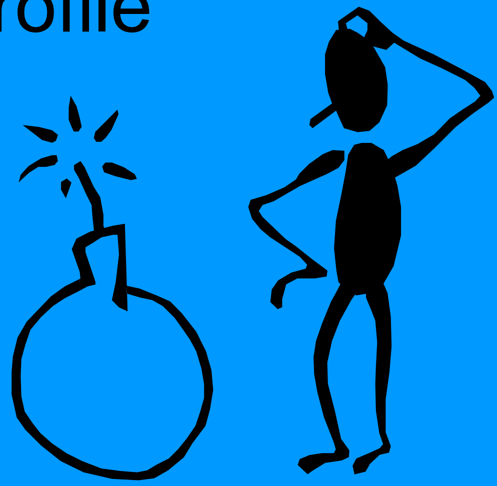
RECEIVABLES
AND THE
COST OF CAPITAL

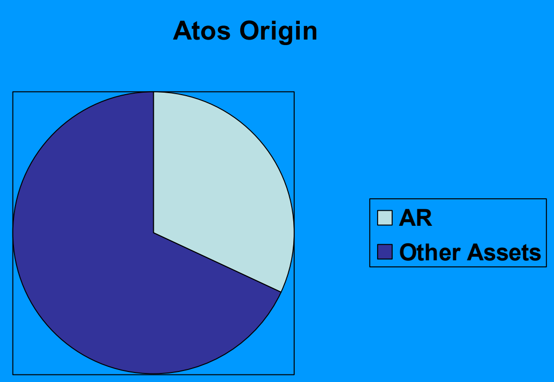
- Receivables are often a significant asset.
- The higher the Receivable portfolio risk the higher the company risk profile.
- The higher the company risk profile the higher the Cost of Capital and the lower the TSR.

TSR = Total Shareholder Return



AR Portfolio Examples

- Corus Group Plc £1,201 million
  (17% of total assets)
- RD-Shell Group US$31,383 million
  (16% of total assets)
- Ahold Group €1,516 million
  (7% of total assets)
- Atos Origin €1,569 million
  (32% of total assets)



Telecoms Examples

	VODAFONE	FRANCE TELECOM	VERSATEL
Trade Debtors (mio)	£2,630.0	€9,469.0	€69.6
% Total Assets	1.79%	9.83%	6.34%
% Tangible Assets	4.92%	17.34%	6.49%
% of Revenue	7.94%	20%	10% *
Day Sales Outstanding	29	73	37

* estimate

WHAT S&P SAYS ABOUT RECEIVABLE PORTFOLIOS

Calculating the amount of capital-at-risk from credit exposure entails an evaluation of a firm's counterparties and assigning them a credit rating. Standard & Poor's (S&P) will be augmenting other aspects of its analysis of firms … through the refinement of its methodology regarding capital-at-risk from operations and liquidity needs.

Standard & Poor's http://www.standardandpoors.com) November 2002

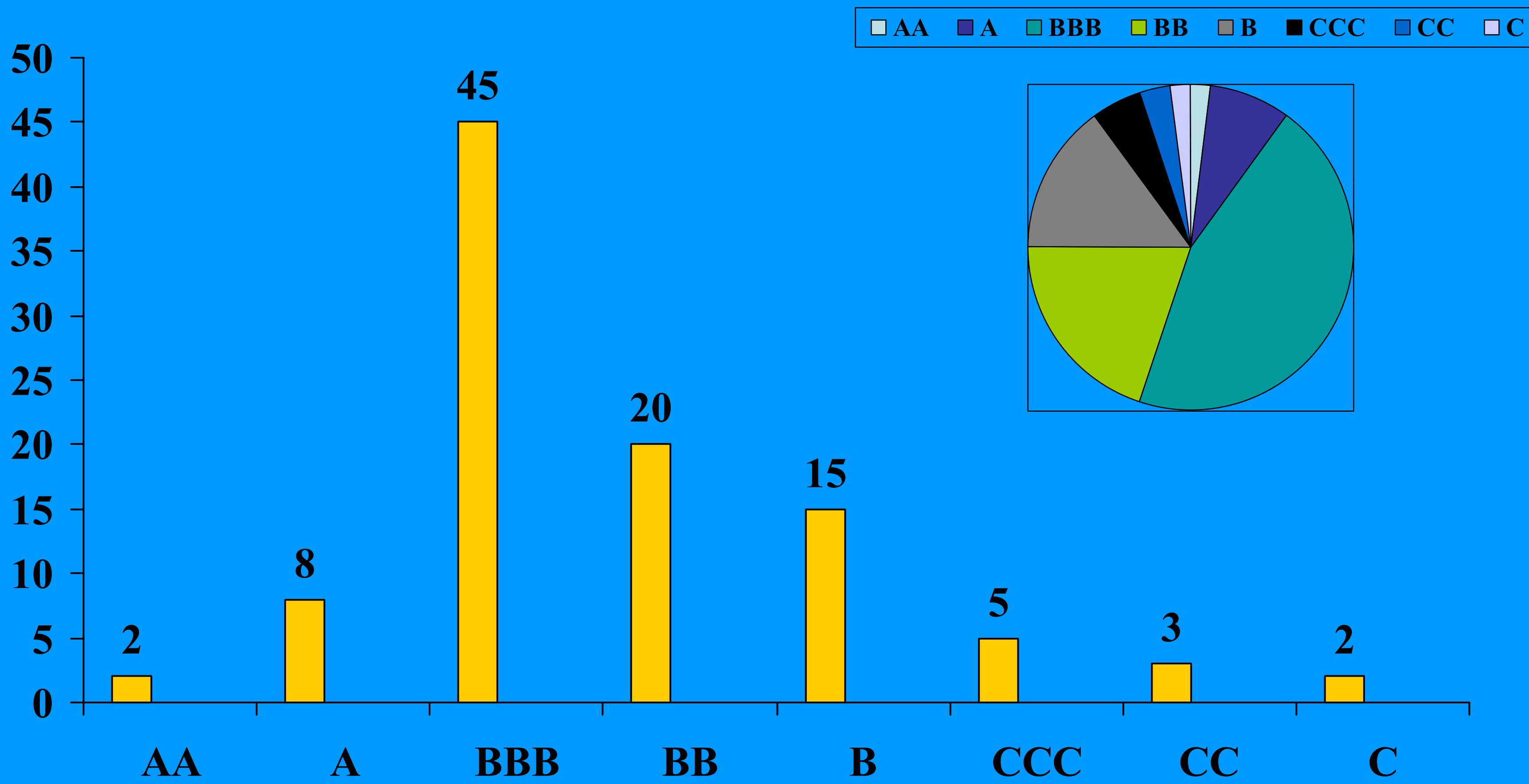
RECEIVABLE QUALITY WILL IMPACT COST OF CAPITAL

Corus Group plc reports the securitisation of certain of its trade debtors as follows:

GBP millions	2004	2003
Gross amount securitised:	£406m	£338m
Less non-returnable proceeds:	£275m	£215m
Net securitised trade debtors:	£131m	£123m
Other trade debtors:	£1,070m	£847m
Trade debtors on balance sheet:	£1,201m	£970m

BarrettWells

PORTFOLIO CREDIT RISK

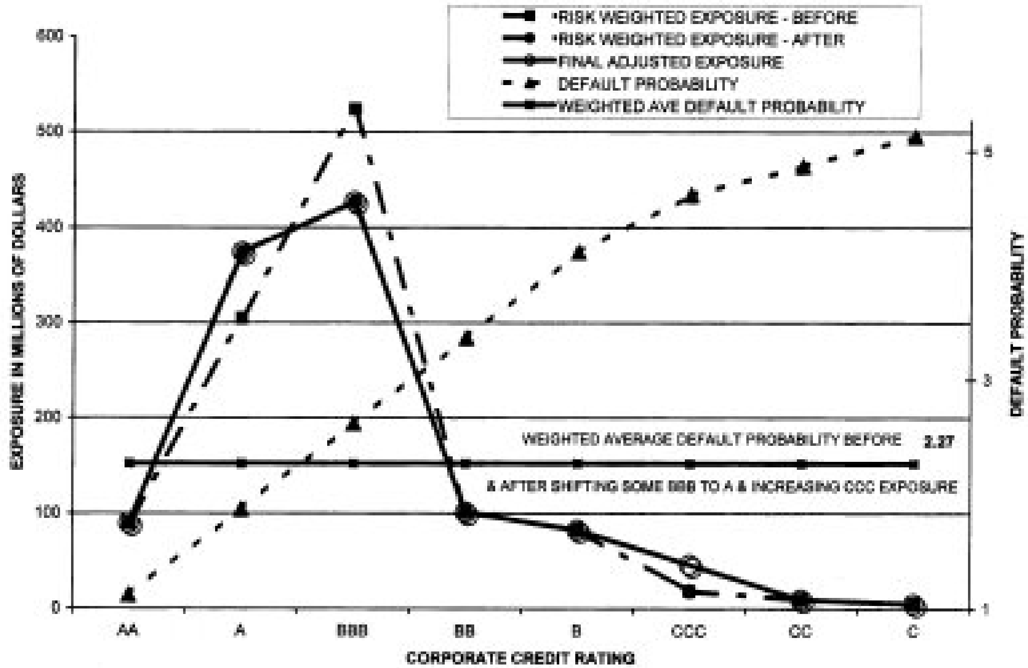


A CRUDE ANALYSIS OF THE PAYMENT RISK INHERENT IN THE ILLUSTRATED PORTFOLIO

- Before securitisation:
  3.75
- After securitisation of top 25% of accounts:
  4.36
- Payment risk for top 25%:
  1.92

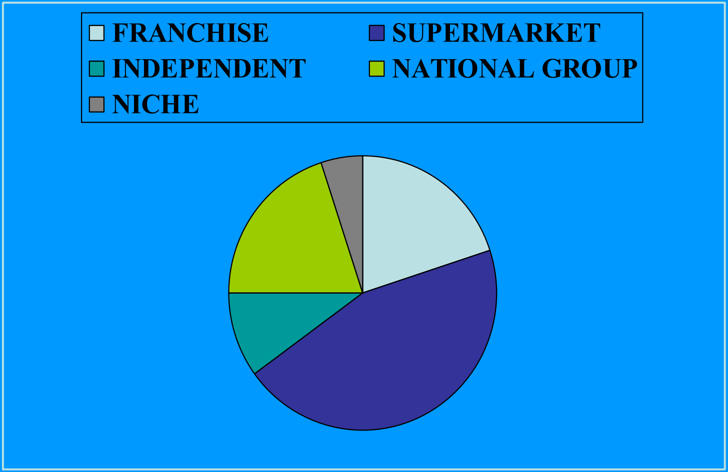
Based on a weighted average, with risk indicated on a scale of 1 – 8;
1 being least likely to fail and 8 being most likely to fail.

PORTFOLIO MANAGEMENT AND COMPETITIVE ADVANTAGE

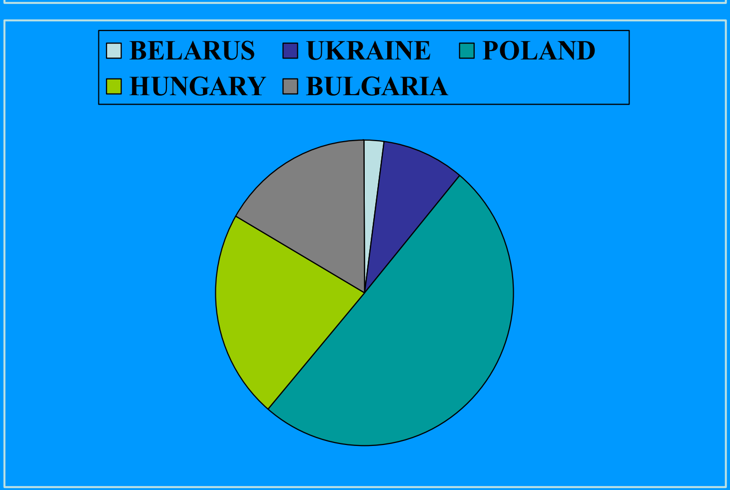


OTHER PORTFOLIO RISKS

- Concentration Risk



- Country Risk



- Industry Consolidation
- Globalisation