eThekwini Municipality

South Africa Local Government Analysis **September 2012**

Security class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	AA-$_{(ZA)}$	Stable	09/2013
Short term	National	A1$_{(ZA)}$		

Financial data:

(US$'m comparatives)

	30/06/11	30/06/12
R/US$ (avg)	7.03	7.79
R/US$ (close)	6.84	8.29
Total assets	6,000.8	5,398.0
Total debt	1,478.1	1,288.2
Total capital	3,636.3	3,325.5
Net debtors	810.0	677.2
Cash & equiv.	454.3	579.5
Total income	2,812.5	2,894.0
Net surplus	324.7	189.9
Op. cash flow	501.2	584.3
Net capex	510.1	430.7
Market share*	17.2%	

*Share of category A municipalities by total income, as at FYE12.

Related methodologies / Research

GCR's Standard Local Authority Methodology, February 2012

eThekwini Municipality ("eThekwini") rating reports, 2001-2011

Rating history:

Initial Rating (09/2001)
Long term: AA-$_{(ZA)}$; Short term: A1$_{(ZA)}$
Outlook: Stable

Last Rating (09/2011)
Long term: AA-$_{(ZA)}$; Short term: A1$_{(ZA)}$
Outlook: Stable

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Rating rationale

The rating is based on the following key factors:

- The substantial size and relative importance of eThekwini to the South African economy adds significant support to the ratings.
- The municipality continues to display a robust financial profile, characterised by strong cash generation and high liquidity levels. Medium term projections point to a minimum level of 70 days cash on hand being maintained.
- Medium term borrowing requirements have been revised significantly downward, which is expected to see absolute debt levels stabilise at around R10.5bn. Against an expectation of sustained robust growth in income, gross gearing is forecast to recede to 41% in F13 (F12: 47%), and further to 33% by F15.
- Capex spend has retreated somewhat in recent years, although is expected to recover to average an annual R5.5bn over the medium term, which bodes well for future economic growth.
- While certain infrastructure projects will be funded through government grants, on a combined expenditure basis eThekwini has exhibited a relatively low reliance on government transfers of late.
- The metro reflects a healthy debtors collection rate, which is above that of its peers. Sustained high tariff increases that continue to be passed onto consumers may present a challenge in terms of sustaining these levels going forward.
- While eThekwini displays a stable and highly experienced management team, note is taken of the fact that a number of key senior staff are approaching retirement age.

What could trigger a rating action

Positive movement factors: In view of the South African Government's weakening credit profile, an upgrade of the national scale ratings is deemed unlikely over the short to medium term. Longer term action would be favourably influenced by an improvement of the South African Government's credit rating.

Negative movement factors: The metro's ratings may come under pressure in the event of (i) a further downgrade(s) of the South African Government's credit rating; (ii) a significant downward revision and/or increased uncertainty regarding future grant receipts; (iii) materially weaker than projected credit protection metrics.

Economic fundamentals

eThekwini is one of the largest metropolitan municipalities in South Africa by income, and the largest by capital spend. The municipality spans an area of 2,297km^2 and is home to around 3.5 million people. The municipal area stretches from Umkomaas in the south to Tongaat in the north, moving inland to Ndwedwe and ending at Cato Ridge in the west. It is estimated that eThekwini's GDP (R256.9bn) amounted to 64.1% of provincial economic activity in 2009, and around 10.4% of the country as a whole. eThekwini is home to the busiest port in South Africa, King Shaka International Airport and Dube Tradeport.

Sources of income

Total income advanced 14% to R22.5bn in F12, underpinned by sustained high electricity receipts and a surge in government grants. This compares to relatively subdued growth in F11, of 6.5%. The composition of income has evidenced material changes in recent years. Specifically, in view of persistent high tariff increases being applied by Eskom, which has seen the cost of electricity more than double in just a few years. In this regard, electricity income has grown to represent a dominant 37% of total income. This compares to a level of 25% in F08. Accordingly, trading income has consistently grown to represent 46% of total income, from a low of 35% in F08. The relative level of grants recognised to revenue has also evidenced significant variations. In this regard, having peaked at 28% of total income in F08, grant funding evidenced consecutive declines to account for 15% of the income base in F11 (partly diluted by the high electricity increases). In absolute terms, grants fell from R4.2bn to R2.6bn over the same period. In F12, however, grant funding rose sharply, to represent 15% of total income. The key contributors to the municipality's income base are detailed below, with commentary regarding each discussed below.

Table 1:	Industry*	eThekwini		
Sources of income F12	**%**	**%**	**Rm**	**% change**
Rates	17.3	19.9	4,484.0	7.5
Electricity	37.7	37.1	8,352.8	18.9
Water	10.4	8.4	1,893.9	3.3
General service revenue	5.9	5.2	1,181.4	11.3
Grants & subsidies	19.1	15.2	3,423.6	30.5
Other income	9.6	14.2	3,208.6	4.8
Total income	**100.0**	**100.0**	**22,544.2**	**14.0**

** GCR estimates for metros.*

- **Grants & subsidies recognised to revenue**

As previously mentioned, grant funding evidenced consecutive retracements from F08 to F11. This trend was reversed in F12, with grants & subsidies reflecting a significant 31% increase to R3.4bn. This was largely attributable to the introduction of the urban development settlement grant of R1.1bn (includes the previous contribution from the recently discontinued MIG), which is to be utilised to improve housing delivery and to clear the sizeable backlog. Previously, the housing function was devolved to provincial authorities. The equitable share grant, which is used to subsidise the provision of basic services to indigent community members, rose 12% to R1.5bn in F12, to comprise almost half of total grant funding. Other key contributors include the Department of Transport (10%) and Department of Housing (3%).

Table 2: Grants &	F11		F12	
subsidies	**Rm**	**%**	**Rm**	**%**
Equitable share	1,417.6	54.0	1,581.8	46.2
MIG*	610.2	23.3	0.0	0.0
Urban settlement grant	0.0	0.0	1,063.2	31.1
2010 provincial grant	76.5	2.9	14.8	0.4
Expanded public works	38.0	1.4	22.9	0.7
Neighbourhood dev. grant	32.7	1.2	2.1	0.1
European Union	4.6	0.2	1.6	0.0
Department of Transport	147.4	5.6	354.2	10.3
Department of Housing	104.6	4.0	116.4	3.4
Provincial health subsidies	51.4	2.0	56.1	1.6
Public donations	3.1	0.1	6.1	0.2
Other	136.7	5.3	204.5	6.0
Total	**2,622.9**	**100.0**	**3,423.6**	**100.0**

*Municipal Infrastructure Grant

- **Assessment rates**

Assessment rates increased by 7% to R4.5bn in F12, and remained the second largest contributor to total income, at 20% (above the metro average). eThekwini's tax base is well diversified, with the ten largest ratepayers representing 7.2% of total rates income in F12. A breakdown of rates income by category, as well as the general valuation roll at 30 June 2012 is detailed below. Consistent with F11, the residential market represented the largest constituent, deriving 37% of rates income. This was despite the fact that its contribution to property valuations reflected a significant 62%.

Table 3: Rates (Rm)	F11	%	F12	%
Residential	1,579	37.7	1,670	37.2
Industrial	802	19.1	886	19.8
Commercial	1,225	29.7	1,379	30.8
Vacant land	465	11.1	415	9.3
Other	18	0.4	22	0.5
Penalties & charges	82	2.0	112	2.5
Total	**4,171**	**100.0**	**4,484**	**100.0**
Property valuations (Rm)				
Residential	247,376	63.0	262,902	61.7
Industrial	33,860	8.6	51,004	12.0
Commercial	81,445	20.8	86,688	20.3
Vacant land	17,977	4.6	10,771	2.5
Public service infrastructure	10,107	2.6	12,094	2.8
Other	1,739	0.4	2,579	0.6
Total	**392,503**	**100.0**	**426,036**	**100.0**

- **Electricity**

On the back of sustained double digit Eskom tariff increases, which are passed onto eThekwini's customers, electricity receipts advanced 19% to R8.4bn in F12 (37% of total income). Given a comparatively higher rise in expenditure, the electricity margin decreased to 1.52x from 1.59x previously. The largest electricity consumer represented 3.8% of sales in F12, and the 5 largest a combined 9%. Going forward, electricity income is expected to continue to rise significantly, as Eskom continues to impose elevated tariff hikes, while electricity demand also continues to rise. This serves to place strain on the metro's electrical infrastructure. Electricity distribution losses increased for a second consecutive year, to 5.8% in F12 from 5.5% in F11 (F10: 5.2%). This notwithstanding, losses have remained fairly stable, trending within a very narrow range over the review period. These are largely attributable to transmission losses and an increase in illegal connections. Various interventions have been implemented in order to reduce the losses, which include optimal network configuration, effective maintenance on the network, efficient network loading, as well as specific strategies earmarked towards reducing illegal connections.

- **Water**

Water sales evidenced subdued growth in F12, of 3% to R1.9bn, contributing a lower 8% to total income (F11: 9%). The water margin dipped to 1.6x in F12 from 1.7x previously. Non-revenue water volumes increased from 33.2% in F11 to 35.2% in F12, closely aligned to the national average and translating into absolute losses of R411m (F11: R360m). These losses have mainly been attributed to water theft and delays in SCM processes. The municipality has identified a longer term non-revenue water level of 25%, to be achieved through the implementation of various water loss interventions. These include the installation of pressure reducing valves, advanced pressure management, leak detection and repair regularising of unlawful connections, and the prosecution of consumers with illegal connections.

- **General services and other income**

On the back of a R107m increase in combined solid waste and sewerage & sanitation charges to R1bn in F12, general service revenue climbed 11% to R1.2bn. Other income amounted to R3.2bn in F12, or 14% of total receipts. This amount mainly comprises the fuel levy (R1.4bn from R1.1bn), housing development income (R540m from R841m), rentals derived from council owned facilities (R406m from R353m) and fines accrued (unchanged at R129m). Note is taken of the fact that traffic fines issued rose to R1.4bn (F11: R1.1bn).

Expenditure

Total expenditure advanced 21% to R21.1bn in F12, thus exceeding comparative growth in total income. Staff costs were a key driver of the enlarged cost base, rising 34% to R6.6bn to represent a review period high 31.2% of total expenses (F11: 28.0%). A key driver of the sharp increase was medical aid and pension benefits, which more than doubled from R817m to R2.1bn. According to management, this was due to a revision of assumptions by the newly appointed actuaries, which resulted in a once off provision adjustment of R1.2bn. Excluding this, staff costs were relatively well contained, rising 10% in F12. Expressed as a percentage of total income, salaries & wages climbed 4 percentage points to 29%, well above the prior 5 year average of 24.7%. Excluding the once off provisions, staff expenses amounted to 24% of total income. As previously mentioned, electricity costs continued to report robust increases (accounting for 26% of total expenses from 25% in F11), directly attributable to sustained high tariffs imposed by Eskom. Combined staff and electricity expenses represented a significant 57% of eThekwini's total cost base, which serves to impede financial flexibility regarding other key expenditure items. Bulk water purchases were relatively well contained, rising 7% in F12 and accounting for a comparatively low 5.5% of total costs. Following a 38% reduction in F11, repairs and maintenance spend gained significant traction in F12, advancing 49% to R1.8bn. This translated to 8.6% of total expenses.

Table 4:	**Industry***	**eThekwini**		
Expenditure F12	**%**	**%**	**Rm**	**% change**
Salaries and wages	27.6	31.2	6,572.4	34.1
Electricity	32.2	26.1	5,510.5	24.8
Water		5.5	1,156.5	7.0
Grants & donations	1.0	0.7	141.7	(0.6)
Depreciation	7.2	6.9	1,458.0	7.5
Other expenses	24.2	14.9	3,135.6	(10.3)
Repairs & maintenance		8.6	1,804.9	48.6
Bad debts	5.2	3.1	661.1	103.8
Net interest	2.6	3.0	634.2	12.9
Total expenditure	**100.0**	**100.0**	**21,074.8**	**20.5**

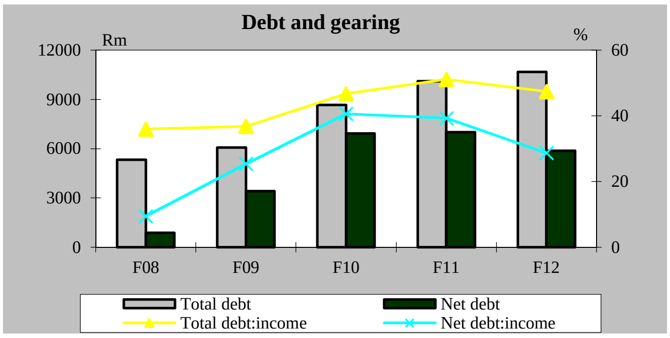
** GCR estimates for metros.*

On the back of higher interest bearing debt, finance costs rose by R168m to R855m in F12. This compares to a R95m increase in interest received on cash holdings, thereby driving a higher net interest charge of R634m (F11: R562m). Other expenses receded by 10% to R3.1bn, and includes contracted services of R1bn (F11: R864m), and R605m (F11: R841m) attributable to the Cornubia mixed use development (to eradicate informal settlements).

Financial profile

A 5-year historical synopsis of eThekwini's financial performance is reflected at the end of this report and brief comment follows hereafter. Cash generated by operations was reported at a robust R4.9bn in F12, representing growth of 23% over F11. Following a lower working capital absorption (of R313m from R423m), cash flow from operations amounted to R4.6bn (F11: R3.5bn). Moreover, operating cash flows comfortably addressed capital expenditure, which was reported 6% lower at R3.4bn. Overall, eThekwini reported a R1.1bn decrease in net debt in F12. This compares to a cumulative increase of R6.1bn in net borrowings from F09 to F11. The ratio of operating cash flow to net debt climbed accordingly, to 70% from 45% in F11. Operating cash flows covered gross interest a relatively stable 6x (F11: 5.8x).

Following persistent large increases from F09 to F11 (R6.1bn to R10.1bn), total borrowings rose by a relatively subdued R569m to R10.7bn in F12. Of this amount, 7.2% comprised short term borrowings (F11: 6.8%). Against comparatively stronger growth in the revenue base, gross gearing declined by 4 percentage points to 47%. This compares favorably to management's initial projections of 52%. On a net basis, the improvement was even more pronounced, with gearing subsiding from 39% in F11 to 29% in F12, underpinned by strong growth in cash reserves (discussed below). Furthermore, cash holdings covered short term debt an improved 6.2x (F11: 4.5x; F10: 3.3x).



The DBSA continued to dominate eThekwini's loan book, at R4.9bn (46% of total borrowings), comprised of phase 1 - 7 loans. Of these, DBSA phase 2 & 3 loans of R400m each are separately secured, each by a cession of an acceptable revenue stream of R20m p.a. DBSA phase 5 of R300m is similarly secured by a cession of an acceptable revenue stream of R15m p.a. A R1bn loan was secured from RMB at FYE12 (below initial expectations of R1.5bn), increasing this bank's representation to 24% of total debt, followed by ABSA (17%) and Nedbank (13%). The redemption profile reveals no undue maturity concentrations, and extends from 2015 through to 2032. All borrowings are annuity loans, with an average 9.55% interest rate.

As previously mentioned, on the back of sound operating cash flows, cash & equivalents were reported R1.7bn higher at R4.8bn at FYE12. The level of days cash on hand advanced accordingly, to a four year high of 91 days from 71 days in F10. Note is taken of the fact that cash holdings include unspent conditional grants of R599m (F11: R768m), which are earmarked towards specific projects and thus ring-fenced until utilised. Net of this amount, days cash on hand reduces to 80 days (F11: 54 days). A stringent investment policy is applied, which specifies that cash holdings only be placed across the "big 4" South African banks and Investec, with counterparty exposure per institution limited to 30%. The municipality also holds long term investments of an unchanged R1bn, encompassing the following:

- A 99.8% stake in Durban Marine Theme Park (carrying amount of R644m);
- Investment properties (shown at carrying value of R260m; market value: R2.5bn);
- A 66.7% stake in the Effingham Development joint venture with Moreland Developments (R80m); and
- 100% ownership of the ICC Durban (Pty) Ltd (carrying amount: R1).

Gross consumer debtors amounted to R4.7bn at FYE12, representing growth of 8% over the previous year. The composition of the book was little changed, with rates debtors continuing to dominate (43%), followed by water (28%) and electricity (23%). Provisions for bad debts increased by a comparatively higher rate, of 10% to R1.9bn, which saw net debtors posted 6% above the previous year. Inclusive of other debtors of R2.9bn (F11: R2.9bn), total net debtors amounted to R5.6bn in F12 (F11: R5.5bn). Total collections as a percentage of billings was stable, at 97.5% (F11: 97.4%), closely aligned to the municipality's five year average of 97.2%. Net debtors as a percentage of total income amounted to 25% (F11: 28%). In addition, the collection period improved to a review period low of 63 days (F11: 67 days).

Table 5: Debtors	F11		F12	
	Rm	%	Rm	%
Rates	1,968.8	45.3	2,018.4	43.0
Electricity	937.7	21.6	1,084.6	23.1
Water	1,206.7	27.8	1,288.1	27.5
Other	233.6	5.4	299.8	6.4
Gross consumer debtors	**4,346.8**	**100.0**	**4,690.9**	**100.0**
Less provision for bad debts	(1,756.3)		(1,937.8)	
Net consumer debtors	**2,590.5**		**2,753.1**	
Other debtors	2,949.9		2,860.6	
Total net debtors	**5,540.4**		**5,613.7**	

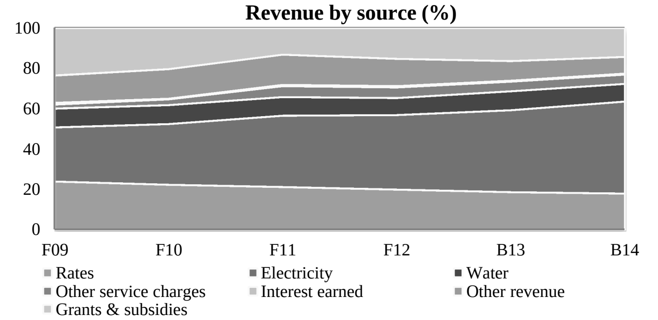
An analysis of gross debtors' aging reveals that the majority continued to populate the 121-365 category (60% from 49% in F11). Current consumer debtors represented 28% of the gross book (F11: 32%). With respect to combined debtors over 90 days (R3bn from R2.7bn), an unchanged 65% was provided for.

Table 6: Debtors' age analysis	F11		F12	
	Rm	%	Rm	%
Current (0-30 days)	1,387.2	31.9	1,292.4	27.6
31-60 days	131.0	3.0	248.9	5.3
61-90 days	112.0	2.6	164.7	3.5
91-120 days	248.1	5.7	144.7	3.1
121-365 days	2,117.0	48.7	2,829.1	60.3
365+ days	351.5	8.1	11.0	0.2
Total	**4,346.8**	**100.0**	**4,690.9**	**100.0**

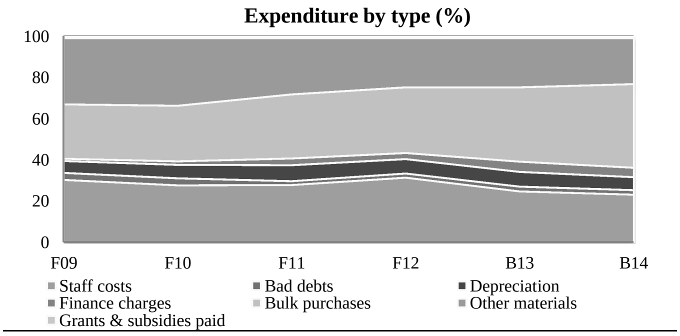
Operating estimates

Table 7: Operating budget (Rm)	F13	%	F14	%
Rates	4,844.1	18.3	5,147.3	18.0
Electricity	9,581.5	36.5	10,773.4	37.7
Water	2,622.1	10.0	2,818.7	9.9
General service revenue	1,309.9	5.0	1,377.0	4.8
Grants & subsidies -capital	2,831.1	10.8	2,965.8	10.4
-operating	2,127.0	8.1	2,375.2	8.3
Other income	2,937.9	11.3	3,141.8	10.9
Total income	**26,253.6**	**100.0**	**28,599.2**	**100.0**
Staff costs	(6,187.9)	26.3	(6,601.9)	25.9
Bulk purchases	(7,839.7)	33.3	(8,981.2)	35.2
Depreciation	(1,849.2)	7.9	(1,837.4)	7.2
Net interest	(1,007.8)	4.3	(1,000.4)	3.9
Bad debts	(550.0)	2.3	(600.0)	2.4
Contracted services	(3,076.8)	13.1	(3,361.3)	13.2
Grants & subsidies paid	(174.3)	0.7	(183.9)	0.7
General expenses (including R&M)	(2,825.8)	12.1	(2,962.1)	11.5
Total expenditure	**(23,511.5)**	**100.0**	**(25,528.2)**	**100.0**
Net surplus	**2,742.0**		**3,071.0**	

Total income is expected to maintain a strong growth trajectory over the medium term, with forecasts pointing to a 16% increase to R26.3bn in F13, and a further 9% to R28.6bn in F14. The primary driver of growth in F13 is expected to be grant funding, which is projected a significant 45% higher at R5bn, translating to 19% of total income (F12: 15%), and sustaining this relative level in F14. On the back of the roll out of new infrastructure and above inflationary tariff increases, water receipts are budgeted at R2.6bn, representing growth of 38% over the level achieved previously. In anticipation of sustained high electricity tariffs imposed by Eskom, which will continue to be passed on to eThekwini's consumers, electricity receipts are expected to gradually increase to represent a substantial 38% of total income by F14 (F12: 37%). Including general service revenue, trading income is expected to amount to 52% of total income over the next few years (F12: 46%), well above historical norms.



Growth in total expenditure over the next two years is forecast below that of income, underpinning increasing net surpluses, which are expected above R3bn by F14. Following the previously mentioned once off medical aid & pension provisions, staff costs are expected to normalise in F13, translating to 26% of total costs. Bulk purchases will continue to drive overall expenditure over the medium term, attributable to the aforementioned high electricity and water tariff increases. Net interest of R1bn in F13 (F12: R634m) appears elevated based on conservative borrowing forecasts (4.3% of total costs in F13 from 3%), albeit below management's self imposed limit of 5%. Bad debt provisions are expected to represent a lower 2.3% of total costs, from 3.1% in F12.



Capital expenditure and funding

Following a sharp reduction in F11, capital expenditure receded further in F12, by 6% to R3.4bn. This was well below initial expectations of R5.1bn, as the municipality applied significant focus to enhancing SCM procedures and policies at the detriment of delayed tender awards. The relative level of capex spend to total income declined to 15% from 18% previously, well below prior year norms in excess of 30%. Furthermore, the contribution of capex to total municipal expenditure declined to a review period low of 14%, from 17% in F11 (F10: 27%). Going forward, this is forecast to increase to around 17% over the medium term.

eThekwini's capital programme is expected to regain momentum going forward, rising a significant R2bn to R5.3bn in F13, and averaging an annual R5.5bn from F13 to F15. The primary focus of the metro's capex programme over the next 3 years remains road transport, at 31% of annual aggregate capital spend. In view of the delegation of housing infrastructural responsibilities from provincial government to eThekwini, this is expected to represent an average annual 15% of the capital budget. An aggressive focus will also be placed on rolling out sanitation facilities, which has generally lagged other key services. The bulk of the remaining projects will focus on erecting new, as well as replacing dilapidated electricity and water assets. Overall, expansionary capex is expected to represent 68% of total infrastructure spend from F13 to F15, with the balance allocated to uplifting existing assets.

Table 8: Capital budget (Rm)	F13	F14	F15
Road transport	1,450.2	1,755.2	1,878.8
Electricity	539.8	696.5	725.1
Water	691.1	829.0	937.5
Sanitation	834.5	711.8	668.5
Housing	1,167.5	659.0	707.6
Planning & development	356.6	353.1	348.2
Community	127.3	199.1	335.5
Other	141.7	176.9	180.5
Total - By category	**5,308.7**	**5,380.6**	**5,781.7**
Grants	2,886.1	2,965.8	3,535.5
Borrowings	1,500.0	1,000.0	1,000.0
Internal funding	922.6	1,414.8	1,246.2
Total - Sources of funding	**5,308.7**	**5,380.6**	**5,781.7**

Government grants are budgeted to fund the bulk of capex spend annually (F13: 54%; F14: 55%; F15: 61%), underpinned by the recent introduction of the urban development settlement grant. Following political pressure to contain debt funding, eThekwini has revised medium term borrowing forecasts significantly downward. During the previous rating review, the metro expected to source around R2bn in new loans annually from F12 to F14. However, as previously mentioned, only R1bn was raised in F12, while projections for F13 point to a R750m loan (compared to a revised budget of R1.5bn), and a further R1bn in each of F14 and F15. Concomitantly, and against higher annual net redemptions, total borrowings are expected to recede slightly to R10.5bn by FYE15 (F12: R10.7bn). In view of sustained strong growth in income, gearing is forecast to fall to 41% in F13 (F12: 47%), and further to 37% in F14 and 33% in F15. This compares to previous projections, which pointed to gearing being sustained at around 50% over the same period. Furthermore, liquidity metrics are expected to remain sound, with days cash on hand forecast to be maintained above 70 days over the next 3 years.

Table 9: Forecast balance sheet (Rm)	Actual	Forecast		
	F12	F13	F14	F15
Short term debt	772.3	1,157	1,021	1,030
Long term debt	9,906.7	9,500	9,479	9,449
Total debt	**10,679.0**	**10,657**	**10,500**	**10,479**
Cash & cash investments*	4,804.1	4,500	4,800	5,100
Key ratios				
Total debt: income (%)	47.4	40.6	36.7	33.3
Cash cover S/T debt (x)	6.2	3.9	4.7	5.0
Cash on hand (days)*	91.1	75.8	74.0	71.9

**Includes unspent conditional grants*

eThekwini Municipality

(R in Millions Except as Noted)

INCOME STATEMENT FYE 30 June	2008	2009	2010	2011	2012
Tax revenues	3 828.8	3 918.7	4 129.4	4 170.2	4 484.0
General service revenues	327.9	329.9	525.3	1 061.6	1 181.4
Trading service revenues	5 162.4	5 997.4	7 338.6	8 856.4	10 246.6
Other income	5 466.8	6 248.3	6 565.5	5 683.6	6 632.2
Total income	**14 786.0**	**16 494.4**	**18 558.9**	**19 771.8**	**22 544.2**
Bad debt provisions	(375.7)	(475.9)	(573.0)	(324.3)	(661.1)
Expenses	(10 255.4)	(13 093.5)	(15 839.7)	(16 606.9)	(19 779.5)
Net interest & capital charges	(161.8)	(151.7)	(293.0)	(561.5)	(634.2)
Surplus/(deficit) for the year	**3 993.1**	**2 773.4**	**1 853.2**	**2 279.0**	**1 469.4**
Share of income from joint venture	63.8	19.6	5.2	3.5	9.8
Net surplus/(deficit)	**4 056.9**	**2 793.0**	**1 858.4**	**2 282.5**	**1 479.1**
BALANCE SHEET					
Funds, Reserves & Accumulated Surplus	**16 960.4**	**20 326.8**	**22 434.2**	**24 872.0**	**27 568.8**
Short term debt	278.2	290.8	524.3	692.4	772.3
Long term debt	5 044.6	5 779.5	8 150.4	9 418.0	9 906.7
Total Debt	**5 322.8**	**6 070.3**	**8 674.7**	**10 110.5**	**10 679.0**
Non interest bearing liabilities	5 120.7	6 129.2	6 119.2	6 062.8	6 501.7
Total Liabilities	**27 404.0**	**32 526.4**	**37 228.2**	**41 045.3**	**44 749.6**
Fixed Assets & WIP (net of loans redeemed & other cap. receipts)	17 176.9	23 125.4	28 464.9	30 845.1	32 785.6
Investments & other (excl. cash investments)	1 981.3	1 800.4	1 432.5	1 295.7	1 270.8
Net debtors	3 477.2	4 400.8	4 962.6	5 540.4	5 613.7
Inventory	147.9	220.5	224.1	211.4	235.4
Cash & cash investments*	4 456.9	2 664.8	1 740.9	3 107.7	4 804.1
Other current assets	163.8	314.2	403.1	45.0	39.9
Total Assets	**27 404.0**	**32 526.4**	**37 228.2**	**41 045.3**	**44 749.6**
CASH FLOW STATEMENT					
Cash generated by operations	5 393.2	4 288.8	3 935.2	3 946.6	4 864.1
Utilised to increase working capital	(185.2)	(895.4)	(1 410.2)	(423.0)	(312.6)
Cash flow from operations	**5 207.9**	**3 393.4**	**2 525.0**	**3 523.6**	**4 551.5**
Net capital expenditure	(4 543.7)	(5 829.7)	(6 333.2)	(3 586.0)	(3 355.1)
Net investment activity (excl. cash investments)	(606.4)	(103.2)	279.9	(6.5)	(68.5)
Cash contributions from public & state	0.0	0.0	0.0	0.0	0.0
Borrowings: increase / (decrease)	740.2	747.5	2 604.4	1 435.8	568.5
Cash and cash investments: (increase)/decrease	(798.0)	1 792.0	924.0	(1 366.8)	(1 696.4)
Net debt: increase/(decrease)	**(57.8)**	**2 539.6**	**3 528.4**	**69.0**	**(1 127.9)**
KEY RATIOS					
Credit Protection Measures:					
Gross interest cover (x)	6.8	4.2	4.5	4.1	2.5
Net interest cover (x)	25.7	19.3	7.3	5.1	3.3
Operating cash flow interest cover - gross (x)	8.7	4.9	5.6	5.8	6.0
Operating cash flow : net debt** (%)	375.6	80.9	33.5	45.3	70.3
Total debt : capital outlays (%)	31.0	26.2	30.5	32.8	32.6
Total debt : total income (%)	36.0	36.8	46.7	51.1	47.4
Net debt** : total income (%)	9.4	25.4	40.6	39.3	28.7
Net capex : total income (%)	30.7	35.3	34.1	18.1	14.9
Current ratio (:1)	1.5	1.2	1.1	1.3	1.5
Days cash on hand (days)	163.5	74.8	41.7	71.2	91.4
Days cash on hand (days) - excluding unspent conditional grants	143.7	52.0	26.8	53.6	80.0
Bad debt charge : current debtors (%)	11.0	12.1	13.9	7.5	14.1
Efficiency:					
Trading income : total income (%)	34.9	36.4	39.5	44.8	45.5
Staff expenses : total expenses (%)	30.5	30.3	27.6	28.0	31.2
Staff expenses : total income (%)	22.3	25.2	24.9	24.8	29.2
Distribution loss - water (%)	36.4	39.0	37.5	33.2	35.2
Distribution loss - electricity (%)	5.4	5.3	5.2	5.5	5.8
Debtors : tax, general & trading income (%)	19.6	21.4	18.5	18.4	17.3
Collection period (days)	71.5	78.1	67.5	67.1	63.2
Gross debtors : total income (%)	34.3	37.3	36.9	36.9	33.5
Net debtors : total income (%)	23.5	26.7	26.7	28.0	24.9
Growth Statistics:					
Increase in tax, gen. & trading income (%)	8.0	9.9	17.1	17.5	12.9
Increase in salaries and allowances (%)	5.2	26.2	11.0	6.2	34.1
Increase in debtors (%)	(1.1)	15.6	4.2	5.7	7.9
Increase in net capex (%)	114.2	28.3	8.6	(43.4)	(6.4)
Increase in net debt (%)	(6.3)	293.3	103.6	1.0	(16.1)

* Includes all unspent grants and subsidies.

**Liquid component excludes unspent conditional grants and subsidies, but includes ring-fenced amounts set aside for the repayment of debt obligations.