

ANNEX 1

Section 1: Reconstruction of income statement and balance sheet for KFC.

		AVERAGE	31/03/94	31/03/93
A] Interest income p.29,n 2.6				
	Loans		96218	
	Short-term dep.		15184	
Interest earned from subsidiaries	p.30.n.3		8816	
Interest earned from associated co.	p.30.n.4		1459	
Total interest revenue			121677	
B] Deposit (liabilities) lthala	p.32.n.12	0		
	Saving accounts	61900	71859	51941
	Fixed dep.	19656	22545	16767
	Other short-term	35687	38674	32700
Total lthala deposits		117243	133078	101408
C] Loans (assets)	p.35	0		
Loans to clients	p.35.n.16.1	545020	593450	496589
Other loans	p.35.n.16.2	2124	0	4247
Provisions	p.35.n.16.2	-2124	0	-4247
Total Long-term loans		545020	593450	496589
D] Loan-loss reserve	p.35.n.16.3	0		
Balance at start of year			27284	16957
Amount written off			-5896	-1194
Balance before provision			21388	15763
Provision expense (a)	also n.2.5		10511	11527
Balance at the end of year		29595	31899	27290
E] Net loan book outstanding		515425		
F] Return on lending portfolio		0.236		

Assume that liabilities to creditors carry no explicit interest charges				
G] Borrowings				
Long-term borrowings	p.26n.11	347326	346899	347752
Ithala deposits		117243	133078	101408
Current portion of long-term borrowing	n.11	25789	27459	24119
Total interest-bearing liabilities		490358	507436	473279
H] Interest paid		0		
Interest and finance charges	p.25.n.2	45315	45315	
I] Cost of interest-bearing liabilities		0.092		
J] Deposits owned by intermediary	included below			
Cash	p.26	93230	76817	109643
Assumption of % in Fin. Inter		0.8		
Cash and deposits for Financial Inter-mediation		74584		
K] Fixed Assets and depreciation		0		
Note: Fixed assets on balance sheet stated as net of depreciation				
Note: Depreciation charge figured as % of gross fixed assets				
Fixed assets in whole entity (gross)	p.33	642117	667799	616435
Fixed assets in whole entity (net)	p.33	532423	548644	516202
Assumption of % in Fin. Inter		0.1		
Fixed assets serving F.I		53242		
Total depreciation	p.29.n.2.2	19657		
Assumption of % of depreciation. In F.I.		0.1		
Depreciation serving F.I.		1966		
Provision for loan loss	see (a) above	10511		

Source: KFC Annual Report, 1994.

Section 2: Statement of income and expenses

L] Statement of Income and Expenses			
Interest earned		121677	
Interest paid		45315	
	Total	76362	
Other expenditure		0	
	Total	76362	
Provision for loan loss		10511	
Depreciation expense		1966	
Administrative costs		0	
Preliminary Gross Profit (P)		63885	

Source: KFC Annual Report, 1994.

Section 3: Preliminary balance sheet for financial intermediation

Assets			
Cash and deposit		74584	
Loan book		525425	
Fixed Assets		53242	
	Total	643251	
Liabilities			
Borrowings		490358	
Other sources		0	
Equity			
		152894	
	Total	643251	

Source: KFC Annual Report, 1994.

ANNEX 2

Section 4: SDI Calculation

Additional subsidies (K)	0
Assumed opportunity cost (m)	0.16
SDI numerator	-6280
SDI denominator	121677
SDI	-0.052
Current on-lending rate	0.236
Subsidy-free on-lending rate	0.224
Assumptions	
m	0.16
share of cash and deposits	0.8
share of fixed assets	0.1
share of depreciation	0.1

Source: KFC Annual Report, 1994.

Pro forma Income Statement ANNEX 2

as at 31 March 1994
(in Millions of Rands)

Calculation 1: Based on Audited figures from 1992/93 and 1993/94

Assumptions:

1. Additional subsidies
2. Assumed market rate

	1993	1994	Average
Loan Portfolio	86 888	98 218	91 058
Deposits	20 988	15 164	18 077
Short term investments	5 804	6 016	7 360
Income earned from Assets	3 67	1 438	2 942

Pro Forma Balance Sheet

As at 31 March 1991
(in Millions of Rands)

ASSETS	1994	1995	Annual Average Rm's
Loan Portfolio			515
Total loan portfolio			515
Deposits (H/O)			75
Short term investments			10
Fixed Assets			53
Stocks	10 511	11 327	2
Total Assets			655
LIABILITIES			
Borrowings long term			373
Other sources (Ithala)		22 975	117
Accounts payable		9 18%	33
Equity (total assets minus liabilities)			132
TOTAL LIABILITIES			655

Pro forma Income Statement

as at 31 March 1994
(in Millions of Rands)

Income:	1993	1994	Average
Interest earned on loan portfolio	86.898	96.218	91.558
Interest earned on investments	20.965	15.184	18.075
Internal interest	5.904	8.816	7.360
Interest earned from Asso. Co.	3.67	1.459	0.913

Total income earned

117.906

Interest paid	44.461	45.442	45.042
Net interest earned			72.864

Expenses:

Personnel			
Transport			
Subsidised transport			
Rent			
Computers			
Other			
Depreciation			
Administration costs (estimate)			

Total expenses 11.019

Provision for loan losses	10.511	11.527	51.558
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Profit 21.306

SDI Calculation for KFC

Return on loan portfolio	22.9%
Cost of funds	9.18%

$$S = A(m-c) + \{(E \cdot m) - P\} + K$$

A =	373	LP =	515
m =	16.00%	i =	22.9%
c =	9.18%	LP* i =	123
A(m-c) =	23	SDI = S/LPi	
E =	132	SDI = 18.7%	
m =	16.00%	Implied rate =	27.18%
E(m-c) =	21		
P =	21		
K =	0		
s =	23		

Calculation 2: Based on un-audited figures 1993/94 –1994/95.**Assumptions:**

- | | | |
|-------------------------|--|-----|
| 1. Additional subsidies | | 0 |
| 2. Assumed market rate | | 16% |

Pro Forma Balance Sheet

As at 31 March 1995
(in Millions of Rands)

ASSETS	1994	1995	Annual Average Rm's
Loan Portfolio			619
Total loan portfolio			619
Deposits (H/O)			12
Short term investments			32
Cash			20
Fixed Assets			5
Stocks			1
Total Assets			689
LIABILITIES			
Borrowings long term			117
Other sources (Ithala)			152
Accounts payable			2
Equity (total assets minus liabilities)			418
TOTAL LIABILITIES			689

Pro forma Income Statement

as at 31 March 1995
(in Millions of Rands)

Income:	1994	1995
Interest earned on loan portfolio		102
Interest earned on investments		4
Internal interest		3
Sundry income		13
Total income earned		122
Interest paid		28
Net interest earned		74
Expenses:		
Personnel		
Transport		
Subsidised transport		
Rent		
Computers		
Other		
Depreciation		
Administration costs (estimate)		
Total expenses		76
Provision for loan losses		0
Profit		18

SDI Calculation for KFC

Return on loan portfolio	16.48
Cost of funds	10.41%

$$S = A(m-c) + \{(E^* m) - P\} + K$$

A =	117	LP =	619
m =	16.00%	i =	16.48%
c =	10.41%	LP* i =	102
A(m-c) =	7	SDI = S/LPi	
E =	418	SDI = 54.33%	
m =	16.00%	Implied rate =	25.43%
E(m-c) =	67		
P =	18		
K =	0		
s =	55		