.7)**	**(24.6)**	**36.9**
Balance Sheet				
Capital and reserves		108.9	127.9	162.9
Total interest-bearing debt		**0.0**	**0.0**	**0.0**
Short-term		0.0	0.0	0.0
Long-term		0.0	0.0	0.0
Interest-free liabilities		20.1	120.7	206.8
Total liabilities		**129.0**	**248.6**	**369.7**
Fixed assets		8.7	24.7	58.3
Projects in progress		0.0	11.7	51.1
Investments		0.0	0.0	0.0
Cash and cash equivalents		104.6	129.4	92.5
Net trade debtors		12.4	79.8	164.6
Other current assets		3.3	3.0	3.3
Total assets		**129.0**	**248.6**	**369.7**
Ratios				
Operating:				
Turnover growth (%)		n.a.	83.7	26.2
Net capex : total income (%)		4.7	6.0	12.2
Staff costs : operating costs (%)		21.0	11.0	10.1
Staff costs : total income (%)		14.8	9.4	9.6
Cash Flow:				
Operating cash flow : total debt (%)		n.a	n.a	n.a
Operating cash flow : net debt (%)		(91.9)	(52.5)	(30.8)
Profitability:				
EBITDA : revenues (%)		34.3	20.3	9.7
Operating profit margin (%)		34.2	19.4	8.1
EBITDA : average total assets (%)		n.a	115.3	25.2
Coverage:				
Operating income : gross interest (x)		n.a	n.a	n.a
Operating income : net interest (x)		n.a	(134.6)	(53.4)
Activity and liquidity:				
Days receivable outstanding (days)		n.a	41.3	86.7
Net debtors : total income (%)		5.6	19.6	32.0
Current ratio (:1)		6.0	1.9	1.4
Average days working cash (days)		208.6	103.1	49.5
Capitalisation:				
Net debt : capital and reserves (%)		(96.0)	(95.6)	(46.4)
Total debt : total assets (%)		0.0	0.0	0.0
Total debt : EBITDA (%)		0.0	0.0	0.0
Net debt : EBITDA (%)		(137.1)	(156.3)	(185.0)
Total debt : total income (%)		0.0	0.0	0.0
Net debt : total income (%)		(40.4)	(22.7)	(10.4)

* 9 months to June 2005