

Distribution

►►► 17 cents per unit

►►► 26% increase on comparable period

Property portfolio expansion

►►► R3,6 billion of properties acquired

►►► R1,4 billion contractual investment pipeline

SA CORPORATE REAL ESTATE Fund

Share code: SAC

ISIN code: ZAE000083614

www.sacorp.co.za

Market capitalisation

►►► R6,3 billion

►►► Now 3rd largest listed property fund

BEE transaction

►►► R658 million equity deal concluded

►►► 12% equity ownership of fund

UNAUDITED INTERIM RESULTS AND DISTRIBUTION DECLARATION

The directors of SA Corporate Real Estate Fund Managers Limited (formerly Marriott Property Fund Managers Limited), management company of SA Corporate Real Estate Fund (SA Corporate) (formerly Martprop Property Fund), submit their report on the unaudited results of the SA Corporate group for the six months ended 30 June 2007.

COMMENTS

1. SA Corporate Strategy

Prior to commencement of the financial year SA Corporate's board had approved a strategy for the fund which was underpinned by the following strategic cornerstones, namely,

- To enhance the profile of the fund and improve investor communications
- To substantially increase the size of the property portfolio and market capitalisation of the fund with the objective of being one of the 3 largest real estate investment trusts listed on the JSE
- To deliver superior investment returns underpinned by sustainable earnings growth
- To address the requirements of the Property Charter and the BEE transformation of the fund

The Board is very pleased that meaningful progress has been achieved by management in respect of each of these strategic objectives, as reflected in the highlights above and which are more fully described below.

2. Results

SA Corporate has performed well and produced sound results for the first half. The distribution of 17 cents per unit reflects growth of 26% over the 6 months to 31 July 2006, the most comparable period. This distribution includes approximately 2 cents which is a once off distribution that has arisen from the SA Retail acquisition and will not recur in the second half of the year. SA Corporate does not distribute capital or trading profits on the realization of properties and the remainder of the distribution growth is as a result of underlying net rental growth and property investment activity.

The underlying property portfolio has performed well and has continued to enjoy excellent occupancy levels. The overall vacancy factor is 2% of lettable space, well below industry norms.

The portfolio was revalued at 30 June 2007, resulting in a fair value adjustment of R328 million. The bulk of the increase in value has been seen in the industrial portfolio reflecting the demand for such property and increased market rental levels. This valuation gives rise to a net tangible asset value (NTAV) of SA Corporate of 343 cents per unit, inclusive of the distribution to be paid. At the closing price of 390 cents per unit on 30 June 2007, the units were trading at a premium to NTAV of 14%.

The improved performance of the underlying property portfolio is evidenced in the IPD performance analysis of the portfolio for the 2006 calendar year. The SA Retail portfolio achieved the number 1 ranking amongst the 14 listed funds measured by IPD with SA Corporate being placed 4th. The total return of the combined portfolio of SA Corporate and SA Retail, calculated by IPD on a hypothetical basis, reflected being placed 2nd with a 37% total return.

3. Portfolio investment activity

In line with the strategic objective of substantially expanding the property portfolio SA Corporate has undergone significant portfolio investment activity in the 6 months to date. SA Corporate acquired SA Retail, a R3,4 billion property loan stock company, including the R1 billion Sharemax portfolio, which adds significant value opportunities to SA Corporate. In addition 4 other investments were made at a total acquisition cost of R208 million. Acquisitions are summarized below:

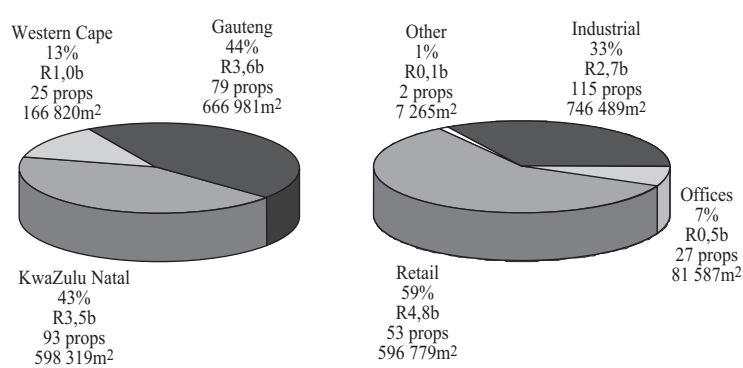
Acquisition date	Property	Purchase price R'000	Yield	Sector	Region
08/02/2007	Forest Road Design & Décor Centre	103,000	9.41%	Retail	GTG
11/04/2007	293 Hebbard Road	17,500	11.46%	Industrial	GTG
30/04/2007	Cullinan Jewel Shopping Centre	45,200	9.21%	Retail	GTG
19/04/2007	SA Retail Portfolio	3,431,171	8.81%	Retail	National
22/06/2007	The Ridge	42,500	9.20%	Retail	GTG
	Total	3,639,371			

In addition, as at 30th June agreements were in place, subject only to Competition Commission approval, to acquire the portfolio known as the Buffcol portfolio for R965 million. The portfolio comprises 40 properties, mainly industrial (62% by value) with equal components of retail and offices. Given the relative cost of debt and equity funding available at the time it was appropriate to fund the acquisition by way of new equity. Management has secured irrevocable commitments at a clean capital price of 395 cents. At a property yield of 8.15% the acquisition will be marginally earnings enhancing in the short term but offers excellent medium to long term benefits due to the locality, quality and tenancy of the properties. The properties are expected to be transferred and the units issued in settlement before 30 September 2007.

In line with SA Corporate's strategy to actively dispose of properties which do not meet the fund's investment criteria, 13 properties have been disposed of in the year to date for R213m with an average exit yield of 8.1%. These disposals are generally small properties and in most cases have been sold to end users or private investors at very favourable exit yields to the fund. A detailed list of these disposals is available on SA Corporate's website.

In addition to the properties classified as held for disposal a further 7 properties with an approximate disposal value of R55 million remain on the sale list. These disposals largely bring to an end the strategic disposal activity which has seen 27 properties with a total value of R281 million being realized over the last 2 years in an aggressive effort to improve the overall quality of the portfolio and its earnings growth potential.

The property portfolio (post the Buffcol acquisition) will comprise 197 properties with a total value of R88bn.



Some 10% of space in the industrial sector was renewed during the 6 month period under review with particularly strong growth in retail levels being achieved. By comparison, there has been relatively low renewal of space in the retail and office portfolios.

Sector	Area renewed	Average expiry rental	Average rental achieved	% increase
Retail	2,116	R90	R95	5%
Industrial	62,840	R23	R29	25%
Offices	523	R65	R71	7%

The demand for quality space across all sectors and the evidence of the impact of positive reversionary rental adjustments augurs well for SA Corporate going forward.

4. Borrowings

The total debt amounts to R742m of which R100m is fixed until 13 September 2013 at a cost of 10.57%, with the balance at a variable rate of prime less 2.3%. The total debt level, at 10% of the total property portfolio value at 30 June 2007 and 9% post the Buffcol acquisition, is low relative to industry norms. It is management's intention to increase the debt level to 20% as a minimum level. However, the cost of debt relative to equity funding has made this target inappropriate to achieve in the short term. Management is currently finalizing documentation with funders which will result in increased debt facilities and a meaningful improvement in the current variable rate as well as the margin on future fixes.

5. Units issued and liquidity

900 214 840 new units were issued during the period under review to fund the SA Retail, Sharemax, Forest Road, Hebbard Road and Cullinan Jewel Shopping Centre acquisitions. A further 419 214 302 units will be issued in terms of contractual obligations in respect of remaining Sharemax property transfers and the Buffcol acquisition. At a current price of 374 cents per unit this translates to a market capitalization value of R7,7bn, up some 308% on the R2,5bn market capitalization of SA Corporate at the beginning of the period. SA Corporate currently ranks as the 3rd largest listed property fund in terms of market capitalization value.

SA Corporate remains one of the most traded funds, in both percentage of units traded and absolute terms, with 20% of the market capitalization traded in the 6 months to 30 June proving the funds liquidity.

6. BEE deal

During the year, WIPKEN Trust (an equal partnership between WIP Capital and Kensani Properties) acquired 196 384 846 units in SA Corporate for R658m. The transaction did not require any financial support from SA Corporate and consequently no risk of distribution dilution for existing unitholders in the fund. At 30 June 2007 WIPKEN held 12% of SA Corporate. The strength of the BEE partners is expected to provide significant benefits to SA Corporate.

7. Prospects

The fundamentals of SA Corporate's property portfolio remain strong and the growth in market rental levels is encouraging. Accordingly the property portfolio is expected to generate sound growth in earnings in the short to medium term. SA Corporate offers a comparatively higher yield, a lower premium to net tangible asset value and lower debt levels than many of its peers. On the basis that there is no material deterioration in the general economic conditions and business confidence from current levels, management is confident of exceeding the forecast distribution of 31,55 cents per unit for the 2007 financial year.

CONSOLIDATED BALANCE SHEET (R'000)

	30.06.2007 Unaudited	31.07.2006 Unaudited	31.12.2006 Audited
Assets			
Non-current assets			
Investment property	6,524,782	2,438,160	3,036,261
As per valuation	6,677,855	2,500,164	3,102,974
Straight line rental adjustment	-153,073	-62,004	-66,713
Property under development	6,857	61,976	-
Goodwill	1,008,761	-	-
Rental receivable - straight line adjustment	135,656	50,433	55,199
Current assets			
Properties classified as held for disposal	448,950	42,304	-
Trade receivables and accrued interest	118,949	35,368	43,649
Rental receivable - straight line adjustment	17,417	11,571	11,514
Cash resources	200,557	17,715	22,096
Total assets	8,461,929	2,657,527	3,168,719
Unitholders' funds and liabilities			
Unitholders funds	6,309,784	1,985,443	2,375,610
Non-current liabilities			
Interest bearing borrowings	742,096	538,000	652,665
Deferred capital gains taxation	280,396	9,728	24,484
Current liabilities			
Trade and other payables	853,270	25,704	28,900
Capital gains taxation and secondary taxation on companies	65	726	64
Distribution payable	276,318	97,926	86,996
Total unitholders' funds and liabilities	8,461,929	2,657,527	3,168,719

CONSOLIDATED INCOME STATEMENT (R'000)

	6 months 30.06.2007 Unaudited	6 months 31.07.2006 Unaudited	17 months 31.12.2006 Audited
Income	277,473	153,846	478,980
Rent	210,227	133,240	385,086
Straight line rental adjustment	15,442	-10,346	8,115
Recovery of property expenses	48,500	28,061	78,879
Interest	3,304	2,891	6,900
Expenses	120,531	65,800	194,016
Accounting and secretarial fees	2,276	2,014	5,848
Audit fees	800	-250	1,198
Administrative fees	1,104	681	3,087
Interest paid	37,642	16,175	50,127
Property administrative fees	7,774	4,770	13,485
Property expenses	59,924	36,964	105,593
Service fees	11,011	5,942	16,280
Surplus on revaluation of interest rate swap derivative	-	-466	-1,602
Deferred taxation on straight line rental adjustment	-346	-45	-496
Headline earnings	156,596	88,001	284,468
Capital (deficit)/surplus on disposal of investment properties	-987	1,228	-2,091
Write-up on revaluation of investment properties	312,286	105,802	606,220
Revaluations	327,728	95,456	614,335
Straight line rental adjustment valuation	-15,442	10,346	-8,115
Taxation on property revaluation	-27,938	4,219	-12,665
On capital transactions	-28,284	4,174	-13,161
Straight line rental adjustment	346	45	496
Net profit attributable to unitholders	439,957	199,250	875,932
Weighted units in issue (000)	1,040,744	725,184	725,184
Units in issue (000)	1,625,399	725,184	725,184
	Cents	Cents	Cents
Distribution per unit	17.00	13.50	38.00
Weighted net profit per unit	42.27	27.48	120.79
Net profit per unit	27.07	27.48	120.79
Weighted headline earnings per unit	15.05	12.13	39.23
Headline earnings per unit	9.63	12.13	39.23

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R'000)

	6 months 30.06.2007 Unaudited	6 months 31.07.2006 Unaudited	17 months 31.12.2006 Audited
Unitholders' funds at beginning of period	2,375,610	1,884,119	1,774,925
Capital movements	3,934,174	101,324	600,685
Write-up on revaluation of investment properties	312,286	105,802	606,220
Capital (deficit)/surplus on disposal of investment properties	-987	1,228	-2,091
Taxation	-27,938	4,219	-12,665
Surplus on revaluation of interest rate swap derivative	-	466	1,602
Straight line rental adjustment net of taxation	15,096	10,391	-7,619
900 214 840 units issued at prices ranging between 304.5 cpu to 427.8 cpu	3,770,828	-	-
Unit issue costs	-293	-	-
Transfer to revenue of pre-acquisition distribution received	-124,476	-	-
Transfer to revenue of distribution prepaid received in advance	-10,342	-	-
Revenue movements	-	-	-
Net profit for the period	439,957	199,250	875,932
Transfers to capital	-298,457	-101,324	-600,685
Unclaimed distributions written back	124,476	-	323
Pre-acquisition dividend received	-	-	-
Transfer from revenue of distribution prepaid received in advance	10,342	-	-
Available for distribution	276,318	97,926	275,570
Distribution attributable to unitholders	-276,318	-97,926	-275,570
Unitholders' funds at end of period	6,309,784	1,985,443	2,375,610

CONSOLIDATED CASH FLOW STATEMENT (R'000)

	6 months 30.06.2007 Unaudited	6 months 31.07.2006 Unaudited	17 months 31.12.2006 Audited
Cash flows from operating activities			
Net profit for the period	439,957	199,250	875,932
Adjustments for:			
Interest received	-3,304	-2,891	-6,900
Interest paid	37,642	16,175	50,127
Write-up on revaluation of investment properties before straight line rental adjustment and net of taxation	-299,790	-99,675	-601,670
Taxation on straight line rental adjustment	346	45	496
Capital (deficit)/surplus on disposal of investment properties	987	-1,228	2,091
Surplus on revaluation of interest rate swap derivative	-	-466	-1,602
Unclaimed distributions written back	-	-	323
Operating profit before working capital changes	175,838	111,210	318,797
Working capital changes	749,070	-2,607	-573
(Increase)/decrease in trade and other receivables	-75,300	8,399	-3,735
Increase/(decrease) in trade and other payables	824,370	-11,006	3,162
Cash generated from operations	924,908	108,603	318,224
Interest received	3,304	2,891	6,900
Interest paid	-37,642	-16,175	-50,127
Taxation paid	1	-409	-4,281
Distributions paid	-86,996	-90,648	-282,866
Net cash flows from operating activities	803,575	4,262	-12,150
Net cash flows from investing activities	-4,485,080	-251,940	-529,948
Acquisition of investment properties	-3,681,505	-247,678	-542,098
Net cash flows from financing activities	3,859,966	200,400	497,665
Issue of units	3,770,535	-	-
Increase in interest bearing borrowings	89,431	200,400	497,665
Net increase/(decrease) in cash resources	178,461	-47,278	-44,433
Cash resources at beginning of year	22,096	64,993	66,529
Cash resources at end of period	200,557	17,715	22,096

OTHER INFORMATION (R'000)

	30.06.2007 Unaudited	31.07.2006 Unaudited	31.12.2006 Audited
Debt funding facility			
Loan facility	1,102,500	750,000	750,000
Additional debt funding capacity	1,038,000	31,000	181,000
	2,140,500	781,000	931,000
Less: Facility utilised	-742,096	-538,000	-652,665
Loan capacity available at end of period	1,398,404	243,000	278,335
Adjusted for future capital commitments and proceeds on disposal	-24,958	-44,766	-64,451
Cash funded capital commitments	-423,992	-85,340	-140,861
Expected proceeds on disposal	448,950	40,574	76,410
Anticipated available loan capacity	1,423,362	198,234	213,884
Vacancy factor (based on gross lettable area)	2.0%	1.5%	1.0%
Valuation analysis (cents per unit)			
Net asset value (including distribution yet to be paid)	405	287	340
Net tangible asset value (including distribution yet to be paid)	343	287	340
Listed market price	390	280	340
Capital commitments (R'000)	1,388,506	85,340	140,861
Capitalised interest (R'000)	10,645	1,601	5,853

NOTES TO THE FINANCIAL STATEMENTS