

Key figures and ratios	at 31 December
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	Reviewed 6 months December 2007 R'000	Unaudited 6 months December 2006 R'000	Audited 12 months June 2007 R'000
PERFORMANCE			
Net (loss)/profit for the year (R'000)	(6 429)	59 345	35 499
Earnings per share (cents)	(797)	7 358	4 401
Net (loss)/profit after tax per employee (R'000)	(161)	1 236	910
Recurring earning power			
SELECTED RETURNS			
Return on weighted average shareholders' funds (per cent)	(1,32)	12,41	7,52
Operating costs to total income (per cent)	(32,98)	30,64	24,95
CAPITAL ADEQUACY			
Funds distributed after capital redemptions (statutory body assets) (R'000)	4 715 338	5 720 056	5 037 663
Total shareholders' interest (R'000)	469 690	526 104	502 258
Capital adequacy ratio (capital/advances) (per cent)	12,04	10,98	11,93
OFFICIAL RATINGS			
Official credit rating – senior debt (Moody's)	A1	A1	A1
– short-term (Moody's)	P-1	P-1	P-1
VALUE			
Net asset value per share (Rands)	582	652	623

Administration

REGISTERED NAME
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(Trading as INCA)
Reg no: 1996/001482/06

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SECRETARY
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Directors' report

This set of interim results reflects the financial performance of INCA Group for the six months ended 31 December 2007

The most notable feature of the results was the negative fair value adjustment of R46,1 million, which contributed directly to the reporting of an accounting loss of R6,4 million for the period under review.

Also notable was that this was the first time since INCA was established that non-municipal business represented a higher percentage of new advances than the Group's traditional municipal loan business.

REVIEW

The six months under review was again marked by subdued borrowings by the municipal sector. Most new loans to the sector were extended by the Development Bank of Southern Africa (DBSA). Municipal borrowings are expected to increase in the second half of the financial year.

New loans provided by INCA during the period amounted to R390,9 million (2006: R413,2 million). Part funding of two public private partnership transactions in the period contributed R256,6 million to new advances, or 72,7%. INCA's current pipeline of potential transactions funding proposals is in the order of R1,516 billion of which the municipal sector represents 25%. The quality of INCA's advances book has remained high, resulting in no impairment charge for the six months.

During the period a high level of pre-funding was maintained, alleviating any need to raise long-term funding in the capital market. As at 31 December 2007, total liquidity (cash and near cash) stood at R 858,7 million.

Net interest income for the six months was R42,8 million and a further fee income of R2,0 million was earned. Operational expenditure of R13,4 million resulted in a cost to income ratio of 32,9%. The Group's target is to keep its cost to income ratio at 30%.

Given INCA's relatively small net income, compared to its substantial balance sheet, the volatility of fair value adjustments off set all positive interest turn. This resulted in the accounting loss of R6,4 million reported for the six months. This also impacted negatively on net asset value, which declined from R623 per share to R582 per share. The decline in net

asset value was also due to the dividend payout referred to below.

Pleasingly, cash generated by operations in the six months came to R28,6 million.

The dividends declared based on the 2007 financial results were distributed during the reporting period. Funds distributed to shareholders amounted to R26,1 million.

The Group's capital adequacy ratio improved marginally to 12,04% notwithstanding the dividend payout.

On 3 January 2008, Moody's confirmed INCA's issuer rating of A1.za/Prime-1.za on a national scale rating.

PROSPECTS

Growth in assets for the full financial year is expected to come mainly from INCA's non-municipal lending business. Our strategic focus on the Health and Education Sectors is showing promising results, while INCA's rental and lease discount business continues to show good growth. We expect that the value of new transactions concluded for the full year will be on par with the prior year. If fair value adjustments are neutralised, the financial performance of the Group for the year to 30 June 2008 is expected to match that of the previous financial year.

ACCOUNTING POLICIES

The Group's principal accounting policies have been applied consistently with those disclosed in the consolidated financial statements of INCA for the year ended 30 June 2007. INCA's interim consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, and consists of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, and consolidated cash flow statement.

REVIEWED RESULTS – AUDITOR OPINION

Deloitte & Touche, the company's independent auditors, have reviewed the interim financial statements contained in this interim report and have expressed a reviewed opinion on the interim financial statements. The review report is available for inspection at the company's registered office.

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Directorate and shareholders

DIRECTORS

AH Arnott Director – FirstRand •#†

IM Ayob Director – Chanson Investments

RN Boqo Executive – Director INCA †

AC Canter Director (American) – Futuregrowth *c

RW de Korte Director (Dutch) – Independent

D du-Pont-Bouma Executive Director (Dutch) – INCA *

JF Howard Director – Futuregrowth •

MA Lallemand-Flucher Director (French) – Dexia Crédit Local

J Matlala Director – Kagiso †

K Moloko Director – Futuregrowth #

MJN Njeke Chairman – Kagiso

L Scholtz Director – Rand Merchant Bank

J Stals Director – Kagiso †•

PGM Truyens Director (Dutch) – Independent †*c

H van Wyk – Kagiso #*c

AJ van Zyl Chief Executive Officer – INCA •#†*c

ALTERNATIVES

LP Collet – Rand Merchant Bank•

P Rackstraw – Futuregrowth

- Member of human resources committee
- # Member of credit committee
- † Member of audit committee
- * Member of asset liability committee
- c Member of market value verification committee

Shareholders		
	2,0%	Chanson Investment Holdings (Proprietary) Limited
	4,42%	Dexia Crédit Local
	17,68%	FirstRand Bank Limited
	4,95%	INCA Share Incentive Trust
	43,96%	Kagiso Financial Services Limited
	26,98%	Momentum Group Limited (held by Futuregrowth [Proprietary] Limited)
	0,01%	INCA Bond Rehabilitation Company

Consolidated balance sheet as at 31 December 2007

	Reviewed Group December 2007 R'000	Unaudited Group December 2006 R'000	Audited Group 30 June 2007 R'000
ASSETS			
Cash and short-term funds	265 415	348 876	445 089
Other assets	99 294	194 445	507 309
South African Revenue Services	–	6 475	3 803
Investments	1 472 836	952 817	1 012 322
Derivative financial instruments	65 207	47 465	74 552
Advances	4 715 338	5 720 056	5 037 663
Property, plant and equipment	3 256	892	3 260
Total assets	6 621 346	7 271 026	7 083 998
EQUITY AND LIABILITIES			
Share capital	807	807	807
Share premium	99 057	99 057	99 057
Retained earnings	369 826	426 240	402 394
Total equity	469 690	526 104	502 258
Liabilities			
Subordinated liabilities	98 164	102 158	98 897
Long-term liabilities	5 803 967	5 805 019	6 066 640
Accounts payable	140 962	663 028	307 340
South African Revenue Services	4 780	–	2 202
Derivative financial instruments	63 453	87 823	54 714
Deferred taxation	40 330	86 895	51 947
Total liabilities	6 151 655	6 744 922	6 581 740
Total equity and liabilities	6 621 346	7 271 026	7 083 998

Approximate rates of exchange ruling at the end of the period:

USD1=ZAR 6.8400 (31 December 2006 USD1=ZAR6.9900) (2007 – USD1=ZAR 7.0143)

EUR 1=ZAR 9.9810 (31 December 2006 EUR1=ZAR9.2227) (2007 – EUR1=ZAR 9.4987)

GBP1=ZAR 13.5768 (31 December 2006 GBP1=ZAR13.6925) (2007 – GBP1=ZAR 14.0793)

Consolidated income statement for the six months ended 31 December 2007

	Reviewed Group 6 months December 2007 R'000	Unaudited Group 6 months December 2006 R'000	Audited Group 12 months June 2007 R'000
Interest income and similar income	530 996	483 754	982 279
Interest expense and similar charges	488 156	435 574	894 519
Net interest income	42 840	48 180	87 760
Impairment on lease receivables and advances	–	(627)	(13 360)
	42 840	47 553	74 400
Fair value adjustment – realised	(4 082)	161	62 827
– unrealised	(42 053)	50 921	(55 946)
Fee and other income	2 014	390	475
Net income before operating expenditure	(1 281)	99 025	81 756
Operating expenditure	13 448	14 933	37 694
(Loss)/profit before taxation	(14 729)	84 092	44 062
Taxation	8 300	(24 747)	(8 563)
(Loss)/profit for the period	(6 429)	59 345	35 499
Earnings per share (cents)	(797)	7 358	4 401

Consolidated cash flow statement for the six months ended 31 December 2007

	Reviewed 31 December 2007 R'000	Unaudited 31 December 2006 R'000	Audited 30 June 2007 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	(179 438)	194 043	290 371
Cash receipts from borrowers and customers	315 517	321 196	694 591
Cash paid to lenders, employees and suppliers	(488 759)	(405 085)	(911 786)
Cash receipts from investments and cash balances	201 874	159 356	340 238
Cash generated by operations	28 632	75 467	123 043
Normal taxation paid	4 292	604	(13 286)
Secondary taxation on companies paid	(1 511)	–	–
Dividends paid	(26 139)	(23 763)	(23 763)
Changes in operating funds			
(Increase)/decrease in income earning assets	(242 350)	(270 144)	24 096
Decrease/(increase) in non-income earning assets	408 239	(50 049)	(360 869)
(Decrease)/increase in liabilities and other accounts payable	(350 601)	461 928	541 150
Net change in operating funds	(184 712)	141 735	204 377
CASH FLOWS FROM INVESTING ACTIVITIES	(236)	(132)	(247)
Purchase of property, plant and equipment	(236)	(132)	(248)
Property, plant and equipment	(236)	(132)	(126)
Leasehold improvements	–	–	(122)
Proceeds from disposal of computer equipment	–	–	1
CASH FLOWS FROM FINANCING ACTIVITIES	–	–	–
Net cash flows from financing activities	–	–	–
(Decrease)/increase in cash and cash equivalents	(179 674)	193 911	290 124
Cash and cash equivalents at the beginning of the period	445 089	154 965	154 965
Cash and cash equivalents at the end for the period	265 415	348 876	445 089

Consolidated statement of changes in equity

	Share capital R'000	Share premium R'000	Accumulated funds R'000	Total equity R'000
Balance at 1 July 2006	807	99 057	390 658	490 522
Dividend paid for 2006 net of dividend to Share Trust	–	–	(23 763)	(23 763)
Profit for the period	–	–	35 499	35 499
Balance at 30 June 2007	807	99 057	402 394	502 258
Dividend paid for 2007 net of dividend to Share Trust	–	–	(26 139)	(26 139)
Loss for the period	–	–	(6 429)	(6 429)
Balance at 31 December 2007	807	99 057	369 826	469 690

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