



**INCA**

INFRASTRUCTURE FINANCE CORPORATION LIMITED  
— CONSOLIDATED INTERIM RESULTS 2006 —

# Directorate

## & SHAREHOLDERS

### DIRECTORATE

**AH Arnott** Director\*#†◇ FirstRand  
**IM Ayob** Director Chanson Investments  
**RN Boqo** Executive Director† INCA  
**MS Brown** Director#◇ Futuregrowth  
**AC Canter** Director (American)\* Futuregrowth  
**RW de Korte** Director (Dutch) Independent  
**D du-Pont-Bouma** Executive Director (Dutch)\* INCA  
**M Hesketh** Director# Rand Merchant Bank  
**MA Lallemand-Flucher** Director (French) Dexia Crédit Local  
**J Matlala** Director\* Kagiso  
**MJN Njeke** Chairman† Kagiso  
**PE Rackstraw** Director\* Futuregrowth  
**J Stals** Director† Kagiso  
**PGM Truyens** Director (Dutch)†\*◇ Independent  
**EG van den Berg** Director#◇ Kagiso  
**AJ van Zyl** Chief Executive Officer\*#†\*◇ INCA

### ALTERNATES

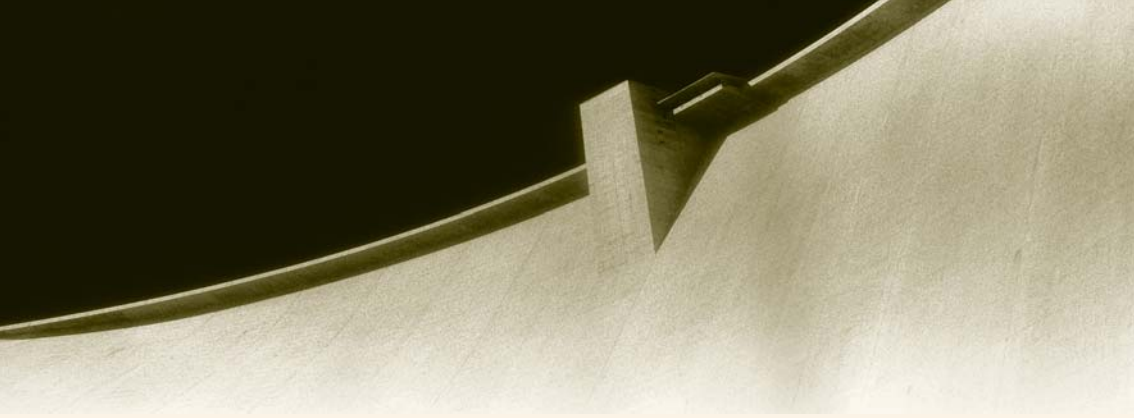
**LP Collet**• Rand Merchant Bank  
**M Mokhele** Proparco  
**K Moloko** Futuregrowth

- Member of human resources committee
- \* Member of asset liability committee
- ◇ Member of market value verification committee

- # Member of credit committee
- † Member of audit committee

### SHAREHOLDERS

Chanson Investment Holdings (Proprietary) Limited	2,0%
Dexia Crédit Local	4,42%
FirstRand Bank Limited	17,68%
INCA Share Incentive Trust	4,95%
Kagiso Financial Services Limited	43,96%
Momentum Group Limited (held by Futuregrowth [Proprietary] Limited)	26,98%
Societe De Promotion Et De Participation Pour La Cooperation Economique SA (Proparco)	0,01%
	<hr/>
	100,00%



A CONTINUOUS CHALLENGE  
TO MAKE FINANCIAL STATEMENTS

*understandable & transparent*

TO ALL OUR STAKEHOLDERS

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# Directors'

## REPORT

This set of interim results reflects the financial performance of the Group for the six months ended 31 December 2006. The most notable aspects are the 84,1% increase in net interest income and the 58,6% increase in cash generated by operations. Asset growth is also stronger than the corresponding period last year.

### REVIEW

The six months under review were once again marked by limited borrowings by the municipal sector and aggressive pricing mainly by the banking sector. As is the norm, municipal borrowings increased in the second half of the financial year and a number of cities have requested proposals from the market after December 2006.

Total new commitments amounted to R413,2 million (R177,5 million – 2005). A further R508,5 million of transactions have been secured but not yet concluded. It is pleasing to report that INCA is currently more successful in generating new assets than last year. The asset finance business is becoming a meaningful contributor (25% of new advances) to the business. The quality of the advance book remained high. The dispute between INCA and a provincial department on a contract that was discounted, is not yet settled, although agreement was reached to resolve the issues in an amicable way without major losses to either party. Credit spreads on INCA's advances remained the same during the period since 30 June 2006.

During the six months under review, R200 million of one-year floating rate notes were issued and the INO603 one-year issue (R217 million) was rolled over. R400 million of INO4 bonds (maturing in March 2015) were issued and R200 million of INO3 bonds (maturing in June 2011) were repurchased. As at 31 December 2006, INCA's total liquidity (cash and near cash) stood at R684,8 million.

Net profit after tax of R59,3 million, reflecting a return on shareholders' funds of 12,5% for the six months, was achieved. Operational costs were kept well within the approved budget and the operational cost-to-income ratio, excluding unrealised fair value adjustments, came to 30,6% for the period. The capital adequacy ratio (total capital/advances) as at 31 December 2006 improved to 11,0% (9,3% in 2005). This ratio remains much higher than the target of 7,5% – 8% set by Shareholders and the Board of Directors and exceeds the new target set by the banking sector following Basel II.

Net asset value increased to R652 per share and total shareholders' interest increased by R35,6 million during the six months to R526,1 million at the end of the period. It is most pleasing to note that cash generated by operations increased by 58,6% to R75,5 million. On 2 January 2007 Moody's issued a credit opinion, confirming INCA's issuer ratings of A1.

### PROSPECTS

Asset growth for the full year is expected to be much better than the previous year, while operational costs are expected to remain at the same level as the previous two years. The improvement in the net interest income and strong cash generated by operations is expected to contribute to the best annual financial results reported since INCA's inception.

# CONSOLIDATED BALANCE SHEET

as at 31 December 2006

	<b>Unaudited 31 December 2006 R'000</b>	Unaudited 31 December 2005 R'000	Audited 30 June 2006 R'000
<b>ASSETS</b>			
Cash and short-term funds	348 876	850 158	154 965
Other assets	194 445	159 481	146 440
South African Revenue Services	6 475	414	17 235
Investments	952 817	1 506 895	886 236
Advances	5 720 056	6 410 011	5 362 183
Property, plant and equipment	892	1 423	1 021
<b>Total assets</b>	<b>7 223 561</b>	<b>8 928 382</b>	<b>6 568 080</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
<b>Liabilities</b>			
Subordinated liabilities	102 158	175 629	100 786
Long-term liabilities	5 805 019	7 712 837	5 671 239
Accounts payable	663 028	385 797	232 548
South African Revenue Services	–	2 216	616
Derivative financial instruments	40 358	190 593	681
Deferred taxation	86 895	43 194	71 688
<b>Total liabilities</b>	<b>6 697 457</b>	<b>8 510 266</b>	<b>6 077 558</b>
Share capital	807	807	807
Share premium	99 057	99 057	99 057
Retained earnings	426 240	318 252	390 658
<b>Total shareholders' funds</b>	<b>526 104</b>	<b>418 116</b>	<b>490 522</b>
<b>Total liabilities and shareholders' funds</b>	<b>7 223 561</b>	<b>8 928 382</b>	<b>6 568 080</b>

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

USD1=ZAR6,9900 (31 December 2005 USD1=ZAR6,3376) (30 June 2006 USD1=ZAR7,1500)

EUR1= ZAR9,2227 (31 December 2005 EUR1=ZAR7,5005) (30 June 2006 EUR1=ZAR9,1248)

# CONSOLIDATED INCOME STATEMENT

for the six months ended 31 December 2006

	<b>Unaudited 6 months 31 December 2006 R'000</b>	Unaudited 6 months 31 December 2005 R'000	Audited 12 months 30 June 2006 R'000
Interest income	483 754	531 329	1 038 256
Interest expenditure	435 574	505 164	985 824
<b>Net interest income</b>	<b>48 180</b>	<b>26 165</b>	<b>52 432</b>
Impairment on leases and advances	627	2 980	762
<b>Net interest income after impairment</b>	<b>47 553</b>	<b>23 185</b>	<b>51 670</b>
Fair value adjustment – realised	161	20 325	41 204
– unrealised	50 921	115 702	179 072
Fee income and other income	390	18	1 031
<b>Net income before operating expenditure</b>	<b>99 025</b>	<b>159 230</b>	<b>272 977</b>
Operating expenditure	14 933	12 855	41 374
<b>Net profit before taxation</b>	<b>84 092</b>	<b>146 375</b>	<b>231 603</b>
Taxation	24 747	44 647	57 471
<b>Net profit for the period</b>	<b>59 345</b>	<b>101 728</b>	<b>174 132</b>
Earnings per share (cents)	7 358	12 613	21 590

# CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2006

	<b>Unaudited 31 December 2006 R'000</b>	Unaudited 31 December 2005 R'000	Audited 30 June 2006 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>194 043</b>	425 160	(270 124)
Cash receipts from borrowers and customers	<b>321 196</b>	459 296	782 255
Cash paid to lenders, suppliers and employees	<b>(405 085)</b>	(492 190)	(1 007 469)
Cash receipts from investments and cash balances	<b>159 356</b>	80 488	298 797
Cash generated by operations	<b>75 467</b>	47 594	73 583
Normal taxation paid	<b>604</b>	(682)	(3 433)
STC paid	<b>–</b>	(1 809)	(1 809)
Dividend paid	<b>(23 763)</b>	(23 764)	(23 762)
<b>Changes in operating funds</b>			
(Increase)/decrease in income earning assets	<b>(270 144)</b>	(11 030)	1 288 081
(Increase)/decrease in non-income earning assets	<b>(50 049)</b>	(31 826)	(18 782)
Increase/(decrease) in liabilities and other accounts payable	<b>461 928</b>	446 677	(1 584 002)
Net cash flow from operating funds	<b>141 735</b>	403 821	(314 703)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(132)</b>	(409)	(318)
Purchase of property, plant and equipment	<b>(132)</b>	(409)	(318)
Property, plant and equipment	<b>(132)</b>	(409)	(340)
Proceeds from sale of equipment	<b>–</b>	–	22
<b>Net movement in cash and cash equivalents for the period</b>	<b>193 911</b>	424 751	(270 442)
Cash and cash equivalents at the beginning of the period	<b>154 965</b>	425 407	425 407
Cash and cash equivalents at the end of the period	<b>348 876</b>	850 158	154 965

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2006

	<b>Share capital R'000</b>	<b>Share premium R'000</b>	<b>Retained earnings R'000</b>	<b>Total equity R'000</b>
<b>Unaudited – 31 December 2006</b>				
Balance at 1 July 2006	<b>807</b>	<b>99 057</b>	<b>390 658</b>	<b>490 522</b>
Dividend for 2006 net of dividend to Share Trust	<b>–</b>	<b>–</b>	<b>(23 763)</b>	<b>(23 763)</b>
Net profit for the period	<b>–</b>	<b>–</b>	<b>59 345</b>	<b>59 345</b>
Balance at 31 December 2006	<b>807</b>	<b>99 057</b>	<b>426 240</b>	<b>526 104</b>
	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
<b>Audited – 30 June 2006</b>				
Balance at 1 July 2005	807	99 057	240 288	340 152
Dividend for 2005 net of dividend to Share Trust	–	–	(23 762)	(23 762)
Net profit for the year	–	–	174 132	174 132
Balance at 30 June 2006	807	99 057	390 658	490 522

## KEY FIGURES & RATIOS

as at 31 December 2006

	<b>Unaudited 6 months 31 December 2006</b>	Unaudited 6 months 31 December 2005	Audited 12 months 30 June 2006
<b>PERFORMANCE</b>			
Net profit for the year (R'000)	<b>59 345</b>	101 728	174 132
Earnings per share (cents)	<b>7 358</b>	12 613	21 590
Net profit after tax per employee (R'000)	<b>1 236</b>	2 164	3 628
<b>SELECTED RETURNS</b>			
Return on weighted average shareholders' funds (per cent)	<b>12,41</b>	31,00	54,18
Operating costs to total income (per cent)	<b>30,64</b>	27,64	43,70
<b>CAPITAL ADEQUACY</b>			
Funds distributed after capital redemptions (statutory body assets) (R'000)	<b>5 720 056</b>	6 410 011	5 362 183
Total shareholders' interest (R'000)	<b>526 104</b>	418 116	490 522
Capital adequacy ratio (capital/advances) (per cent)	<b>10,98</b>	9,26	11,03
<b>OFFICIAL RATINGS</b>			
Official credit rating – senior debt (Moody's)	<b>A1</b>	N/A	A1
<b>VALUE</b>			
Net asset value per share (Rands)	<b>652</b>	518	608

## ADMINISTRATION

### REGISTERED NAME

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

### E-MAIL

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### MARKET MAKERS

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### REGISTERED OFFICE

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### BANKERS

FNB Corporate  
a division of FirstRand  
Bank Limited

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