



## directors' report

The most notable features of the consolidated interim results, which reflect the financial performance of INCA group for the six months ended 31 December 2008, are:

- Balance sheet growth of 19,6% to R7 796 million;
- A negative fair value adjustment of R100,3 million, which resulted in an accounting loss of R46,2 million for the period;
- A sharp increase in fee income to R5,2 million; and
- The high level of liquidity (R969,9 million) maintained, which allowed an increase in investments to R1 650,4 million.

### REVIEW OF PERFORMANCE

Our overriding focus during the period was on managing the liquidity held by the group and accessing new sources of funding in the face of shrinking liquidity and a sharply higher cost of funding. Whereas we were able to raise our levels of short-term funding, high interest rates had a negative effect on the overall cost of funding and put pressure on net interest income, which was 13% higher than in the comparative period last year. We see this improving further as interest rates are expected to decline over the next year.

However, these external factors will have a dampening effect on balance sheet growth for the full year. We expect the value of new advances, which was R802,5 million in the period under review, to slow in the second half of the year.

Notwithstanding the growth in INCA's advances book and that credit quality remained high, the liquidity crunch and credit spread movements resulted in increased volatility in the value of the book, as reflected in the fair value adjustments.

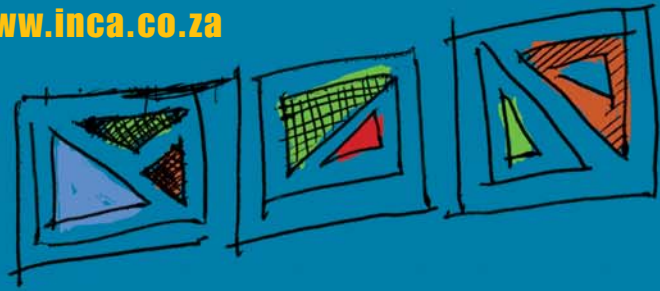
Operational expenditure was contained within budget and should be on par or lower than that of the previous year. Our focus on generating fee income has had a positive impact, and fee income was sharply up on the comparative period. This is set to increase further in the second half of the year.

We are committed to increase INCA's capital adequacy ratio to at least 12% of risk weighted credit exposures and to do so in a combination of ways. The dividend distribution was nearly halved to R14,26 million to retain capital and a process is underway to rebalance the advances portfolio and lower concentration risk by selling selected assets. We also intend to issue Tier 1 capital instruments. These measures will strengthen INCA's capital position.

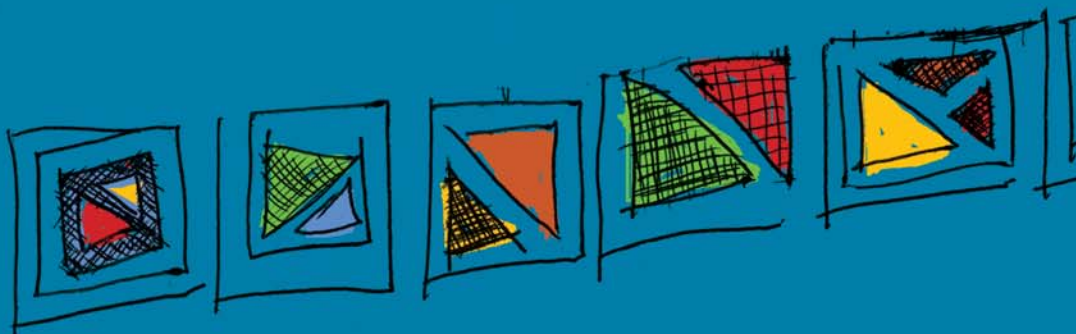
### PROSPECTS

Trading conditions in the next six months are expected to remain challenging and we will hold our focus on maintaining a high level of liquidity. By strengthening the capital base and rebalancing the advances book, we anticipate that INCA will be better positioned to weather the financial market turmoil and to improve profitability once the conditions in financial markets improve.

[www.inca.co.za](http://www.inca.co.za)



# FOCUSING ON INNER STRENGTH



**I N C A**

INFRASTRUCTURE FINANCE  
CORPORATION LIMITED

CONSOLIDATED INTERIM REPORT 08



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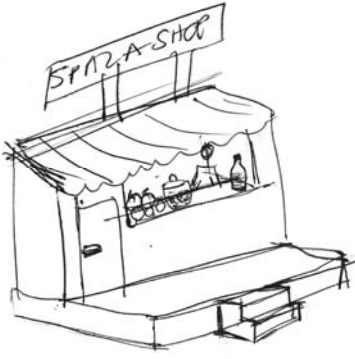
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## Directorate and shareholders

### DIRECTORS

**AH Arnott** Director  
FirstRand•#

**IM Ayob** Director  
Chanson Investments

**RN Boqo** Executive Director  
INCA

**JF Howard** Director  
Futuregrowth•

**AC Canter** Director  
(American)  
Futuregrowth\*□

**RW de Korte** Director†  
(Dutch)  
Independent

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

**H van Wyk** Director  
Kagiso#\*

**J Matlala** Director  
Kagiso

**JF Pouchous** Director  
Dexia

**MJN Njeke** Chairman  
Kagiso

**J Stals** Director  
Kagiso•

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

**L Scholtz** Director  
Rand Merchant Bank

**AJ van Zyl** Chief Executive Officer  
INCA•#\*□

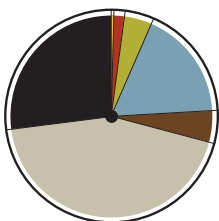
### ALTERNATES

**P Rackstraw**  
Futuregrowth

**A Sangqu**  
Kagiso

- Member of human resources committee
- # Member of credit committee
- † Member of audit committee
- \* Member of asset liability committee
- 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

## at 31 December 2008

	Reviewed December 2008 R'000	Reviewed December 2007 R'000	Audited June 2008 R'000
<b>ASSETS</b>			
Cash and short-term funds	206 132	265 415	192 080
Other assets	171 603	99 294	101 926
Investments	1 650 448	1 472 836	1 229 189
Derivative financial instruments	336 951	65 207	365 605
Advances	5 427 175	4 715 338	4 627 305
Property, plant and equipment	3 563	3 256	3 633
<b>Total assets</b>	<b>7 795 872</b>	<b>6 621 346</b>	<b>6 519 738</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	807	807	807
Share premium	99 045	99 057	99 045
Retained earnings	368 092	369 826	428 594
<b>Total equity</b>	<b>467 944</b>	<b>469 690</b>	<b>528 446</b>
<b>Liabilities</b>			
Subordinated liabilities	103 378	98 164	92 415
Borrowed funds	6 278 334	5 803 967	5 572 290
Accounts payable	656 991	140 962	137 465
South African Revenue Services	3 163	4 780	5 568
Derivative financial instruments	236 116	63 453	136 300
Deferred taxation	49 946	40 330	47 254
<b>Total liabilities</b>	<b>7 327 928</b>	<b>6 151 656</b>	<b>5 991 292</b>
<b>Total equity and liabilities</b>	<b>7 795 872</b>	<b>6 621 346</b>	<b>6 519 738</b>
<b>Approximate rates of exchange ruling at the end of the period:</b>			
USD/ZAR	9.4400	6.8400	7.0143
EUR/ZAR	13.1954	9.9810	9.4987
GBP/ZAR	13.8070	13.5768	14.0793

# Consolidated statement of changes in equity

## for the six months ended 31 December 2008

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2007	807	99 057	402 394	502 258
Dividend paid for 2007 net of dividend to Share Trust	–	–	(26 141)	(26 141)
Treasury shares acquired	–	(12)	(40)	(52)
Profit for the period	–	–	52 381	52 381
<b>Balance at June 2008</b>	<b>807</b>	<b>99 045</b>	<b>428 594</b>	<b>528 446</b>
Dividend paid for 2008 net of dividend to Share Trust	–	–	(14 257)	(14 257)
Loss for the period	–	–	(46 245)	(46 245)
<b>Balance at December 2008</b>	<b>807</b>	<b>99 045</b>	<b>368 092</b>	<b>467 944</b>

# Consolidated income statement

for the six months ended 31 December 2008

	Reviewed 6 months December 2008 R'000	Reviewed 6 months December 2007 R'000	Audited 12 months 30 June 2008 R'000
Interest and similar income	654 240	530 996	1 071 965
Interest expenditure and similar charges	(605 939)	(488 156)	(992 008)
Net interest income	48 301	42 840	79 957
Impairment on lease receivables and advances	(3 000)	–	(1 889)
	45 301	42 840	78 068
Fair value adjustment – realised	(3 064)	(4 082)	(689)
– unrealised	(100 319)	(42 053)	19 548
Fee and other income	5 158	2 014	2 862
Net (loss)/income before operating expenditure	(52 924)	(1 281)	99 789
Operating expenditure	(16 011)	(13 448)	(37 969)
(Loss)/profit before taxation	(68 935)	(14 729)	61 820
Taxation	22 690	8 300	(9 439)
(Loss)/profit for the period	(46 245)	(6 429)	52 381
(Loss)/earnings per share (cents)	(5 734)	(797)	6 495

# Consolidated cash flow statement

for the six months ended 31 December 2008

	Reviewed December 2008 R'000	Reviewed December 2007 R'000	Audited 30 June 2008 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>14 005</b>	(179 438)	(252 137)
Cash receipts from borrowers and customers	331 941	315 517	609 111
Cash paid to lenders, employees and suppliers	(610 826)	(488 759)	(1 014 657)
Cash receipts from investments and cash balances	315 966	201 874	451 501
Cash generated by operations	37 081	28 632	45 955
Normal taxation paid	22 968	4 292	(5 452)
Secondary tax on companies paid	–	(1 511)	(1 511)
Dividends paid	(14 257)	(26 139)	(26 141)
<b>Changes in operating funds</b>	<b>(796 317)</b>	(242 350)	(201 330)
Increase in income earning assets	(69 784)	408 239	405 383
(Increase)/decrease in non-income earning assets	834 314	(350 601)	(469 041)
Increase/(decrease) in liabilities and other accounts payable			
Net change in operating funds	(31 787)	(184 712)	(264 988)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>47</b>	(236)	(872)
Purchase of treasury shares	–	–	(52)
Purchase of property, plant and equipment	47	(236)	(820)
Property, plant and equipment	47	(236)	(338)
Leasehold improvements	–	–	(70)
Motor vehicles and generators	–	–	(412)
Increase/(decrease) in cash and cash equivalents	14 052	(179 674)	(253 009)
Cash and cash equivalents at the beginning of the period	192 080	445 089	445 089
Cash and cash equivalents at the end of the period	206 132	265 415	192 080

# Key figures and ratios

## at 31 December 2008

	Reviewed 6 months December 2008 R'000	Reviewed 6 months December 2007 R'000	Audited 12 months June 2008 R'000
<b>PERFORMANCE</b>			
(Loss)/profit for the period (R'000)	(46 245)	(6 429)	52 381
(Loss)/earnings per share (cents)	(5 734)	(797)	6 495
(Loss)/profit after tax per employee (R'000)	(1 075)	(161)	1 310
<b>SELECTED RETURNS</b>			
Return on weighted average shareholders' funds (per cent)	(8.86)	(1.32)	10.77
Operating costs to total income (per cent)	31,77	32,98	46,23
<b>CAPITAL ADEQUACY</b>			
Funds distributed after capital redemptions (R'000)	5 427 175	4 715 338	4 627 305
Total shareholders' interest (R'000)	467 944	469 690	528 446
Capital adequacy ratio (capital/advances) (per cent)	10,53	12,04	13,42
Capital adequacy ratio (Basel II – Tier 1) (per cent)	8,84	n/a	9,66
<b>OFFICIAL RATINGS</b>			
Official credit rating – senior debt (Moody's)	A2	A1	A2
– short-term (Moody's)	P-1	P-1	P-1
<b>VALUE</b>			
Net asset value per share (Rands)	580	582	655

## 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 an unmodified reviewed opinion on the interim financial statements. 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

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### BANKERS

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### TRUSTEE

Harrow Court Trustees  
(Pty) Limited

### SECRETARY

JM Poulter

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