

INFRASTRUCTURE FINANCE CORPORATION LIMITED

CONDENSED CONSOLIDATED INTERIM RESULTS

DECEMBER 2010

A CHANGE IN THE GAME PLAN



INCA

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EXPLANATORY NOTES

at 31 December 2010

1. BASIS OF PREPARATION

The condensed consolidated interim financial results of the Group for the six month period ended 31 December 2010 comprise the company and its subsidiaries.

These reviewed interim financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the AC 500 standards as issued by the Accounting Practices Board, International Accounting Standard: Interim Financial Reporting (IAS 34) and the South African Companies Act. In the preparation of these interim financial results, the Group has applied key assumptions concerning the future and other indeterminate sources in recording various assets and liabilities.

The Group's principal accounting policies and assumptions have been applied consistently over the current and prior financial period.

2. DIVIDENDS

No dividends were declared or paid during the period under review.

3. MOVEMENTS IN CASH AND CASH EQUIVALENTS, INVESTMENTS AND ADVANCES.

Increased liquidity levels lead to a slight increase in the combined balance of Cash and Cash Equivalents and Investments.

Advances decreased in comparison with June 2010, due to the natural maturity of advances and the profitable disposal of R432 million to third parties. Proceeds were generally used to reduce liabilities. Fair value adjustments contributed a R28 million gain for the period under review.

4. ISSUANCE, REPURCHASE AND REDEMPTION OF BORROWINGS

During the period, the borrowed funds balance decreased from June 2010 levels, due largely to the repurchase of IN03 bonds and the maturing of the shorter term IN06 notes.

DIRECTORS' *report*

This consolidated interim financial results summarises INCA's financial performance for the six months ended 31 December 2010. The results reflect the impact of the Group's strategy to deleverage the balance sheet and maintain high levels of liquidity in preparing for the redemption of the IN03 bond on 30 June 2011.

KEY FEATURES FOR THIS PERIOD INCLUDE:

- * A decrease in total assets by 14,97% to R4 283 million;
- * A decrease in advances of R740,5 million to R2 732 million;
- * Net interest income sharply lower at R24,5 million (R44,4 million for the same period last year);
- * Comprehensive income for the period marginally lower at R37,4 million (a decrease of 1,56% compared to the same period last year);
- * High levels of liquidity maintained at R924,4 million (excluding the unutilised liquidity facility of R112 million);
- * Capital adequacy ratio (equity plus subordinated debt/advances) increased to 29,7% (June 2010: 22,4%).



REVIEW OF PERFORMANCE

During the period under review, the main business objective was to continue deleveraging the balance sheet by not extending new advances, selling assets to increase liquidity and repaying borrowed funds. The latter decreased by 18,9% to R3 244 million at 31 December 2010.

Total equity increased by 6% to R548,6 million that, combined with the decrease in advances, contributed to improved capital adequacy ratios. The quality of the portfolio remained strong, with an increase of only R3,4 million in impairments on lease receivables and advances.

PROSPECTS

The Group remains committed to maintaining high levels of liquidity. We are now in a position to redeem all liabilities due within the next 12 months on time, even if a delay in receipts from advances arises due to borrowers' short-term liquidity constraints.

The success of the strategy pursued during the period under review has further enhanced the security of the Group's funders and protected shareholder value.

DIRECTORATE and SHAREHOLDERS

DIRECTORS

RN Boqo // Executive Director
INCA

RW de Korte // Director †
(Dutch)
Independent

D du-Pont-Bouma // Executive Director □
(Dutch)
INCA

L Gwabe // Director
Kagiso

JF Howard // Director #•
Futuregrowth

R Kalaichelvan // Director
Kagiso

G McKenzie // Director
Rand Merchant Bank

L Scholtz // Director #
Rand Merchant Bank

PGM Truyens // Director †□*
(Dutch)
Independent

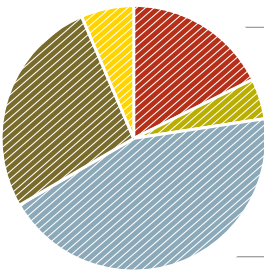
H van Wyk // Chairman
Kagiso #□*

AJ van Zyl // Chief Executive Officer †*□#•
INCA

- † Member of audit, risk & compliance committee
- Member of asset & liability committee
- * Member of market value verification committee
- # Member of investment & review committee
- Member of human resources committee



SHAREHOLDERS



17,68%		FirstRand Bank Limited
4,95%		INCA Share Incentive Scheme
43,96%		Kagiso Financial Services Limited
26,98%		Old Mutual Life Assurance (South Africa) Limited*
0,0006%		First National Bank Nominees
0,0001%		Nedcor Bank Nominees Limited
6,43%		INCA Bond Rehabilitation Company

* Held by Futuregrowth (Pty) Limited

Consolidated statement of financial position

at 31 December 2010

	Notes	Reviewed December 2010 R'000	Reviewed December 2009 R'000	Audited June 2010 R'000
ASSETS				
Cash and cash equivalents	3	688 876	424 685	640 346
Other assets		28 686	125 790	68 919
Investments	3	799 829	929 861	818 831
Derivative financial instruments		32 837	139 093	33 565
Advances	3	2 732 465	4 584 525	3 472 946
Property, plant and equipment		795	3 427	3 281
Total assets		4 283 488	6 207 381	5 037 888
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		790	807	807
Share premium		96 925	99 045	99 045
Unrealised fair value reserve		88 953	44 022	58 798
Retained earnings		361 896	339 608	358 503
Total equity		548 564	483 482	517 153
Liabilities				
Subordinated borrowed funds		262 063	102 309	262 198
Borrowed funds	4	3 243 869	4 918 896	4 001 462
Trade and other payables	4	56 111	491 652	96 509
Taxation payable		17 517	29 617	26 450
Derivative financial instruments		130 164	170 506	119 699
Deferred taxation		25 200	10 919	14 417
Total liabilities		3 734 924	5 723 899	4 520 735
Total equity and liabilities		4 283 488	6 207 381	5 037 888
Approximate rates of exchange ruling at the end of the period:				
USD		6.5995	7.3900	7.6650
EUR		8.8276	10.5798	9.3784
GBP		10.2940	11.9386	11.4557

Consolidated statement of changes in equity

for the six months ended 31 December 2010

	Share capital R'000	Share premium R'000	Unrealised fair value reserve R'000	Retained earnings R'000	Total equity R'000
Group					
Balance at 30 June 2009	807	99 045	35 446	324 436	459 734
Dividend paid net of dividend to Share Trust	–	–	–	(14 257)	(14 257)
Comprehensive income for the year	–	–	23 352	48 324	71 676
Balance at 30 June 2010	807	99 045	58 798	358 503	517 153
Treasury shares acquired	(17)	(2 120)	–	(3 863)	(6 000)
Comprehensive income for the period	–	–	30 155	7 257	37 412
Balance at 31 December 2010	790	96 925	88 953	361 896	548 564

Consolidated statement of comprehensive income

for the six months ended 31 December 2010

	Reviewed 6 months December 2010 R'000	Reviewed 6 months December 2009 R'000	Audited 12 months June 2010 R'000
Interest and similar income	334 020	506 878	941 166
Interest expenditure and similar charges	(309 483)	(462 421)	(863 103)
Net interest income	24 537	44 457	78 063
Impairment on lease receivables and advances	(3 377)	(2 606)	(8 619)
Net interest income after impairment	21 160	41 851	69 444
Fair value adjustment – realised	1 377	9 777	24 080
Fair value adjustment – unrealised	41 882	11 911	32 434
Fee and other income	1 501	573	841
Net income before operating expenditure	65 920	64 112	126 799
Operating expenditure	(15 232)	(12 718)	(30 406)
Profit before taxation	50 689	51 394	96 393
Taxation	(13 277)	(13 389)	(24 717)
Profit for the period	37 412	38 005	71 676
Other comprehensive income	–	–	–
Comprehensive income for the period	37 412	38 005	71 676
Earnings per share (cents)	4 639	4 712	8 887

Consolidated cash flow statement

for the six months ended 31 December 2010

	Reviewed December 2010 R'000	Reviewed December 2009 R'000	Audited June 2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from borrowers and customers	198 704	287 358	575 934
Cash paid to lenders, employees and suppliers	(306 057)	(452 225)	(850 933)
Cash receipts from investments and cash balances	139 260	222 092	382 138
Cash generated from operations	31 907	57 225	107 139
Normal taxation paid	(11 424)	(11 456)	(22 452)
Dividends paid	–	(14 257)	(14 257)
CHANGES IN OPERATING FUNDS			
Decrease in income earning assets	791 394	237 297	1 473 041
Increase in non-income earning assets	40 237	1 420	58 555
Decrease in liabilities and other accounts payable	(803 901)	(457 114)	(1 573 157)
Net change in operating funds	27 730	(218 397)	(41 561)
Net cash inflow/(outflow) from operating activities	48 213	(186 885)	28 869
CASH FLOWS FROM INVESTING ACTIVITIES	6 317	(133)	(226)
Purchase of property, plant and equipment	(183)	(133)	(229)
Property, plant and equipment	(183)	(133)	(24)
Leasehold improvements	–	–	(205)
Proceeds from disposal of property, plant and equipment	6 500	–	3
CASH FLOWS FROM FINANCING ACTIVITIES	(6 000)	–	–
Purchase of minority shareholder shares	(6 000)	–	–
Increase/(Decrease) in cash and cash equivalents	48 530	(187 018)	28 643
Cash and cash equivalents at the beginning of the period	640 346	611 703	611 703
Cash and cash equivalents at end of period	688 876	424 685	640 346

Key figures and ratios

for the six months ended 31 December 2010

	Reviewed 6 months December 2010 R'000	Reviewed 12 months December 2009 R'000	Audited 12 months June 2010 R'000
PERFORMANCE			
Profit for the period (R'000)	37 412	38 005	71 676
Profit for the period (excluding unrealised fair value adj) (R'000)	7 257	29 429	48 323
Earnings per share (cents)	4 639	4 712	8 887
Profit for the period per employee (R'000)	1 336	1 188	2 389
Cash generated by operations	31 907	57 225	107 139
SELECTED RETURNS			
Return on weighted average shareholders' funds (per cent)	7.40	8.40	15.98
Operating costs to total income (per cent)	55.56	23.21	29.52
CAPITAL ADEQUACY			
Advances (R'000)	2 732 465	4 584 525	3 472 946
Total equity (R'000)	548 564	483 482	517 153
Subordinated debt (R'000)	262 063	102 309	262 198
Total assets (R'000)	4 283 488	6 207 381	5 037 888
Risk weighted assets – Basel II (R'000)	1 479 698	1 932 062	1 621 692
Tier 1 capital – Basel II (R'000)	459 611	439 460	458 355
Capital adequacy ratio (equity plus sub debt/total assets) (per cent)	18.92	9.44	15.47
Capital adequacy ratio (equity plus sub debt/advances) (per cent)	29.67	12.78	22.44
Capital adequacy ratio (Basel II – tier 1) (per cent)	31.06	22.78	28.26
OFFICIAL RATINGS			
Official credit rating – senior debt (Moody's)	Baa2.za	A3.za	Baa1.za
Official credit rating – short-term (Moody's)	P-2.za	P-2.za	P-2.za
VALUE			
Net asset value per share (Rands)	694	599	641

REVIEWED RESULTS – AUDITOR OPINION

Deloitte & Touche, the company's independent auditors, have reviewed the condensed consolidated interim financial results contained in this interim report and have expressed an unmodified review opinion. The condensed consolidated interim financial results comprise the consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated cash flow statement. This review report is available for inspection at the company's registered office.



ADMINISTRATION

Registered name

Infrastructure Finance Corporation Limited (Trading as INCA)
Reg No: 1996/001482/06

Registered office

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Bankers

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Trustee

Maitland Trust Limited

Secretary

JM Poulter

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INCA Treasury

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