



Associates Inc.

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June 3, 1994

Ms. Mara Fellouris
Senior Manager
Price Waterhouse
International Privatization Group
1801 K Street, N. W.
Washington, D. C. 20006

Dear Mara:

Please find enclosed selected deliverables from the first assignment to assist with restructuring of Malawi Railways. These products include two copies of our main report and two copies of our draft report on financial simulations.

Please pass on a copy of each of these reports to Penny Farley, as appropriate. If you would like more copies of either report, please do not hesitate to contact me.

Many thanks as always for the support that you personally and IPG/PW generally provides us on these buy-ins.

Best regards,

Anthony A. Davis EA

Anthony A. Davis
Team Leader

attachments

P: MAL/059.02D

PA-AET-793

Malawi Railways Restructuring Project

FINANCIAL ANALYSIS TECHNICAL WORKING PAPER

(Draft: May 29, 1994)

Prepared for:

The Government of Malawi and Malawi Railways Limited

Prepared by:

Abt Associates, Inc.

Funded by:

**USAID/SARP/Zimbabwe
(via the Privatization and Development Project) /**

Malawi Railways Limited

Financial Simulations

Introduction

A financial simulation exercise was undertaken to estimate the financial performance of MR under alternative scenarios, as part of the joint World Bank-USAID-ODA appraisal mission for the Malawi Railways Restructuring project. The results of this analysis and the underlying assumptions are presented below and in the attached exhibits. These are refined numbers as of May 29th, 1994, and thus, are an update of those presented in the Aide Memoire (dated May 19th, 1994).

Schedules A through F provide details on the "base case" financial simulations, which assume initial restructuring is undertaken by the railway. Schedules G and H provide details on a fully restructured and privatized railway, respectively. In each of Schedules G and H, an income statement pro forma and an alternative projection of traffic and "goods" revenue is provided.

Financial Results: Base Case

The preliminary pro forma income statement for Malawi Railways is provided in Schedule A. It provides an order of magnitude estimate of the railway's likely financial performance, based on conservative assumptions.

In the pro forma, a five-year period is forecast, with the base year being the first full year of the project. The financial simulation assumes a scenario in which overseas traffic grows to about 240,000 tonnes and domestic traffic is constant, and the staffing level of the railway drops to about 860. In addition, it is assumed that current debts and liabilities (short- and long-term) of the railway are not transferred to the new company.

Under this scenario, gross revenue rises from just under MK 40 million in Year 1 to nearly MK 50 million in Year 5. The gross margin (revenue less direct operating costs) rises from about MK 9.5 million in Year 1 to over MK 15 million in Year 5, indicating a gross margin expressed in percentage terms of 23% and nearly 31%, respectively.

Net profit (after grant amortization, net interest and depreciation) is estimated at about MK 0.8 million in Year 1, and rises to approximately MK 5.5 million in Year 5. These net profit levels indicate a return on sales and return on assets of 10% and 1.5%, respectively, in Year 5.

The pro forma provides a conservative estimate of the railway's financial performance for a number of reasons, including the following.

- a. The revenue projections are based on the "base case" traffic forecasts, which indicate that overseas traffic will rise to about 240,000 tones in 1999/2000. This represents a low share of overseas Malawian traffic, given that the corridor is the "low-cost" route. Assuming that quality services can be provided to customers, the share could be substantially higher.
- b. The capital investment program of about MK 60 million is being funded largely by donors and assumed to be on-lent to the railway from Government. The pro forma assumes that interest will be paid in Year 1, whereas in actuality there is likely to be a five-year moratorium. However, showing this interest on an accrued basis conforms to standard accounting practices.
- c. Salary and related costs in the pro forma are estimated at about double the Budget Year 94/95 levels, on the assumption that such a "premium" would have to be paid to attract "quality" personnel to the commercialized railway. This may or may not be a conservative estimate.
- d. The assets are valued on a depreciated replacement cost basis. This gives a significantly higher asset base value than would be estimated using a historic book value method. However, it is the most appropriate valuation method for developing indicators of commercial viability.
- e. In the pro forma, it is assumed that staffing levels and other key elements of the railway's cost structure will remain essentially the same over the five-year period. If a private owner/operator were to run the railway, as is planned for Year 2 or 3, then the financials are likely to improve through further cuts in staffing levels, reduction in costs by contracting out services and other methods, improved work practices and productivity, and enhanced revenue through greater customer service and increased market share.

Financial Results: Alternative Scenarios

Alternative forecasts of traffic, the corresponding revenue and income statement pro forma are presented in Schedules G and H.

In Schedule G, it is assumed that full restructuring occurs, as envisaged in the donor-funded restructuring project. This results in NMR's share of overseas traffic increasing from 32%, as assumed in the base forecast, to 40%. No increase in domestic traffic is assumed. Likewise, while a restructured railway may make further efforts to reduce staff and improve rail operations efficiency, no such changes are assumed in the "Restructured" income statement pro forma. It thus provides conservative estimates.

Under the fully restructured scenario, the railway's performance improves significantly. The gross margin increases from MK 9 million in Year 1 to over MK 20 million in Year 5. The

return on sales increases from 2% in Year 1 to nearly 20% in Year 5; and the return on assets is positive throughout the period, rising to 3.2% in Year 5.

In Schedule H, similar assumptions are made to those in Schedule G, with the exception that NMR's share of overseas traffic rises to 70%. This is based on the assumption that the railway aggressively markets. Under this "privatized" scenario the railway's performance improves substantially over the other two scenarios. The gross margin rises from the base of MK 9 million in Year 1 to over MK 42 million in Year 5; the return on sales is over 42% in Year 5; and the return on assets rises to over 9% in Year 5.

Commercial Viability

Under all three scenarios, the railway is profitable starting in Year 1, and no subsidies from Government are required or assumed. Determination of the railway's commercial viability, however, is somewhat subjective. One measure would be whether the railway's return on capital employed is sufficient to cover its long-term capital needs. In the pro forma, the return on assets, where assets are measured on a depreciated replacement cost basis, approximates this "commercial viability" indicator. The rate of return should exceed the company's cost of capital, which if internationally sourced, might currently be about 6% to 7%. Under the base case (initial restructuring), the railway falls far short of this threshold. Under fuller restructuring, the Year 5 ROA is 3.2%. With further cuts in costs and improved operations, the railway might just achieve commercial viability. However, it is only under the privatized scenario that the threshold is met.

Malawi Railways Restructuring

Base

**Profit/Loss Pro Forma
(K 000s)**

	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE					
Goods	35,254	37,391	39,528	41,665	43,802
Traffic Sundry Receipts	3,525	3,739	3,953	4,167	4,380
Other	1,080	1,080	1,080	1,080	1,080
Sub-Total	39,860	42,210	44,561	46,912	49,263
EXPENDITURE					
Traffic Expenses					
Salaries, etc.	1,392	1,461	1,534	1,611	1,692
Diesel Fuel	684	828	969	1,109	1,232
Other	490	504	516	528	542
Civil Engineering					
Salaries, etc.	3,630	3,812	4,002	4,202	4,412
Repairs & Maintenance	495	495	495	495	495
Other	3,286	3,286	3,286	3,286	3,286
Mechanical & Elec. Eng.					
Salaries, etc.	4,300	4,515	4,741	4,978	5,227
Repairs & Maintenance	5,346	5,346	5,346	5,346	5,346
Other	706	706	706	706	706
Signals & Telecomm.					
Salaries, etc.	204	214	225	236	248
Repairs & Maintenance	98	103	108	113	119
Other	8	9	9	9	10
Administration					
Salaries, etc.	4,969	5,217	5,478	5,752	6,040
Other	4,852	4,852	4,852	4,852	4,852
Sub-Total	30,461	31,349	32,268	33,225	34,207
OPERATING MARGIN	9,399	10,862	12,293	13,687	15,055
Gross Margin (%)	23.6%	25.7%	27.6%	29.2%	30.6%
Less: Interest (net)	3,076	3,046	2,641	2,611	2,581
Add: Grant Amortiz. (Depreciation)	2,870 8,402	2,870 10,083	2,870 10,304	2,870 10,335	2,870 10,335
PROFIT/(LOSS)	791	603	2,219	3,611	5,009
ROS	2.0%	1.4%	5.0%	7.7%	10.2%
ROA	0.2%	0.1%	0.6%	1.0%	1.5%

Malawi Railways Restructuring**Restructure****Profit/Loss Pro Forma
(K 000s)**

	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE					
Goods	35,254	38,740	42,226	45,713	49,199
Traffic Sundry Receipts	3,525	3,874	4,223	4,571	4,920
Other	1,080	1,080	1,080	1,080	1,080
Sub–Total	39,860	43,694	47,529	51,364	55,199
EXPENDITURE					
Traffic Expenses					
Salaries, etc.	1,392	1,461	1,534	1,611	1,692
Diesel Fuel	684	828	969	1,109	1,232
Other	490	504	516	528	542
Civil Engineering					
Salaries, etc.	3,630	3,812	4,002	4,202	4,412
Repairs & Maintenance	495	495	495	495	495
Other	3,286	3,286	3,286	3,286	3,286
Mechanical & Elec. Eng.					
Salaries, etc.	4,300	4,515	4,741	4,978	5,227
Repairs & Maintenance	5,346	5,346	5,346	5,346	5,346
Other	706	706	706	706	706
Signals & Telecomm.					
Salaries, etc.	204	214	225	236	248
Repairs & Maintenance	98	103	108	113	119
Other	8	9	9	9	10
Administration					
Salaries, etc.	4,969	5,217	5,478	5,752	6,040
Other	4,852	4,852	4,852	4,852	4,852
Sub–Total	30,461	31,349	32,268	33,225	34,207
OPERATING MARGIN	9,399	12,346	15,261	18,139	20,991
Gross Margin (%)	23.6%	28.3%	32.1%	35.3%	38.0%
Less: Interest (net)	3,076	3,046	2,641	2,611	2,581
Add: Grant Amortiz. (Depreciation)	2,870 8,402	2,870 10,083	2,870 10,304	2,870 10,335	2,870 10,335
PROFIT/(LOSS)	791	2,087	5,187	8,063	10,946
ROS	2.0%	4.8%	10.9%	15.7%	19.8%
ROA	0.2%	0.5%	1.3%	2.2%	3.2%

Malawi Railways Restructuring**Privatize****Profit/Loss Pro Forma
(K 000s)**

	Year 1	Year 2	Year 3	Year 4	Year 5
REVENUE					
Goods	35,254	43,636	52,018	60,401	68,783
Traffic Sundry Receipts	3,525	4,364	5,202	6,040	6,878
Other	1,080	1,080	1,080	1,080	1,080
Sub–Total	39,860	49,080	58,300	67,521	76,741
EXPENDITURE					
Traffic Expenses					
Salaries, etc.	1,392	1,461	1,534	1,611	1,692
Diesel Fuel	684	828	969	1,109	1,232
Other	490	504	516	528	542
Civil Engineering					
Salaries, etc.	3,630	3,812	4,002	4,202	4,412
Repairs & Maintenance	495	495	495	495	495
Other	3,286	3,286	3,286	3,286	3,286
Mechanical & Elec. Eng.					
Salaries, etc.	4,300	4,515	4,741	4,978	5,227
Repairs & Maintenance	5,346	5,346	5,346	5,346	5,346
Other	706	706	706	706	706
Signals & Telecomm.					
Salaries, etc.	204	214	225	236	248
Repairs & Maintenance	98	103	108	113	119
Other	8	9	9	9	10
Administration					
Salaries, etc.	4,969	5,217	5,478	5,752	6,040
Other	4,852	4,852	4,852	4,852	4,852
Sub–Total	30,461	31,349	32,268	33,225	34,207
OPERATING MARGIN	9,399	17,731	26,032	34,296	42,534
Gross Margin (%)	23.6%	36.1%	44.7%	50.8%	55.4%
Less: Interest (net)	3,076	3,046	2,641	2,611	2,581
Add: Grant Amortiz. (Depreciation)	2,870 8,402	2,870 10,083	2,870 10,304	2,870 10,335	2,870 10,335
PROFIT/(LOSS)	791	7,473	15,958	24,220	32,488
ROS	2.0%	15.2%	27.4%	35.9%	42.3%
ROA	0.2%	1.9%	4.1%	6.6%	9.4%

Annex: Underlying Assumptions

1. Income Statement (Schedule A). The basic pro forma income statement was developed in the following manner.

Revenue

- a. Goods: revenue is based on Schedule B, which contains the traffic forecast and tariff rate assumptions.
- b. Traffic Sundry Receipts: are calculated as 10 percent of goods revenue, per discussions with railway staff.
- c. Other: revenue is a constant absolute value, per the "Doomwatch" scenario.

Expenditure

- a. Salaries: are developed in Schedule C, and are based on budget year 1994/95 base salary values with adjustments made to reflect expected salary increases and to simulate private sector pay scales.
- b. Diesel Fuel: is equivalent to the "Doomwatch" values, increased by 50% to broadly reflect exchange rate adjustments (M. Kwacha to US dollar).
- c. Repairs & Maintenance: are also "Doomwatch" values, with a 50% exchange rate adjustment.
- d. Other: costs are "Doomwatch" values increased by 35% to reflect the exchange rate adjustment, but assumes that some of the goods are locally procured and therefore not subject to exchange rate swings.
- e. Signals & Telecomms.: values are based on the salary line item, as calculated in Schedule C. However, the Repairs & Maintenance and the Other line items are calculated as a percentage of Salary, where the percentages are derived from the "Middle" scenario. This was necessary because under the "Doomwatch" scenario there is no explicit Signals & Telecomms. department.

Margins and Profit

- a. Operating Margin (absolute and percentage): are calculated within the income statement pro forma.

- b. **Interest:** is calculated from Schedule E, and assumes that: (i) New MR starts with no long-term debt carried over from MR; (ii) debt is serviced, at IDA-type terms, on the capital investment program being funded by the donors; (iii) a small working capital loan is assumed; and (iv) MR does not service any debt related to the severance program.
- c. **Grant Amortization:** is an historic absolute value, supplied by MR staff.
- d. **Depreciation:** is based on Schedule D (Capital Program) and Schedule F (Asset Valuation).
- e. **Profit and Loss and ROS (Return on Sales):** are calculated within the pro form income statement.
- f. **ROA (Return on Assets):** is based on the asset values from Schedule E (Asset Valuation) and is estimated using a depreciated replacement cost based asset valuation method.

2. **Traffic/Revenue Projections (Schedule B).**

- a. **Base Traffic Projections** are based on the analysis conducted by the traffic forecasting expert on the Appraisal Mission, in consultation with MR staff and other relevant parties. The base forecast assumes that MR will capture, by the year 1999/2000, 32% of overseas traffic and that domestic tonnages will remain constant (flat). The forecasts by specific commodity type are not intended to be accurate, but are estimated merely to facilitate the calculation of total revenue.
- b. **Tariff Rates:** are calculated on actual MR tariffs as of January 1994. They are then adjusted to account for: (i) exchange rate changes (44% adjustment) and (ii) planned increases in domestic tariff rates (20%).

3. **Staff Costs (Schedule C).**

- a. **Average Unit Costs:** are calculated, by department, based on original 1994/95 budget estimates. These values are increased by 5% per annum, over the forecast period, to account for MR Management's estimate of likely salary raises.
- b. **Number of Staff:** is based on the GM's break-down, by department, of the "restructured" target total of 858 staff (confidential note to Appraisal Team, dated 12 April, 1994).
- c. **Staff Costs:** are based on unit costs, plus the 5% increment factor, times the number of staff -- then, all times a factor of 2. The factor of 2 is intended to simulate private sector levels of compensation, under the assumption that the New

MR would have to offer competitive compensation. The factor of 2 is developed as follows. Staff are divided into three groups: junior, mid-level and senior, and an average base salary is then calculated for each respective group. These salaries are then adjusted to reflect components of compensation, such as housing, which the private sector would normally expect staff to pay out of their salary. For junior and mid-level staff, this adjustment equates to 80% and for senior staff 100%, consistent with MR's Personnel Department's estimate. This adjustment is made whether staff are actually receiving the benefits or not; it is based on whether they are meant to have such benefits. It is then further assumed that junior staff would be able to garner a similar total compensation package in the private sector, which would be the same level although the composition might be different. Mid-level staff's compensation is likely to be 50% higher in the private sector, and senior management's 100% higher. The weighted average of all these increments leads to a multiplication of base salary levels by a factor of 2.

4. Capital Investment Program (Schedule D).
 - a. The capital investment program is for new investment being made to restructure the railway, as funded by the donor agencies. The budget and line items are based on the consensus program developed during the appraisal mission.
 - b. The asset base value is calculated on a depreciated replacement cost basis.
 - c. Annual depreciation is calculated on a simple straight line basis.

5. Interest Expenses (Schedule E). Interest expenses are calculated for the donor-funded investment program, for the severance package and for a small working capital loan required initially to run the new MR. The severance package is not included in the summary of interest nor in the income statement pro forma, as it is assumed that the severance will be paid by Government out of counterpart fund generation of an USAID NPA assistance package.
 - a. The investment program is assumed to bear IDA-type terms: about a 2% rate of interest and a 40-year payment period. In practice, there is likely to be a grace period. However, the interest is still shown and expensed in the early years on an "accrued" basis.
 - b. An initial amount of working capital will be required for the new MR. The value is taken as MK 2.5 million (or about 7% of revenue). It is assumed that the new MR will pay off the working capital loan at commercial rates over a two-year period. The principal will not be repaid by NMR, but will be funded by Government through the sale of assets in old MR.

6. **Asset Valuation (Schedule F).** Assets valuations are conducted for permanent way, rolling stock and "other" assets.
 - a. Permanent way assets are taken by major section of the railway, and then separated between rail, sleeper and ballast line items. Average costs for replacing a kilometer of each of these elements are estimated: MK 210,000 for rail; MK 329,000 for sleepers; and MK 161,000 for ballast. These estimates are based on MR's Engineering Department's recent experience and the judgement of the appraisal team. Asset base value is estimated on a depreciated replacement cost basis.
 - b. Rolling stock values are estimated for the locomotives, shunts and wagons required to efficiently run the new MR. This includes: 4 mainline locomotives; 6 shunts; and 300 wagons. However, new MR will actually "acquire" a higher number of rolling stock than operations would indicate, in order to safeguard against upswings in traffic and/or excessive downtime of core rolling stock in use. Estimated replacement costs per rolling stock unit are based on the appraisal team's estimates. The average age of wagons to be "transferred" to the new MR is based on an analysis of the type of wagons needed and the age of the youngest wagons on MR's rolling stock asset register.
 - c. Other assets (plant, equipment, etc) is assumed to be 10% of the value of permanent way and rolling stock combined. This estimate is based on MR management's estimate and an analysis of the book value of existing assets at MR.
7. **Alternative Traffic Forecasts (Schedules G and H).** Alternative forecasts of traffic, and the resulting change in revenue, are shown in Schedules G and H. In Schedule G, it is assumed that the new MR will capture 40% of overseas traffic; and in Schedule H, it is assumed that the share will be 70%. No change to the base forecast of domestic traffic is assumed in the alternative forecasts. Schedule G represents the projected performance of MR once it is restructured along the lines assumed in the donor-funded restructuring project. In Schedule H, the projected performance of MR once it is privatized is presented.

	<u>Malawi Railways Restructuring</u>			Base	
	Profit/Loss Pro Forma (K 000s)				
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ROA	0.2%	0.1%	0.6%	1.0%	1.5%

Schedule B

Base

Traffic & Revenue Projections

	Traffic & Revenue Projections						Base Tariff Rate	-- Adjustments --		----- REVENUE -----					
	94/95	95/96	96/97	97/98	98/99	99/20		Rate	FX	94/95	95/96	96/97	97/98	98/99	99/20
OVERSEAS (Tonnes 000s)															
Imports															
Fertilizer	24.0	28.0	32.0	36.0	40.0	44.0	62.0	1.0	1.4	2,150	2,508	2,867	3,225	3,583	3,942
Salt	6.0	6.2	6.4	6.6	6.8	7.0	52.1	1.0	1.4	452	467	482	497	512	527
Wheat (Flour)	30.0	31.0	32.0	33.0	34.0	35.0	57.1	1.0	1.4	2,472	2,555	2,637	2,720	2,802	2,884
Vegetable Oils	14.0	14.4	14.8	15.2	15.6	16.0	102.1	1.0	1.4	2,065	2,124	2,183	2,242	2,301	2,360
Other Dry	16.0	17.7	19.4	21.1	22.8	24.5	84.3	1.0	1.4	1,486	1,644	1,802	1,960	2,117	2,275
Petrol	3.0	4.8	6.6	8.4	10.2	12.0	102.1	1.0	1.4	442	708	973	1,239	1,504	1,770
Diesel	6.0	9.9	13.8	17.7	21.6	25.5	102.1	1.0	1.4	885	1,460	2,035	2,610	3,186	3,761
Jet A-1	16.0	16.9	17.8	18.7	19.6	20.5	102.1	1.0	1.4	2,360	2,492	2,625	2,758	2,890	3,023
Sub-Total	115.0	128.9	142.8	156.7	170.6	184.5				12,312	13,958	15,604	17,250	18,896	20,542
Exports															
Sugar	0.0	0.4	0.8	1.2	1.6	2.0	55.5	1.0	1.4	0	32	64	96	128	160
Tobacco	23.0	26.5	30.0	33.5	37.0	40.5	75.7	1.0	1.4	2,515	2,898	3,281	3,663	4,046	4,429
Tea	1.0	1.5	2.0	2.5	3.0	3.5	55.5	1.0	1.4	80	120	160	200	241	281
Cotton	0.0	0.1	0.2	0.3	0.4	0.5	55.5	1.0	1.4	0	8	16	24	32	40
Coffee	0.0	0.2	0.4	0.6	0.8	1.0	55.5	1.0	1.4	0	16	32	48	64	80
Other	5.0	5.2	5.4	5.6	5.8	6.0	41.8	1.0	1.4	302	314	326	338	350	363
Sub-Total	29.0	33.9	38.8	43.7	48.6	53.5				2,897	3,389	3,880	4,371	4,862	5,353
Total Int'l	144.0	162.8	181.6	200.4	219.2	238.0				15,209	17,346	19,483	21,620	23,757	25,894
DOMESTIC (Tonnes 000s)															
Beans & Peas	0.55	0.55	0.55	0.55	0.55	0.55	127.2	1.2	1.0	84	84	84	84	84	84
Beer & Minerals	1.14	1.14	1.14	1.14	1.14	1.14	127.2	1.2	1.0	175	175	175	175	175	175
Cement	2.26	2.26	2.26	2.26	2.26	2.26	96.8	1.2	1.0	263	263	263	263	263	263
Clinker	111.92	111.92	111.92	111.92	111.92	111.92	40.3	1.2	1.0	5,412	5,412	5,412	5,412	5,412	5,412
Coal	18.92	18.92	18.92	18.92	18.92	18.92	36.8	1.2	1.0	748	748	748	748	748	748
Cotton Lint	1.85	1.85	1.85	1.85	1.85	1.85	115.3	1.2	1.0	256	256	256	256	256	256
Cotton Seed	1.97	1.97	1.97	1.97	1.97	1.97	65.8	1.2	1.0	155	155	155	155	155	155
Cotton Unginned	2.59	2.59	2.59	2.59	2.59	2.59	111.7	1.2	1.0	347	347	347	347	347	347
Empty Returns	2.18	2.18	2.18	2.18	2.18	2.18	123.0	1.2	1.0	321	321	321	321	321	321
Fertilizer	4.01	4.01	4.01	4.01	4.01	4.01	103.2	1.2	1.0	496	496	496	496	496	496
Groundnuts	0.31	0.31	0.31	0.31	0.31	0.31	130.2	1.2	1.0	48	48	48	48	48	48
Maize	11.31	11.31	11.31	11.31	11.31	11.31	130.2	1.2	1.0	1,768	1,768	1,768	1,768	1,768	1,768
Rice	3.11	3.11	3.11	3.11	3.11	3.11	130.2	1.2	1.0	485	485	485	485	485	485
Tobacco	18.43	18.43	18.43	18.43	18.43	18.43	224.0	1.2	1.0	4,955	4,955	4,955	4,955	4,955	4,955
Other	16.26	16.26	16.26	16.26	16.26	16.26	127.2	1.2	1.0	2,481	2,481	2,481	2,481	2,481	2,481
Diesel	5.50	5.50	5.50	5.50	5.50	5.50	99.2	1.2	1.0	655	655	655	655	655	655
Ethanol	6.27	5.27	6.27	6.27	6.27	6.27	130.7	1.2	1.0	984	984	984	984	984	984
Paraffin & Petrol	3.35	3.35	3.35	3.35	3.35	3.35	102.5	1.2	1.0	412	412	412	412	412	412
Total Domestic	209.94	209.94	209.94	209.94	209.94	209.94				20,045	20,045	20,045	20,045	20,045	20,045
TOTAL	354	373	392	410	429	448				35,254	37,391	39,528	41,665	43,802	45,939

Schedule C

Staff Costs	Growth Factor	94/95	95/96	96/97	97/98	98/99
Average Unit Cost (Kwacha)						
Traffic Expenses	1.05	9,251	9,714	10,199	10,709	11,245
Civil Engineering	1.05	5,230	5,492	5,766	6,054	6,357
Mechanical and Elec. Eng.	1.05	10,719	11,255	11,818	12,409	13,029
Signals & Telecomms.	1.05	10,181	10,690	11,225	11,786	12,375
Administration	1.05	10,912	11,458	12,030	12,632	13,264
Number of Staff						
Traffic Expenses	1.00	75	75	75	75	75
Civil Engineering	1.00	346	346	346	346	346
Mechanical and Elec. Eng.	1.00	200	200	200	200	200
Signals & Telecomms.	1.00	10	10	10	10	10
Administration	1.00	227	227	227	227	227
Total		858	858	858	858	858
Staff Costs (K 000s)						
	2.0					
Traffic Expenses		1,392	1,461	1,534	1,611	1,692
Civil Engineering		3,630	3,812	4,002	4,202	4,412
Mechanical and Elec. Eng.		4,300	4,515	4,741	4,978	5,227
Signals & Telecomms.		204	214	225	236	248
Administration		4,969	5,217	5,478	5,752	6,040
Total		14,495	15,220	15,981	16,780	17,619

NB. Salary etc costs from 1994/95 budget. Includes more than base pay.

Salary Increment (per Private Sector)

Level	Total Staff 858	% Dist	Salary	Salary Plus	Private Factor	Private Compens.	Total Sal Old	Total Sal New	Factor	Weighted Average
Junior	686	80.0%	4,250	7,650	1	7,650	2,917,200	5,250,960	1.8	1.44
Mid	154	18.0%	13,500	24,300	1.5	36,450	2,084,940	5,629,338	2.7	0.49
Senior	17	2.0%	40,000	80,000	2	160,000	686,400	2,745,600	4	0.08
			57,750	111,950		204,100	5,688,540	13,625,898		2.01

Worksheet

- 1 Capital Investment Program
- 2 Severance Program
- 3 Asset Valuation

Schedule D

Capital Investment Program
(K 000s)

	94/95	95/96	96/97	97/98	Deprecia. Years	Deprecia. Percent	Deprecia. Yr 1 Investment					Deprecia. Yr 2 Investment					Deprecia. Yr			
							94/95	95/96	96/97	97/98	98/99	99/20	94/95	95/96	96/97	97/98	98/99	99/20	94/95	95/96
1. Re-establish stocks	2,000	1,184			3	33.3%	666.7	444.4	296.3	197.5	131.7	87.8	0.0	394.7	263.1	175.4	116.9	78.0	0.0	0.0
2. Replace 15,000 sleepers	700	2,100			40	2.5%	17.5	17.1	16.6	16.2	15.8	15.4	0.0	52.5	51.2	49.9	48.7	47.4	0.0	0.0
3. Strengthen RailTracker Sys.	850	850			10	10.0%	85.0	58.5	52.7	47.4	42.6	38.4	0.0	85.0	58.5	52.7	47.4	42.6	0.0	0.0
4. Replace Limbe PABX	1,500	549			10	10.0%	150.0	135.0	121.5	109.4	98.4	88.6	0.0	54.9	49.4	44.5	40.0	36.0	0.0	0.0
5. Service motor vehicles	3,120				3	33.3%	1,040.0	683.3	462.2	308.1	205.4	137.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Purchase roller bearing		1,200	1,200	1,200	40	2.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.5	30.7	29.9	29.2	28.5	0.0	0.0
7. Provide electric power	150				20	5.0%	7.5	7.1	6.8	6.4	6.1	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Rehab. telecomms. (Nacala)	1,680	1,500			20	5.0%	84.0	79.8	75.8	72.0	68.4	65.0	0.0	75.0	71.3	67.7	64.3	61.1	0.0	0.0
9. Flaw detection equipm't	342				10	10.0%	34.2	30.8	27.7	24.9	22.4	20.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Track maintn. equipm't	800	420	291		10	10.0%	80.0	54.0	48.6	43.7	39.4	35.4	0.0	42.0	37.8	34.0	30.6	27.6	0.0	0.0
11. Rehab. sleeper plant	800				20	5.0%	30.0	28.5	27.1	25.7	24.4	23.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Purchase telecomm. test equipm't	400				5	20.0%	80.0	64.0	51.2	41.0	32.8	26.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13. Rent stamping machine	2,200	2,200	2,200		20	5.0%	110.0	104.5	99.3	94.3	89.6	85.1	0.0	110.0	104.5	99.3	94.3	89.6	0.0	0.0
14. Rehab. wheel lathe		2,000			20	5.0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	95.0	90.3	85.7	81.5	0.0	0.0
15. Points/crossing rehab.	1,800	3,000	1,500		40	2.5%	40.0	39.0	38.0	37.1	36.1	35.2	0.0	75.0	73.1	71.3	69.5	67.8	0.0	0.0
16. Track rehab.	5,500	5,500			40	2.5%	137.5	134.1	130.7	127.4	124.3	121.2	0.0	137.5	134.1	130.7	127.4	124.3	0.0	0.0
17. Bridge rehab.	500	500	500		40	2.5%	12.5	12.2	11.9	11.6	11.3	11.0	0.0	12.5	12.2	11.9	11.6	11.3	0.0	0.0
18. Track/telecomm. maint. trans.	5,300	5,300			10	10.0%	530.0	477.0	429.0	388.4	347.7	313.0	0.0	530.0	477.0	429.3	388.4	347.7	0.0	0.0
Sub-Total	26,642	26,163	5,751	1,200			3,064.9	2,379.3	1,895.7	1,549.2	1,296.0	1,108.5	0.0	1,650.6	1,457.8	1,286.8	1,152.1	1,043.3	0.0	0.0

DEPRECIATION SCHEDULE (for Replacement Cost Calc.)

	94/95	95/96	96/97	97/98	98/99	99/20
Total	3,065	4,060	3,574	3,046	2,680	2,374

DEPRECIATION SCHEDULE

	94/95	95/96	96/97	97/98	98/99	99/20
Total	3,065	4,745	4,956	4,998	4,998	4,998

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Schedule D (cont'd)

Deprecia. Yr 3 Investment						Deprecia. Yr 4 Investment					
94/95	95/96	96/97	97/98	98/99	99/20	94/95	95/96	96/97	97/98	98/99	99/20
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	31.5	30.7	29.9	29.2	0.0	0.0	0.0	0.0	31.5	30.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	29.1	26.2	23.6	21.2	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	110.0	104.5	99.3	94.3	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	37.5	36.6	35.6	34.8	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	12.5	12.2	11.9	11.6	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	220.6	210.2	200.3	191.1	0.0	0.0	0.0	0.0	31.5	30.7

98/99 99/20

4,998 4,998

INTEREST EXPENSE**(Long-Term: Investment Program + Severance Package)**

Rate of Interest (%): 2.0%
 Term (yrs): 40

Investment Program -- Interest (K 000s)	94/95	95/96	96/97	97/98	98/99	99/20
Yr 1 Investment	536.8	523.4	510.0	496.6	483.2	469.7
Yr 2 Investment	523.3	510.2	497.1	484.0	470.9	457.9
Yr 3 Investment	115.0	112.1	109.3	106.4	103.5	100.6
Yr 4 Investment	25.2	24.6	23.9	23.3	22.7	22.1
Sub-Total	1,200	1,170	1,140	1,110	1,080	1,050

Investment Program -- Principal Repayment

(K 000s)	94/95	95/96	96/97	97/98	98/99	99/20
Yr 1 Investment	671.1	671.1	671.1	671.1	671.1	671.1
Yr 2 Investment	654.1	654.1	654.1	654.1	654.1	654.1
Yr 3 Investment	143.8	143.8	143.8	143.8	143.8	143.8
Yr 4 Investment	31.5	31.5	31.5	31.5	31.5	31.5
Sub-Total	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL	2,701	2,671	2,641	2,611	2,581	2,551

Rate of Interest (%): 0.05
 Term (yrs): 20
 Average Salary: 9.75 Mid-point of lower & mid-level employees
 Average Years Service: 12 Unkonwn
 Weeks per Year: 4 Proposed scheme
 No. Staff Retrenched: 1,294 2152 less 858 = 1294
 Amount: 11,646

Severance Package (K 000s)	94/95	95/96	96/97	97/98	98/99	99/20
Interest	582.3	553.2	524.1	495.0	465.8	436.7
Principal	582.3	582.3	582.3	582.3	582.3	582.3
Sub-Total	1,165	1,135	1,106	1,077	1,048	1,019

(Short-Term: working capital)

(K 000s)	94/95	95/96
Amount	2500	375
Rate of Interest (%)	0.15	
Term (years)	2	
Sub-Total		375

(NB. No principal repayment; funded through asset sales)

SUMMARY OF INTEREST

	94/95	95/96	96/97	97/98	98/99	99/20
Investment Program	2,701	2,671	2,641	2,611	2,581	2,551
Severance Program	0	0	0	0	0	0
Working Capital	375	375	0	0	0	0
TOTAL	3,076	3,046	2,641	2,611	2,581	2,551

Schedule F

ASSET VALUATION
(Depreciated Replacement Cost)

Permanent Way (K 000s)	Average Age	Length	Replm't Cost/km	Replm't Cost	Annual Deprec	Deprec. Book Value	Replacement Depreciated					
							----- Asset Base -----					
							94/95	95/96	96/97	97/98	98/99	99/20
S. Border -- Limbe												
Rail	40.0	200	210	42,000	1,050	0	0	0	0	0	0	0
Sleepers	35.3	200	329	65,800	1,645	7,814	7,814	6,169	4,524	2,879	1,234	0
Ballast	20.0	185	161	29,785	745	14,893	14,893	14,148	13,403	12,659	11,914	11,169
Limbe-Salima												
Rail	25.9	269	210	56,490	1,412	19,950	19,950	18,538	17,126	15,713	14,301	12,889
Sleepers	29.3	269	329	88,501	2,213	23,606	23,606	21,393	19,181	16,968	14,756	12,543
Ballast	20.0	269	161	43,309	1,083	21,655	21,655	20,572	19,489	18,406	17,324	16,241
Nayuci-Nkaya												
Rail	25.0	100	210	21,000	525	7,875	7,875	7,350	6,825	6,300	5,775	5,250
Sleepers	25.0	100	329	32,900	823	12,338	12,338	11,515	10,693	9,870	9,048	8,225
Ballast	25.0	100	161	16,100	403	6,038	6,038	5,635	5,233	4,830	4,428	4,025
Salima-Lilongwe												
Rail	15.0	112	210	23,520	588	14,700	14,700	14,112	13,524	12,936	12,348	11,760
Sleepers	15.0	112	329	36,848	921	23,030	23,030	22,109	21,188	20,266	19,345	18,424
Ballast	15.0	112	161	18,032	451	11,270	11,270	10,819	10,368	9,918	9,467	9,016
Lilongwe-Mchinji												
Rail	10.0	115	210	24,150	604	18,113	18,113	17,509	16,905	16,301	15,698	15,094
Sleepers	10.0	115	329	37,835	946	28,376	28,376	27,430	26,485	25,539	24,593	23,647
Ballast	10.0	115	161	18,515	463	13,886	13,886	13,423	12,961	12,498	12,035	11,572
Sub-Total				554,785	13,870	223,542	223,542	210,722	197,902	185,083	172,263	159,855

Rolling Stock	Number in Fleet	Number in Use	Replace Cost/Unit	Deprec Years	Average Age	Annual Deprec	Annual Deprec. Book Value	Replacement Depreciated					
								----- Asset Base -----					
								94/95	95/96	96/97	97/98	98/99	99/20
Locomotives	8	4	14,000	40	14.0	2,800	1,400	36,400	35,000	33,600	32,200	30,800	29,400
Shunts	10	6	5,250	40	12.8	1,313	788	21,459	20,672	19,884	19,097	18,309	17,522
Wagons	400	300	420	40	20.8	4,200	3,150	60,325	57,175	54,025	50,875	47,725	44,575
Sub-Total						8,313	5,338	118,185	112,847	107,510	102,172	96,835	91,497

Wagon Age Profile	Avg. Age	Number	----- Annual Depreciation Charge -----									
			94/95	95/96	96/97	97/98	98/99	99/20				
Covered	25.0	86	2,150									
High Sided	19.5	38	741									
Low Sided	23.3	63	1,465					5,338	5,338	5,338	5,338	5,338
Container	15.0	62	930									
Fuel	19.0	51	969									
(from Register)		300	6,255	20.8								

ASSET VALUATION --- SUMMARY

	94/95	95/96	96/97	97/98	98/99	99/20
Permanent Way	223,542	210,722	197,902	185,083	172,263	159,855
Rolling Stock	118,185	112,847	107,510	102,172	96,835	91,497
Other (10%)	34,173	32,357	30,541	28,725	26,910	25,135
TOTAL	375,899	355,926	335,953	315,980	298,007	278,487
Capital Program	23,777	47,561	51,416	51,127	48,446	46,073
GRAND TOTAL ASSETS	399,676	403,487	387,369	367,107	344,454	322,560

Malawi Railways Restructuring**Restructure****Profit/Loss Pro Forma
(K 000s)**

	Year 1	Year 2	Year 3	Year 4	Year 5
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REVENUE

Goods	35,254	38,740	42,226	45,713	49,199
Traffic Sundry Receipts	3,525	3,874	4,223	4,571	4,920
Other	1,080	1,080	1,080	1,080	1,080
Sub—Total	39,860	43,694	47,529	51,364	55,199

EXPENDITURE

Traffic Expenses					
Salaries, etc.	1,392	1,461	1,534	1,611	1,692
Diesel Fuel	684	828	969	1,109	1,232
Other	490	504	516	528	542
Civil Engineering					
Salaries, etc.	3,630	3,812	4,002	4,202	4,412
Repairs & Maintenance	495	495	495	495	495
Other	3,286	3,286	3,286	3,286	3,286
Mechanical & Elec. Eng.					
Salaries, etc.	4,300	4,515	4,741	4,978	5,227
Repairs & Maintenance	5,346	5,346	5,346	5,346	5,346
Other	706	706	706	706	706
Signals & Telecomm.					
Salaries, etc.	204	214	225	236	248
Repairs & Maintenance	98	103	108	113	119
Other	8	9	9	9	10
Administration					
Salaries, etc.	4,969	5,217	5,478	5,752	6,040
Other	4,852	4,852	4,852	4,852	4,852
Sub—Total	30,461	31,349	32,268	33,225	34,207

OPERATING MARGIN	9,399	12,346	15,261	18,139	20,991
Gross Margin (%)	23.6%	28.3%	32.1%	35.3%	38.0%
Less: Interest (net)	3,076	3,046	2,641	2,611	2,581
Add: Grant Amortiz. (Depreciation)	2,870 8,402	2,870 10,083	2,870 10,304	2,870 10,335	2,870 10,395
PROFIT/(LOSS)	791	2,087	5,187	8,063	10,946
ROS	2.0%	4.8%	10.9%	15.7%	19.8%
ROA	0.2%	0.5%	1.3%	2.2%	3.2%

Schedule G (cont'd)

Restructure

Traffic & Revenue Projections

							Base Tariff Rate	-- Adjustments --		----- REVENUE -----					
	94/95	95/96	96/97	97/98	98/99	99/20		Rate	FX	94/95	95/96	96/97	97/98	98/99	99/20
OVERSEAS (Tonnes 000s)															
Imports															
Fertilizer	24.0	30.3	36.6	42.9	49.2	55.5	62.0	1.0	1.4	2,150	2,714	3,278	3,841	4,405	4,969
Salt	6.0	6.6	7.1	7.7	8.3	8.8	52.1	1.0	1.4	452	494	537	579	622	664
Wheat (Flour)	30.0	32.8	35.6	38.5	41.3	44.1	57.1	1.0	1.4	2,472	2,705	2,938	3,170	3,403	3,636
Vegetable Oils	14.0	15.2	16.5	17.7	18.9	20.2	102.1	1.0	1.4	2,065	2,247	2,428	2,610	2,792	2,974
Other Dry	16.0	19.0	22.0	24.9	27.9	30.9	64.3	1.0	1.4	1,486	1,762	2,039	2,315	2,592	2,868
Petrol	3.0	5.4	7.9	10.3	12.7	15.1	102.1	1.0	1.4	442	800	1,158	1,515	1,873	2,231
Diesel	6.0	11.2	16.5	21.7	26.9	32.1	102.1	1.0	1.4	885	1,656	2,427	3,198	3,969	4,740
Jet A-1	16.0	18.0	19.9	21.9	23.9	25.8	102.1	1.0	1.4	2,360	2,650	2,940	3,230	3,520	3,811
Sub-Total	115.0	138.5	162.0	185.5	209.1	232.6				12,312	15,028	17,744	20,460	23,177	25,893
Exports															
Sugar	0.0	0.5	1.0	1.5	2.0	2.5	55.5	1.0	1.4	0	40	81	121	162	202
Tobacco	23.0	28.6	34.2	39.8	45.4	51.1	75.7	1.0	1.4	2,515	3,129	3,742	4,356	4,969	5,583
Tea	1.0	1.7	2.4	3.0	3.7	4.4	55.5	1.0	1.4	80	135	190	244	299	354
Cotton	0.0	0.1	0.3	0.4	0.5	0.6	55.5	1.0	1.4	0	10	20	30	40	51
Coffee	0.0	0.3	0.5	0.8	1.0	1.3	55.5	1.0	1.4	0	20	40	61	81	101
Other	5.0	5.5	6.0	6.5	7.1	7.6	41.8	1.0	1.4	302	333	364	395	426	457
Sub-Total	29.0	36.7	44.4	52.1	59.7	67.4				2,897	3,667	4,437	5,207	5,977	6,747
Total Int'l	144.0	175.2	206.4	237.6	268.8	300.0				15,209	18,695	22,181	25,668	29,154	32,640
DOMESTIC (Tonnes 000s)															
Beans & Peas	0.55	0.55	0.55	0.55	0.55	0.55	127.2	1.2	1.0	84	84	84	84	84	84
Beer & Minerals	1.14	1.14	1.14	1.14	1.14	1.14	127.2	1.2	1.0	175	175	175	175	175	175
Cement	2.26	2.26	2.26	2.26	2.26	2.26	96.8	1.2	1.0	263	263	263	263	263	263
Clinker	111.92	111.92	111.92	111.92	111.92	111.92	40.3	1.2	1.0	5,412	5,412	5,412	5,412	5,412	5,412
Coal	16.92	16.92	16.92	16.92	16.92	16.92	36.8	1.2	1.0	748	748	748	748	748	748
Cotton Lint	1.85	1.85	1.85	1.85	1.85	1.85	115.3	1.2	1.0	256	256	256	256	256	256
Cotton Seed	1.97	1.97	1.97	1.97	1.97	1.97	65.6	1.2	1.0	155	155	155	155	155	155
Cotton Unginned	2.59	2.59	2.59	2.59	2.59	2.59	111.7	1.2	1.0	347	347	347	347	347	347
Empty Returns	2.18	2.18	2.18	2.18	2.18	2.18	123.0	1.2	1.0	321	321	321	321	321	321
Fertilizer	4.01	4.01	4.01	4.01	4.01	4.01	103.2	1.2	1.0	496	496	496	496	496	496
Groundnuts	0.31	0.31	0.31	0.31	0.31	0.31	130.2	1.2	1.0	48	48	48	48	48	48
Maize	11.31	11.31	11.31	11.31	11.31	11.31	130.2	1.2	1.0	1,768	1,768	1,768	1,768	1,768	1,768
Rice	3.11	3.11	3.11	3.11	3.11	3.11	130.2	1.2	1.0	485	485	485	485	485	485
Tobacco	18.43	18.43	18.43	18.43	18.43	18.43	224.0	1.2	1.0	4,955	4,955	4,955	4,955	4,955	4,955
Other	16.26	16.26	16.26	16.26	16.26	16.26	127.2	1.2	1.0	2,481	2,481	2,481	2,481	2,481	2,481
Diesel	5.50	5.50	5.50	5.50	5.50	5.50	99.2	1.2	1.0	655	655	655	655	655	655
Ethanol	6.27	6.27	6.27	6.27	6.27	6.27	130.7	1.2	1.0	984	984	984	984	984	984
Paraffin & Petrol	3.35	3.35	3.35	3.35	3.35	3.35	102.5	1.2	1.0	412	412	412	412	412	412
Total Domestic	209.94	209.94	209.94	209.94	209.94	209.94				20,045	20,045	20,045	20,045	20,045	20,045
TOTAL	354	385	416	448	479	510				35,254	38,740	42,226	45,713	49,199	52,685

Malawi Railways Restructuring**Privatize****Profit/Loss Pro Forma
(K 000s)**

	Year 1	Year 2	Year 3	Year 4	Year 5
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REVENUE

Goods	35,254	43,636	52,018	60,401	68,783
Traffic Sundry Receipts	3,525	4,364	5,202	6,040	6,878
Other	1,080	1,080	1,080	1,080	1,080
Sub-Total	39,860	49,080	58,300	67,521	76,741

EXPENDITURE

Traffic Expenses					
Salaries, etc.	1,392	1,461	1,534	1,611	1,692
Diesel Fuel	684	828	969	1,109	1,232
Other	490	504	516	528	542
Civil Engineering					
Salaries, etc.	3,630	3,812	4,002	4,202	4,412
Repairs & Maintenance	495	495	495	495	495
Other	3,286	3,286	3,286	3,286	3,286
Mechanical & Elec. Eng.					
Salaries, etc.	4,300	4,515	4,741	4,978	5,227
Repairs & Maintenance	5,346	5,346	5,346	5,346	5,346
Other	706	706	706	706	706
Signals & Telecomm.					
Salaries, etc.	204	214	225	236	248
Repairs & Maintenance	98	103	108	113	119
Other	8	9	9	9	10
Administration					
Salaries, etc.	4,969	5,217	5,478	5,752	6,040
Other	4,852	4,852	4,852	4,852	4,852
Sub-Total	30,461	31,349	32,268	33,225	34,207

OPERATING MARGIN	9,399	17,731	26,032	34,296	42,534
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Gross Margin (%)	23.6%	36.1%	44.7%	50.8%	55.4%
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Less: Interest (net)	3,076	3,046	2,641	2,611	2,581
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Add: Grant Amortiz. (Depreciation)	2,870	2,870	2,870	2,870	2,870
	8,402	10,083	10,304	10,335	10,335

PROFIT/(LOSS)	791	7,473	15,958	24,220	32,488
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ROS	2.0%	15.2%	27.4%	35.9%	42.3%
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ROA	0.2%	1.9%	4.1%	6.6%	9.4%
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Schedule H (cont'd)

Privatize

Traffic & Revenue Projections

	94/95	95/96	96/97	97/98	98/99	99/20	Base Tariff Rate	-- Adjustments Rate FX		----- REVENUE -----					
	94/95	95/96	96/97	97/98	98/99	99/20				94/95	95/96	96/97	97/98	98/99	99/20
OVERSEAS (Tonnes 000s)															
Imports															
Fertilizer	24.0	38.6	53.2	67.8	82.4	97.1	62.0	1.0	1.4	2,150	3,459	4,768	6,077	7,356	8,695
Salt	6.0	7.9	9.8	11.7	13.6	15.4	52.1	1.0	1.4	452	594	736	878	1,021	1,163
Wheat (Flour)	30.0	39.4	48.9	58.3	67.8	77.2	57.1	1.0	1.4	2,472	3,250	4,028	4,806	5,585	6,363
Vegetable Oils	14.0	18.3	22.5	26.8	31.0	35.3	102.1	1.0	1.4	2,065	2,693	3,321	3,949	4,577	5,205
Other Dry	18.0	23.6	31.2	38.5	46.4	54.0	64.3	1.0	1.4	1,486	2,193	2,899	3,606	4,312	5,019
Petrol	3.0	7.7	12.4	17.1	21.8	26.5	102.1	1.0	1.4	442	1,135	1,827	2,519	3,211	3,904
Diesel	6.0	16.1	26.1	36.2	46.2	56.3	102.1	1.0	1.4	885	2,367	3,849	5,331	6,813	8,298
Jet A-1	16.0	21.8	27.7	33.5	39.4	45.2	102.1	1.0	1.4	2,360	3,221	4,083	4,945	5,807	6,669
Sub-Total	115.0	173.4	231.8	290.2	348.6	407.0				12,312	18,912	25,512	32,112	38,712	45,313
Exports															
Sugar	0.0	0.9	1.8	2.6	3.5	4.4	55.5	1.0	1.4	0	71	141	212	283	354
Tobacco	23.0	36.3	49.5	62.8	76.1	89.3	75.7	1.0	1.4	2,515	3,966	5,417	6,868	8,319	9,770
Tea	1.0	2.3	3.7	5.0	6.4	7.7	55.5	1.0	1.4	80	188	296	403	511	619
Cotton	0.0	0.2	0.4	0.7	0.9	1.1	55.5	1.0	1.4	0	18	35	53	71	88
Coffee	0.0	0.4	0.9	1.3	1.8	2.2	55.5	1.0	1.4	0	35	71	106	141	177
Other	5.0	6.6	8.3	9.9	11.6	13.2	41.8	1.0	1.4	302	402	501	601	700	800
Sub-Total	29.0	46.8	64.6	82.4	100.2	118.0				2,897	4,679	6,461	8,243	10,025	11,807
Total Int'l	144.0	220.2	296.4	372.6	448.8	525.0				15,209	23,591	31,973	40,356	48,738	57,120
DOMESTIC (Tonnes 000s)															
Beans & Peas	0.55	0.55	0.55	0.55	0.55	0.55	127.2	1.2	1.0	84	84	84	84	84	84
Beer & Minerals	1.14	1.14	1.14	1.14	1.14	1.14	127.2	1.2	1.0	175	175	175	175	175	175
Cement	2.26	2.26	2.26	2.26	2.26	2.26	96.8	1.2	1.0	263	263	263	263	263	263
Clinker	111.92	111.92	111.92	111.92	111.92	111.92	40.3	1.2	1.0	5,412	5,412	5,412	5,412	5,412	5,412
Coal	16.92	16.92	16.92	16.92	16.92	16.92	36.8	1.2	1.0	748	748	748	748	748	748
Cotton Lint	1.85	1.85	1.85	1.85	1.85	1.85	115.3	1.2	1.0	256	256	256	256	256	256
Cotton Seed	1.97	1.97	1.97	1.97	1.97	1.97	65.6	1.2	1.0	155	155	155	155	155	155
Cotton Unginned	2.59	2.59	2.59	2.59	2.59	2.59	111.7	1.2	1.0	347	347	347	347	347	347
Empty Returns	2.18	2.18	2.18	2.18	2.18	2.18	123.0	1.2	1.0	321	321	321	321	321	321
Fertilizer	4.01	4.01	4.01	4.01	4.01	4.01	103.2	1.2	1.0	496	496	496	496	496	496
Groundnuts	0.31	0.31	0.31	0.31	0.31	0.31	130.2	1.2	1.0	48	48	48	48	48	48
Maize	11.31	11.31	11.31	11.31	11.31	11.31	130.2	1.2	1.0	1,768	1,768	1,768	1,768	1,768	1,768
Rice	3.11	3.11	3.11	3.11	3.11	3.11	130.2	1.2	1.0	485	485	485	485	485	485
Tobacco	18.43	18.43	18.43	18.43	18.43	18.43	224.0	1.2	1.0	4,955	4,955	4,955	4,955	4,955	4,955
Other	16.26	16.26	16.26	16.26	16.26	16.26	127.2	1.2	1.0	2,481	2,481	2,481	2,481	2,481	2,481
Diesel	5.50	5.50	5.50	5.50	5.50	5.50	99.2	1.2	1.0	655	655	655	655	655	655
Ethanol	6.27	6.27	6.27	6.27	6.27	6.27	130.7	1.2	1.0	984	984	984	984	984	984
Paraffin & Petrol	3.35	3.35	3.35	3.35	3.35	3.35	102.5	1.2	1.0	412	412	412	412	412	412
Total Domestic	209.94	209.94	209.94	209.94	209.94	209.94				20,045	20,045	20,045	20,045	20,045	20,045
TOTAL	354	430	506	583	659	735				35,254	43,636	52,018	60,401	68,783	77,165