



Interim Results //
2011

INFRASTRUCTURE FINANCE CORPORATION LIMITED

**CONDENSED
CONSOLIDATED INTERIM
RESULTS 2011**



Content

- 2.....*Directors' report*
- 3.....*Directorate and shareholders*
- 4.....*Consolidated statement of financial position*
- 5.....*Consolidated statement of comprehensive income*
- 6.....*Consolidated statement of changes in equity*
- 7.....*Consolidated cash flow statement*
- 8.....*Key figures and ratios*
- 9.....*Administration*

EXPLANATORY NOTES

Explanatory Notes for the six months ended 31 December 2011

1. Basis of preparation

The condensed consolidated interim financial results for the six months ended 31 December 2011 comprise of the company and its subsidiaries.

These unaudited condensed consolidated interim financial results were 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 Practice 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

A net dividend of R9 million was declared and paid to shareholders during the period under review.

3. Movements in investments and advances

Advances decreased by R120 million (7%) largely due to natural maturities in the portfolio. No advances were sold during the period under review.

Investments decreased by R90 million (12%) mainly due to the liquidation of government bonds held for liquidity purposes.

4. Issuance, repurchase and redemption of borrowings

Subordinated borrowed funds of R100 million (INJ01) were redeemed during the period under review.

IN04 bonds with a face value of R180 million were repurchased in line with the Group strategy.

5. Fair value adjustments

Unrealised fair value adjustment loss of R39 million was recognised for the six months under review. The loss is attributable to a combination of credit spread movements as well as the negative impact of the swap basis risks. The Group remained within its ALCO limits during the period under review.

DIRECTORS' report

This consolidated interim financial results reflect the financial position, financial performance and the cash flows of the INCA Group for the six months ended 31 December 2011. Although unaudited, these condensed consolidated interim financial results were prepared in accordance with the accounting policies consistent with those applied in the preparation of the audited consolidated annual statements for year ended 30 June 2011.

The results further reflect the financial outcome of the strategy adopted by the INCA board of managing down the portfolio whilst ensuring that all financial obligations are met. The effect of this strategy is that emphasis is placed on managing the balance sheet which often results in the deterioration of the Group's profitability.

The following are the key features of these consolidated interim results:

- Total assets decreased by 5% to R2 556 million;
- Advances decreased by 7% to R1 557 million;
- Cash and cash equivalents increased by 18% to R290 million;
- Subordinated borrowed funds decreased by R100 million to R162 million;
- Senior borrowed funds decreased by 9% to R1 665 million;
- Net interest income decreased by 4% to R17 million;
- Unrealised fair value adjustment loss of R39 million;
- Capital adequacy ratio (Basel II – tier 1) increased to 42% (30 June 2011: 38%);

Review of performance

Post the successful redemption of the R2 515 million IN03 on 30 June 2011 the focus was on managing the overall credit quality of the advances whilst opportunistically repurchasing the INCA bonds that became available using the surplus cash generated. During the period under review IN04 bonds with a face of R180 million were repurchased from the market to further reduce the total liabilities of the Group. There were no advances sold during the six months under review.

Retained earnings decreased marginally by 0.5% to R344 million despite a net dividend of R9 million paid during the period under review. The comprehensive income for the period excluding the unrealised fair value adjustments amounts to R7 million.

Prospects

The Group remains committed to prudently managing the portfolio and ensuring that all the financial obligations are fully met as they fall due. The only bond redemption in the following twelve (12) months is R100 million (IN08). The focus will remain to manage the advances portfolio particularly given the recent reports on the financial performance of the local government sector. The Group's liquidity policy is applied on a risk weighted basis ensuring that the possibility of late payments is taken into account in determining the Group's liquidity requirement.

The Board will ensure that key information is communicated to key stakeholders at all times.

DIRECTORATE and SHAREHOLDERS

DIRECTORS

JHD Botha // Chairman * ∴
Independent

AC Canter // Director □ ●
Futuregrowth

RW de Korte // Director ∴
(Dutch)
Independent

JF Howard // Director *
Futuregrowth

L Scholtz // Director
Rand Merchant Bank

G McKenzie // Director *
Rand Merchant Bank

C Clark // Director * □ ●
Kagiso

L Gcwabe // Director
Kagiso

PGM Truyens // Director ∴ □ ●
(Dutch)
Independent

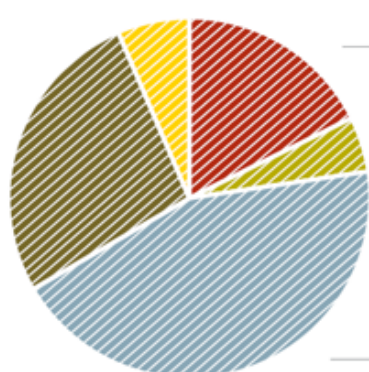
* Member of investment and review committee





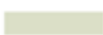


□ Member of asset & liability committee

∴ Member of audit risk & compliance committee

● Member of market value verification 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 2011

Notes	Unaudited December 2011 R'000	zReviewed December 2010 R'000	Audited June 2011 R'000
ASSETS			
Cash and cash equivalents	289 996	688 876	245 249
Other assets	38 925	28 686	31 733
South African Revenue Services	-	-	3 271
Investments	651 894	799 829	741 628
Derivative financial instruments	18 375	32 837	4 082
Advances	1 556 677	2 732 465	1 676 514
Property, plant and equipment	456	795	619
Total assets	2 556 323	4 283 488	2 703 096
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	752	790	752
Share premium	92 241	96 925	92 241
Unrealised fair value reserve	(10 818)	88 953	17 355
Retained earnings	343 780	361 896	345 538
Total equity	425 955	548 564	455 886
Liabilities			
Subordinated borrowed funds	161 685	262 063	262 538
Borrowed funds	1 664 546	3 243 869	1 832 162
Trade and other payables	157 864	56 111	51 912
Taxation payable	15 960	17 517	-
Derivative financial instruments	124 407	130 164	82 981
Deferred taxation	5 906	25 200	17 617
Total liabilities	2 130 368	3 734 924	2 247 210
Total equity and liabilities			
	2 556 323	4 283 488	2 703 096
Approximate rates of exchange ruling at the end of the period:			
USD	8.0650	6.5995	6.7430
EUR	10.4374	8.8276	9.7796
GBP	12.5291	10.2940	10.8182

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

	Unaudited 6 months December 2011 R'000	Reviewed 6 months December 2010 R'000	Audited 12 months June 2011 R'000
Interest and similar income	148 661	334 020	607 935
Interest expenditure and similar charges	(131 440)	(309 483)	(571 994)
Net interest income	17 221	24 537	35 941
Impairment on other debtors	-	-	(786)
Impairment on lease receivables and advances	(2 699)	(3 377)	(8 013)
Net interest income after impairment	14 522	21 160	27 142
Fair value adjustment - realised	7 474	1 377	462
- unrealised	(39 129)	41 882	(57 560)
Fee and other income	2 086	1 501	7 339
Net (loss)/income before operating expenditure	(15 047)	65 920	(22 617)
Operating expenditure	(14 661)	(15 232)	(27 861)
(Loss)/Profit before taxation	(29 708)	50 689	(50 478)
Taxation	8 639	(13 277)	15 920
(Loss)/Profit for the period	(21 069)	37 412	(34 558)
Other comprehensive income	-	-	-
Comprehensive (loss)/income for the period	(21 069)	37 412	(34 558)

INCA // Interim Results 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	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 2010	807	99 045	58 798	358 503	517 153
Treasury shares acquired	(55)	(6 804)	-	(10 988)	(17 847)
Dividend paid for 2010 net of dividend to Group companies and Share Trust	-	-		(8 862)	(8 862)
Total comprehensive loss for the year	-	-	(41 443)	6 885	(34 558)
Balance at 30 June 2011	752	92 241	17 355	345 538	455 886
Dividend paid for 2011 net of dividend to Group companies and Share Trust	-	-		(8 862)	(8 862)
Comprehensive loss for the period	-	-	(28 173)	7 104	(21 069)
Balance at 31 December 2011	752	92 241	(10 818)	343 780	425 955

INCA // Interim Results 2011

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2011

	Unaudited December 2011 R'000	Reviewed December 2010 R'000	Audited June 2011 R'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from borrowers and customers	84 355	198 704	351 228
Cash paid to lenders, employees and suppliers	(139 550)	(306 057)	(540 818)
Cash receipts from investments and cash balances	69 639	139 260	251 193
Cash generated from operations	14 444	31 907	61 603
Normal taxation refunded/(paid)	16 158	(11 424)	(10 601)
Dividends paid	(8 862)	-	(8 862)
Changes in operating funds			
Decrease in income earning assets	204 866	791 394	1 837 146
(Increase)/decrease in non-income earning assets	(7 192)	40 237	36 400
Decrease in liabilities and other accounts payable	(174 667)	(803 901)	(2 299 253)
Net change in operating funds	23 007	27 730	(425 707)
Net cash inflow/(outflow) from operating activities	44 747	48 213	(383 567)
CASHFLOWS FROM INVESTING ACTIVITIES			
	-	6 317	6 317
Purchase of property, plant and equipment	-	(183)	(183)
Proceeds from disposal of property, plant and equipment	-	6 500	6 500
CASHFLOWS FROM FINANCING ACTIVITIES			
	-	(6 000)	(17 847)
Purchase of minority shareholder's shares (treasury shares)	-	(6 000)	(17 847)
Increase/(decrease) in cash and cash equivalents	44 747	48 530	(395 097)
Cash and cash equivalents at the beginning of the period	245 249	640 346	640 346
Cash and cash equivalents at end of period	289 996	688 876	245 249

KEY FIGURES AND RATIOS

For the six months ended 31 December 2011

	Reviewed 6 months December 2011	Reviewed 6 months December 2010	Audited 12 months June 2011
PERFORMANCE			
Profit / (loss) for the period (R'000)	(21 069)	37 412	(34 558)
Profit for the period (excluding unrealised fair value adj) (R'000)	7 104	7 257	6 885
Earnings/(loss) per share (cents)	(2 612)	4 639	(4 431)
Cash generated by operations	14 444	31 907	61 603
SELECTED RETURNS			
Return on weighted average shareholders' funds (per cent)	(4.64)	7.40	307.18
Operating costs to total income (per cent)	54.74	55.56	63.69
CAPITAL ADEQUACY			
Advances (R'000)	1 556 677	2 732 465	1 676 514
Total equity (R'000)	425 955	548 564	455 886
Subordinated debt (R'000)	161 685	262 063	262 538
Total assets (R'000)	2 556 323	4 283 488	2 703 096
Risk weighted assets - Basel II (R'000)	1 047 163	1 479 698	1 169 380
Tier 1 capital - Basel II (R'000)	436 773	459 611	438 531
Capital adequacy ratio (equity plus sub debt/total assets) (per cent)	22.99	18.92	26.58
Capital adequacy ratio (equity and sub debt/advances) (per cent)	37.75	29.67	42.85
Capital adequacy ratio (Basel II - tier 1) (per cent)	41.71	31.06	37.50
OFFICIAL RATINGS			
Official credit rating - senior debt (Moody's)	Baa2.za	Baa2.za	Baa2.za
- short-term (Moody's)	P-2.za	P-2.za	P-2.za
VALUE			
Net asset value per share (Rands)	566	694	606

INFRASTRUCTURE FINANCE CORPORATION LIMITED

ADMINISTRATION

Registered Name

Infrastructure Finance Corporation Limited (Trading as INCA)

Reg No: 1996/001482/06

Registered Office

Building 3, Pinewood Office Park, 33 Riley Road, Woodmead, Sandton, South Africa

Postal Address

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Telefax +27 (11)202 2231

E-mail: reggie.boqo@inca.co.za

Bankers

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Trustees

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Secretary

JM Poulter

Auditors

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INCA Treasury

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