

Segmental Results

	Unaudited 6 months ended 28 February 2010 R'000	Unaudited 6 months ended 28 February 2009 R'000	Audited year ended 31 August 2009 R'000
Offices			
Segment revenue	22 945	13 337	30 244
Net operating expenses	(6 525)	(3 475)	(6 245)
Fair value adjustment to investment properties	–	–	23 423
Selling costs related to sales of investment properties	(1 195)	–	–
Segmental results	15 225	9 862	47 422
Retail			
Segment revenue	1 842	3 294	7 815
Net operating expenses	(1 175)	(1 002)	(1 584)
Fair value adjustment to investment properties	–	–	(3 271)
Loss on disposal of investment properties	(626)	–	–
Selling costs related to sales of investment properties	(518)	–	–
Segmental results	(477)	2 292	2 960
Industrial			
Segment revenue	1 618	921	2 141
Net operating expenses	(599)	(815)	(583)
Fair value adjustment to investment properties	–	–	(2 030)
Segmental results	1 019	106	(472)
Special			
Segment revenue	1 309	1 261	2 555
Net operating expenses	(137)	(94)	(188)
Fair value adjustment to investment properties	–	–	2 418
Segmental results	1 172	1 167	4 785
Parking			
Segment revenue	2 616	2 512	5 543
Net operating expenses	(1 963)	–	(951)
Fair value adjustment to investment properties	–	–	(1 850)
Segmental results	653	2 512	2 742
Other			
Segment revenue	79	21	86
Net operating expenses	(28)	(7)	(21)
Fair value adjustment to investment properties	–	–	(20)
Segmental results	51	14	45
Reconciliation to profit before interest and taxation for the period in the income statement			
Revenue	30 409	24 933	55 881
Allocated operating expenses	(10 427)	(5 393)	(9 572)
Unallocated operating expenses	(3 331)	(2 783)	(7 966)
Loss on disposal of investment properties	(626)	–	–
Selling costs related to sales of investment properties	(1 713)	–	–
Fair value adjustment to investment properties	–	–	18 670
Profit before interest and taxation	14 312	16 757	57 013

Segmental Report – Investment Properties

	Unaudited 6 months ended 28 February 2010 R'000	Unaudited 6 months ended 28 February 2009 R'000	Audited year ended 31 August 2009 R'000
Offices			
Property assets	259 038	340 760	362 395
Segmental assets	259 038	340 760	362 395
Retail			
Property assets	55 499	73 495	87 329
Segmental assets	55 499	73 495	87 329
Industrial			
Property assets	26 167	26 835	25 433
Segmental assets	26 167	26 835	25 433
Special			
Property assets	35 367	32 924	35 444
Segmental assets	35 367	32 924	35 444
Parking			
Property assets	73 738	78 434	73 155
Segmental assets	73 738	78 434	73 155
Other			
Property assets	481	511	953
Segmental assets	481	511	953

NOTE

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) IAS 34: Interim Financial Reporting, AC 500 standards and the Listings Requirements of the JSE Ltd as well as the requirements of the Companies Act of South Africa, and on a basis consistent with the company’s most recent annual financial statements.

COMMENTS

General review

Within the constraints of the current economic downturn, the company has continued to manage its asset base whilst maintaining a conservative approach towards risk management.

During this period under review, the company sold three properties – 33 Waterkant Street, 22 Long Street and Midas Goodwood, for a total gross consideration of R124.5 million. Two of these properties had been upgraded, refurbished and fully tenanted, and management felt that they had extracted maximum value, whilst the third property was a small non-core holding. The proceeds on these sales were applied to reduce the company’s borrowings, thereby reducing the risk profile and placing it in a strong position to seek investment growth opportunities and invest funds in its own assets where further value exists.

The property portfolio now comprises 82% of income-producing assets and is well managed with a strong tenant base delivering good quality sustainable contractual rental income. The current vacancy percentage of 2.1% is not expected to rise.

Management does not foresee any negative revisions being made to property valuations at the financial year-end and accordingly during the period under review no adjustments to any property valuations were made.

Property acquisitions and developments

No properties were acquired during the period under review.

The two development opportunities, namely the Tygervalley scheme and “The Modern” (previously called 1 Dock Road) are the main focus on the development side of the business. The Tygervalley scheme comprises 10 500 sqm of A grade office space whilst “The Modern” comprises 21 400 sqm of premium grade office space. Redefine Income Fund Ltd is the company’s joint venture partner in “The Modern” development. Negotiations are in progress with potential tenants for these developments.

Operations

The company continued trading as property investors and developers, earning rental income from its core investment properties and working on its existing development opportunities. The upgrading and refurbishment of certain of the investment properties is now substantially complete with all vacancies being tenanted with good quality tenants. This has resulted in the company being able to increase the rental returns on these properties and thereby enhance earnings going forward.

Net property income has increased by 10.2% to R17.3 million (2009: R15.7 million) for the six months which includes rentals from the properties disposed of up until the dates of transfer.

Interest received comprises interest from funds on call and the loan receivable from a joint venture partner. Interest paid during the period is in respect of the funding for the investment properties. The interest rate on R200 million of borrowings remains fixed until October 2013 at an effective all-in rate of 10.65%. Currently 98% (2009: 63%) of the borrowings are fixed.

The basic earnings per share is 0.5 cent (2009: 1.0 cent) and the headline earnings per share is 0.6 cent (2009: 1.0 cent). The main differences between the basic and the headline earnings in the current period and that of the comparative period is due to the selling costs and recoupment of tax allowances relating to the sales of the investment properties.

At the reporting date, the total value of investment properties amounted to R450 million (2009: R553 million) whilst properties under development amounted to R98 million (2009: R91 million). Borrowings were reduced to R203 million (2009: R316 million). The loan to value ratio is now 35% (2009: 45%).

The net asset value per share (based on shares in issue net of treasury shares) is 59 cents (2009: 53 cents).

Total cash on hand at the end of the period amounted to R13 million (2009: R24 million).

The company held 35 164 382 treasury shares, at a cost of R18.8 million (2009: 9 837 419 treasury shares at a cost of R4.4 million), in a subsidiary company as at the reporting date. Share buy-backs will continue when management believe it is opportune to apply cash resources.

These consolidated interim financial results have not been reviewed or reported on by the company’s auditors.

Prospects

The core investments of the portfolio remain well let, producing solid long-term returns. Management’s focus remains on extracting the additional value-add opportunities on the core portfolio and to convert development land into income-producing assets. The developments will add considerable value to the portfolio and generate increased rental inflows in the forthcoming years. The reduction in borrowings as a result of applying the proceeds on the sales of the investment properties will impact positively on the second half income. The comments above exclude the effects of any unforeseen circumstances and the information on which these are based has not been reviewed or reported on by the company’s auditors.

Directorate

During the period under review, Messrs Kaplan, Groll and Shapiro resigned as non-executive directors following the sale by Trematon Capital Investments Ltd of its interest in Ingenuity. Mr Rodney Squire-Howe, formerly the chief executive of the listed Paramount Property Fund, has been appointed to the Board as the non-executive independent chairman.

Subsequent events

There are no material subsequent events to be reported on as at the date of signature of this report.

On behalf of the Board

AA Maresky
Chief Executive Officer

R Squire-Howe
Chairman

M Wagenheim
Financial Director and Company Secretary

23 April 2010
Cape Town

INGENUITY PROPERTY INVESTMENTS LIMITED

(“the company” or “Ingenuity”)
(Incorporated in the Republic of South Africa)

Registration number: 2000/018084/06
Share code: ING ISIN: ZAE000127411

Directors:

J Bielich, LH Cohen*, DB Fabian*, AA Maresky (CEO), RS Schur*, R Squire-Howe* (Chairman), A Varachhia*, M Wagenheim (Financial)
*non-executive

Registered office and postal address:

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Company secretary: M Wagenheim

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Transfer secretaries:

Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001.
Tel: 011 370 5000

Sponsor: Nedbank Capital

Auditors: Mazars

Bankers: Absa Bank Ltd and Nedbank Ltd

Attorneys: Edward Nathan Sonnenbergs Inc.

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INGENUITY PROPERTY INVESTMENTS LIMITED

Unaudited Consolidated Interim Results
for the six months ended 28 February 2010

Consolidated Statement of Financial Position

	Unaudited at 28 February 2010 R'000	Unaudited at 28 February 2009 R'000	Audited at 31 August 2009 R'000
ASSETS			
Non-current assets	570 653	658 284	559 625
Investment properties	450 290	552 959	446 534
Straight-line lease accrual	13 460	6 830	9 937
Investment properties under development	98 623	90 800	95 141
Equipment	61	92	68
Loans receivable	8 219	7 603	7 945
Current assets	20 030	24 679	150 493
Trade and other receivables	667	915	1 030
Loan receivable	6 547	–	–
Investment property held for sale	–	–	128 238
Cash and cash equivalents	12 816	23 764	21 225
Total assets	590 683	682 963	710 118
EQUITY AND LIABILITIES			
Shareholders' interest	356 146	345 986	356 166
Share capital	6 585	6 585	6 585
Share premium	281 824	281 824	271 204
Non-distributable reserve	12 364	16 328	20 788
Treasury shares	(27 255)	(12 878)	(13 006)
Share option reserve	863	863	863
Retained earnings	74 686	46 499	62 617
Total equity attributable to equity holders of the parent	349 067	339 221	349 051
Minority interest	7 079	6 765	7 115
Non-current liabilities	223 481	332 367	335 207
Financial liabilities	203 448	315 948	314 274
Financial instruments	9 314	6 743	8 542
Deferred tax	10 719	9 676	12 391
Current liabilities	11 056	4 610	18 745
Trade and other payables	4 073	3 820	3 130
Prepaid rent received	2 776	–	3 172
Financial liability	–	–	12 000
Taxation	4 207	790	443
Total equity and liabilities	590 683	682 963	710 118
Net asset value per share (based on shares in issue at end of period/year net of treasury shares)	59 cents	53 cents	56 cents

Consolidated Statement of Changes in Equity

	Share capital R'000	Share premium R'000	Share option reserve R'000	Non-distributable reserve R'000	Treasury shares R'000	Retained earnings R'000	Minority interest R'000	Total R'000
Balance at 1 September 2008	6 585	271 204	863	23 071	(12 878)	39 800	6 719	335 364
Changes in equity	–	–	–	(6 743)	–	6 699	46	2
Total comprehensive profit for the period	–	–	–	–	–	6 699	(115)	6 584
Subsequent expenditure on Virgin Active building	–	–	–	–	–	–	161	161
Transfer to financial instrument	–	–	–	(6 743)	–	–	–	(6 743)
Balance at 28 February 2009	6 585	271 204	863	16 328	(12 878)	46 499	6 765	335 366
Changes in equity	–	–	–	4 460	(128)	16 118	350	20 800
Increase in minority interest	–	–	–	–	–	–	53	53
Total comprehensive profit for the period	–	–	–	–	–	22 377	297	22 674
Transfer to financial instrument	–	–	–	(1 799)	–	–	–	(1 799)
Purchase of 308 322 treasury shares	–	–	–	–	(128)	–	–	(128)
Transfer to non-distributable reserve	–	–	–	6 259	–	(6 259)	–	–
Balance at 31 August 2009	6 585	271 204	863	20 788	(13 006)	62 617	7 115	356 166
Changes in equity	–	10 620	–	(8 424)	(14 249)	12 069	(36)	(20)
Increase in minority interest	–	–	–	–	–	–	(131)	(131)
Total comprehensive profit for the period	–	–	–	–	–	3 207	95	3 302
Transfer to financial instrument	–	–	–	(772)	–	–	–	(772)
Purchase of 25 018 641 treasury shares	–	10 620	–	–	(14 249)	1 382	–	(2 247)
Realisation of non-distributable reserves	–	–	–	(7 652)	–	7 480	–	(172)
Balance at 28 February 2010	6 585	281 824	863	12 364	(27 255)	74 686	7 079	356 146

Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 28 February 2010 R'000	Unaudited 6 months ended 28 February 2009 R'000	Audited year ended 31 August 2009 R'000
Revenue	30 409	24 933	55 881
– Contractual	27 689	21 346	48 384
– Straight lining	2 720	3 587	7 497
Selling costs on disposals of investment properties	(1 713)	–	–
Loss on sale of property	(626)	–	–
Other income	–	162	237
Net operating expenses	(13 758)	(8 338)	(17 775)
Profit before fair value adjustments	14 312	16 757	38 343
Fair value adjustments to investment properties	–	–	18 670
	14 312	16 757	57 013
Interest received	1 003	1 174	2 488
Interest paid	(9 610)	(8 787)	(23 859)
Profit before taxation	5 705	9 144	35 642
Taxation	(2 403)	(2 560)	(6 223)
Profit for the period/year	3 302	6 584	29 419
Other comprehensive income	–	–	–
Total comprehensive income for the period/year	3 302	6 584	29 419
Total comprehensive income attributable to:			
Equity holders of the parent	3 207	6 699	29 076
Minority interest	95	(115)	343
	3 302	6 584	29 419
Total shares in issue	658 550 000	658 550 000	658 550 000
Number of shares in issue, net of treasury shares	606 385 618	648 712 581	631 404 259
Weighted average number of shares	627 279 533	648 712 581	631 695 376
Basic earnings per share	cents 0.5	1.0	4.6
Diluted basic earnings per share	cents 0.5	1.0	4.5
Headline and diluted headline earnings per share	cents 0.6	1.0	1.9
Workings			
<i>Headline earnings are calculated as follows:</i>			
Earnings attributable to equity holders	3 207	6 699	29 076
Fair value adjustment of investment properties	–	–	(18 670)
Deferred tax on fair value adjustment	–	–	1 291
Loss on sale of investment property	626	–	–
Tax on realised loss	(88)	–	–
Adjusted earnings for HEPS	3 745	6 699	11 697

Statement of Cash Flows

	Note	Unaudited 6 months ended 28 February 2010 R'000	Unaudited 6 months ended 28 February 2009 R'000	Audited year ended 31 August 2009 R'000
Cash flows from operating activities				
Cash generated from operations	1	15 639	16 344	36 092
Interest received	2	551	1 802	1 405
Interest paid	3	(10 616)	(10 364)	(22 720)
Taxation paid	4	(311)	(4 597)	(5 891)
<i>Net cash inflow from operating activities</i>		5 263	3 185	8 886
Cash flows from investing activities				
Additions to equipment		(19)	–	–
Acquisitions/additions to investment properties		(4 062)	(184 016)	(186 986)
Acquisitions/additions to investment properties under development		(100)	(1 471)	(1 828)
Proceeds on disposal of equipment		9	–	–
Net proceeds from disposals of investment properties		124 450	–	–
Increase in financial assets		(6 500)	(633)	–
<i>Net cash inflow/(outflow) from investing activities</i>		113 778	(186 120)	(188 814)
Cash flows from financing activities				
Treasury shares purchased		(14 249)	–	(128)
Interest capitalised to investment properties		(3 382)	(5 100)	(9 084)
Financial liabilities (repaid)/raised		(109 820)	190 026	188 592
<i>Net cash (outflow)/inflow from financing activities</i>		(127 451)	184 926	179 380
Net (decrease)/increase in cash and cash equivalents		(8 409)	1 991	(548)
Cash and cash equivalents at beginning of the period/year		21 225	21 773	21 773
Cash and cash equivalents at end of the period/year		12 816	23 764	21 225

Notes to the Statement of Cash Flows

	Unaudited 6 months ended 28 February 2010 R'000	Unaudited 6 months ended 28 February 2009 R'000	Audited year ended 31 August 2009 R'000
1 Cash generated from operations			
Profit before taxation	5 705	9 144	35 642
Adjusted for:			
Interest received	(1 003)	(1 174)	(2 488)
Interest paid	9 610	8 787	23 859
Depreciation	23	24	48
Bad debts	–	304	–
Amortisation of letting commission	659	72	242
Amortisation of deferred lease incentive	2 490	595	1 297
Straight lining of operating leases (income)	(2 720)	(3 587)	(7 497)
Straight lining of operating leases (expense)	–	25	–
Increase in fair value of investment properties	–	–	(18 670)
Loss on sale of property	626	–	–
	15 390	14 191	32 433
(Increase)/decrease in trade and other receivables	(297)	1 373	1 948
Increase in trade and other payables	546	780	1 711
	15 639	16 344	36 092
2 Interest received			
Amount outstanding at beginning of the period/year	1 711	628	628
Interest income per income statement	1 003	1 174	2 488
Amount outstanding at end of the period/year	(2 163)	–	(1 711)
	551	1 802	1 405
3 Interest paid			
Amount outstanding at beginning of the period/year	2 505	1 366	1 366
Interest paid per income statement	9 610	8 787	23 859
Amount outstanding at end of the period/year	(1 499)	211	(2 505)
	10 616	10 364	22 720
4 Taxation paid			
Amount outstanding at beginning of period/year	443	4 616	4 616
Income statement charge	4 075	771	1 718
Amount outstanding at end of the period/year	(4 207)	(790)	(443)
	311	4 597	5 891