



Interim Results //
2015

INFRASTRUCTURE FINANCE CORPORATION LIMITED

CONDENSED CONSOLIDATED INTERIM RESULTS 2015



Content

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

DIRECTORS' report

The condensed 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 2014. 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 2014.

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 reduction in, and deleveraging of the company, while strengthening the security of debt holders, continued during the period under review. Long term loans to the value of R248.9 million were early settled from available liquidity. Administration expenses (overhead in nature) decreased by 26% or R1.4 million from the previous period.

During the period under review, a comprehensive profit of R19.7 million after tax was generated, compared to R8.3 million in the previous period, mainly as a result of the release of the provision for income tax.

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

- Total assets decreased by 25% to R860.2 million;
- Advances decreased by 8% to R607.4 million;
- Cash and cash equivalents decreased by 53% to R211.7 million;
- Senior borrowed funds decreased by 42% to R357.8 million;
- Net interest income decreased by 31% to R13.5 million;
- No further impairments;
- Realised fair value adjustment gain of R1.6 million;
- Unrealised fair value adjustment loss of R5.8 million;
- Operating expenses decreased by 26% or R1.4 million;
- Capital adequacy ratio (Basel II – tier 1) increased to 94% (30 June 2014: 74%);

Review of performance

The focus remained on managing the overall credit quality of the advances whilst opportunistically disposing of assets and settling liabilities using surplus cash generated. During the period under review, advances of R0.9 million were sold and long term loans to the value of R248.9 million settled.

Retained earnings increased marginally to R328.4 million after a net dividend of R17.7 million paid during the period under review and a comprehensive profit of R23.9 million (as per Statement of Changes in Equity) recorded for the period.

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 focus will remain on managing the advances down and settling liabilities as liquidity permits. 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 and IPM as portfolio managers remain committed to ensuring that the interest of all stakeholders are served and will ensure that key information is communicated to key stakeholders at all times.

DIRECTORATE and SHAREHOLDERS

DIRECTORS

PGM Truyens // Chairman Ω •
(Dutch)
Independent

JF Howard // Director *
Futuregrowth

AC Canter // Director Ω •
(American)
Futuregrowth

G McKenzie // Director *
Rand Merchant Bank

C Clark // Director * Ω •
Kagiso

L Scholtz // Director
Rand Merchant Bank

M Danisa // Director Ω
Kagiso

S Dube // Director Ω
Independent

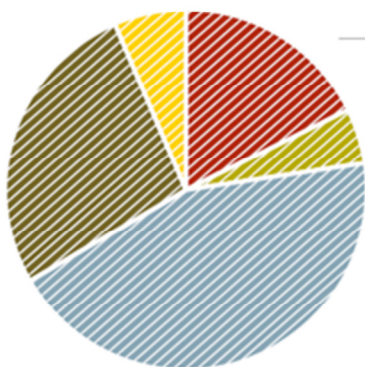
* Member of investment and review committee

Ω Member of asset & liability committee

Ω • 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*

6,43% INCA Bond Rehabilitation Company

* Held by Futuregrowth (Pty) Limited

INCA // Interim Results 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Unaudited December 2014 R'000	Reviewed December 2013 R'000	Audited June 2014 R'000
ASSETS				
Cash and cash equivalents		211,681	123,081	447,703
Other assets		7,012	10,824	5,440
Investments	3	28,886	29,291	29,341
Advances	3	607,404	996,119	661,539
Deferred taxation		5,241	4,468	3,618
Property, plant and equipment		1	6	3
Total assets		860,225	1,163,789	1,147,644
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		752	752	752
Share premium		92,241	92,241	92,241
Unrealised fair value reserve		2,006	7,184	6,180
Retained earnings		328,440	316,723	322,312
Total equity		423,439	416,900	421,485
Liabilities				
Borrowed funds	4	357,837	625,106	616,067
Trade and other payables		10,651	18,901	16,655
Taxation payable	7	3,498	37,048	36,469
Derivative financial instruments		64,800	65,834	56,968
Total liabilities		436,786	746,889	726,159
Total equity and liabilities		860,225	1,163,789	1,147,644
Approximate rates of exchange ruling at the end of the period:				
USD		11.5748	10.5125	10.6343
EUR		14.0676	14.4840	14.5562
GBP		18.0349	17.3818	18.1856

INCA // Interim Results 2015

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31 December 2014

	Notes	Unaudited 6 months December 2014 R'000	Reviewed 6 months December 2013 R'000	Audited 12 months June 2014 R'000
Interest and similar income		43,274	70,562	130,439
Interest expenditure and similar charges		(29,780)	(50,869)	(93,679)
Net interest income		13,494	19,693	36,760
Impairment on lease receivables and advances		-	-	2,548
Net interest income after impairment		13,494	19,693	39,308
Fair value adjustment - realised	5	1,638	(520)	(8,590)
- unrealised	6	(5,799)	(2,698)	(4,092)
Fee and other income		-	741	603
Net income before operating expenditure		9,333	17,216	27,229
Operating expenditure		(3,998)	(5,404)	(10,161)
Income before taxation		5,335	11,812	17,068
Taxation	7	14,343	(3,488)	(4,159)
Income for the period		19,678	8,324	12,909
Other comprehensive income		-	-	-
Total comprehensive income for the period		19,678	8,324	12,909

INCA // Interim Results 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Notes	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 2013		752	92,241	9,127	315,318	417,438
Dividend paid for 2013 net of dividend to Group companies and Share Trust		-	-		(8,862)	(8,862)
Total comprehensive profit for the year		-	-	(2,947)	15,856	12,909
Balance at 30 June 2014		752	92,241	6,180	322,312	421,485
Dividend paid for 2014 net of dividend to Group companies and Share Trust	2	-	-		(17,724)	(17,724)
Total comprehensive profit for the period		-	-	(4,175)	23,853	19,678
Balance at 31 December 2014		752	92,241	2,005	328,441	423,439

INCA // Interim Results 2015

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2014

	Unaudited December 2014 R'000	Reviewed December 2013 R'000	Audited June 2014 R'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash receipts from borrowers and customers	30,842	52,292	94,120
Cash paid to lenders, employees and suppliers	(32,144)	(56,920)	(104,501)
Cash receipts from investments and cash balances	14,086	18,804	28,459
Cash generated from operations	12,784	14,176	18,078
Normal taxation paid	(20,248)	(58)	(456)
Dividends paid	(19,357)	(8,862)	(8,862)
Changes in operating funds			
Decrease in income earning assets	53,977	236,530	577,312
(Increase)/decrease in non-income earning assets	(1,474)	12,963	17,556
Decrease in borrowings, derivatives and other payables	(261,704)	(312,040)	(336,297)
Net change in operating funds	(209,201)	(62,547)	258,571
Net cash (outflow)/inflow from operating activities	(236,022)	(57,291)	267,331
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	-	85	85
Net cash inflow from investing activities	-	85	85
(Decrease)/increase in cash and cash equivalents	(236,022)	(57,206)	267,416
Cash and cash equivalents at the beginning of the period	447,703	180,287	180,287
Cash and cash equivalents at end of period	211,681	123,081	447,703

INCA // Interim Results 2015

KEY FIGURES AND RATIOS

For the six months ended 31 December 2014

	Reviewed 6 months December 2014	Reviewed 6 months December 2013	Audited 12 months June 2014
PERFORMANCE			
Profit for the period (R'000)	19,678	8,324	12,909
Profit for the period (excluding unrealised fair value adj) (R'000)	23,853	10,267	15,855
Earnings per share (cents)	2,617	1,107	1,717
Cash generated by operations (R'000)	12,784	14,176	18,078
SELECTED RETURNS			
Return on weighted average shareholders' funds (percent) - December '13 and December '14 interim results are non-annualised	4.66	2.02	3.09
CAPITAL ADEQUACY			
Advances (R'000)	607,404	996,119	661,539
Total equity (R'000)	423,439	416,900	421,485
Total assets (R'000)	860,225	1,163,789	1,147,644
Risk weighted assets - Basel II (R'000)	450,273	487,327	560,740
Tier 1 capital - Basel II (R'000)	421,433	409,716	415,305
Capital adequacy ratio (equity / total assets) (percent)	49.22	35.82	36.73
Capital adequacy ratio (equity / advances) (percent)	69.71	41.85	63.71
Capital adequacy ratio (Basel II - tier 1) (percent)	93.60	84.07	74.06
OFFICIAL RATINGS			
Official credit rating - senior debt (Moody's)	Ba2.za *	Ba2.za	Ba2.za
- short-term (Moody's)	NP.za *	NP.za	NP.za
VALUE			
Net asset value per share (Rands)	563	554	560

* This rating was correct as at the reporting date (31 December 2014). The rating was subsequently withdrawn by Moody's for its own business reasons. The date of withdrawal is 12 January 2015.

EXPLANATORY NOTES

Explanatory Notes for the six months ended 31 December 2014

1. Basis of preparation

The condensed consolidated interim financial results for the six months ended 31 December 2014 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 R17.7 million was declared and paid to shareholders during the period under review.

3. Movements in investments and advances

Advances decreased by R54.1 million (8%) mainly due to natural maturities in the portfolio.
Investments decreased by R0.5 million (2%).

4. Issuance, repurchase and redemption of borrowings

Long term loans to the value of R248.9 million were repaid early.

5. Realised fair value adjustments

The early settlement of long term loans resulted in a profit of R1.1 million. A profit of R0.3 million was realised on the sale of an advance and a further profit was realised on currency translations, of R0.2 million.

6. Unrealised fair value adjustments

An unrealised fair value loss of R5.8 million was recognised for the six months under review. Base interest rates increased during the period under review, while credit spreads on similar assets remained stable. This resulted in fair value losses on assets of R4.8 million and on liabilities and derivatives of R1.0 million.

7. Taxation

Prior periods' tax liability to the value of R36.5 million was settled at less than its expected value during the period under review, after a successful SARS Voluntary Disclosure application. The balance of the prior period provision, subsequent to settlement, was released to profit and loss.

ADMINISTRATION

Registered Name

Infrastructure Finance Corporation Limited (Trading as INCA)

Reg No: 1996/001482/06

Registered Office

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South Africa

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Bankers

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Trustees

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Secretary

JM Poulter

Auditors

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INCA Treasury

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