

# SA CORPORATE REAL ESTATE Fund

Share code: SAC

ISIN code: ZAE00083614

- **Distributions**
  - 12 cents per unit for 5 months
  - 18% increase on comparable period
  - 38 cents per unit for 17 months
- **Property Portfolio**
  - Vacancies reduced to 1%
  - Value exceeds R3 billion
  - 17% increase since July 2006

- **SA Retail Offer**
  - 70% irrevocable acceptance to date
  - Combined portfolio of R6 billion
  - Greater alignment with IPD portfolio weightings
  - Significant acquisition and development pipeline
  - Unit price increase of 12% since offer announced

## REVIEWED 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 reviewed results of the SA Corporate group for the seventeen months ended 31 December 2006.

CONSOLIDATED BALANCE SHEET (R000)	31.12.2006 (Reviewed)	31.07.2005 (Restated)
<b>Assets</b>		
Non-current assets		
Investment property	2 959 851	1 888 902
At valuation	3 026 564	1 947 500
Straight line rental adjustment	(66 713)	(58 598)
Property under development	-	13 282
Rental receivable straight line adjustment	55 199	46 085
Current assets		
Properties classified as held for disposal	76 410	-
Trade and other receivables	43 649	39 914
Rental receivable straight line adjustment	11 514	12 513
Cash resources and short-term investments	22 096	66 529
<b>TOTAL ASSETS</b>	<b>3 168 719</b>	<b>2 067 225</b>
<b>Unitholders' funds and liabilities</b>		
Unitholders' funds	2 375 610	1 774 925
Non-current liabilities		
Interest bearing borrowings	652 665	155 000
Interest rate swap derivative	-	1 602
Deferred capital gains taxation	24 484	11 763
Current liabilities		
Trade and other payables	28 900	25 738
Capital gains taxation and secondary taxation on companies	64	3 905
Distributions payable	86 996	94 292
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>	<b>3 168 719</b>	<b>2 067 225</b>

	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>	<b>3 168 719</b>	<b>2 067 225</b>

CONSOLIDATED INCOME STATEMENT (R000)	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
<b>Income</b>	<b>478 980</b>	<b>292 645</b>
Rental	385 086	239 086
Straight line rental adjustment	8 115	1 556
Recovery of property expenses	78 879	47 563
Interest	6 900	4 440
<b>Expenses</b>	<b>194 016</b>	<b>107 687</b>
Accounting and secretarial fees	5 848	4 037
Audit fees	1 198	735
Administrative fees	3 087	1 238
Interest paid	50 127	15 805
Property administrative fees	13 485	8 419
Property expenses	105 593	69 328
Service fees	16 280	8 639
Surplus on revaluation of interest rate swap derivative	(1 602)	(514)
Deferred taxation on straight line rental adjustment	(496)	(57)
<b>Headline earnings</b>	<b>284 468</b>	<b>184 901</b>
Capital (deficit)/surplus on disposal of investment properties	(2 091)	1 154
Write-up on revaluation of investment properties	606 220	369 534
Revaluations	614 335	371 090
Straight line rental adjustment valuation	(8 115)	(1 556)
Taxation on property revaluation	(12 665)	(10 881)
On capital transactions	(13 161)	(10 938)
Straight line rental adjustment	496	57
<b>Net profit</b>	<b>875 932</b>	<b>544 708</b>
Units in issue (000)	725 184	725 184
Headline earnings per unit (cents)	38,18	25,29
Prior to straight line rental adjustment	1,05	0,21
Straight line rental adjustment	39,23	25,50
After straight line rental adjustment	1,1	1,1
Net profit per unit (cents)	120,79	75,11
<b>Distributable income per unit (cents)</b>	<b>38,00</b>	<b>25,50</b>

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R000)	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
<b>Unitholders' funds at beginning of period</b>	<b>1 774 925</b>	<b>1 395 250</b>
Prior year deferred taxation on straight line rental adjustment	-	19 889
<b>Restated balance at beginning of period</b>	<b>1 774 925</b>	<b>1 415 139</b>
<b>Capital movements</b>	<b>600 685</b>	<b>361 820</b>
Write-up on revaluation of investment properties	606 220	369 534
Capital (deficit)/surplus on disposal of investment properties	(2 091)	1 154
Taxation on property revaluation	(12 665)	(10 881)
Surplus on revaluation of interest rate swap derivative	1 602	514
Straight line rental adjustment net of taxation	7 619	1 499
<b>Maintenance reserves</b>	<b>-</b>	<b>(2 034)</b>
Net transfers from maintenance reserves	-	(2 034)
<b>Revenue movements</b>	<b>-</b>	<b>-</b>
Net profit	875 932	544 708
Transfers to capital	(600 685)	(361 820)
Net transfers from maintenance reserves	-	2 034
Unclaimed distributions written back	323	-
Available for distribution	275 570	184 922
Distribution attributable to unitholders	(275 570)	(184 922)
<b>Unitholders' funds at end of period</b>	<b>2 375 610</b>	<b>1 774 925</b>

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT (R000)	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
<b>Cash inflows from operating activities</b>	<b>875 932</b>	<b>544 708</b>
Net profit for the period	875 932	544 708
Adjustment for:		
Interest received	(6 900)	(4 440)
Interest paid	50 127	15 805
Write-up on revaluation of investment properties before straight line rental adjustment and net of taxation	(601 670)	(360 209)
Taxation on straight line rental adjustment	496	57
Capital (deficit)/surplus on disposal of investment properties	2 091	(1 154)
Surplus on revaluation of interest rate swap derivative	(1 602)	(514)
Unclaimed distribution written back	323	-
<b>Operating profit before working capital changes</b>	<b>318 797</b>	<b>194 253</b>
Working capital changes and taxation	(4 854)	(27 058)
<b>Cash generated from operations</b>	<b>313 943</b>	<b>167 195</b>
Interest received	6 900	4 440
Interest paid	(50 127)	(15 805)
Distributions paid	(282 866)	(181 107)
<b>Net cash outflow from operating activities</b>	<b>(12 150)</b>	<b>(25 277)</b>
<b>Cash outflow from investing activities</b>	<b>(529 948)</b>	<b>(141 353)</b>
<b>Cash inflow from financing activities</b>	<b>497 665</b>	<b>155 000</b>
Increase in interest bearing borrowings	(44 433)	(11 630)
<b>Net decrease in cash</b>	<b>(66 529)</b>	<b>(78 159)</b>
Cash resources at beginning of period	66 529	78 159
<b>Cash resources at end of period</b>	<b>22 096</b>	<b>66 529</b>

### REVIEW BY INDEPENDENT AUDITORS

SA Corporate's auditors, Deloitte & Touche and PKF Durban, have reviewed the financial results of the group for the seventeen months ended 31 December 2006. Their unmodified report is available for inspection from the group's secretary.

### OTHER INFORMATION (R000)

	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
<b>Debt funding facility</b>		
Loan facility	750 000	350 000
Additional debt funding capacity	181 000	238 000
Less: Facility utilised	(652 665)	(155 000)
Drawdown on facility	(699 265)	(197 500)
Facility repaid, available for re-advance	46 600	42 500
Facility available at end of period	278 335	433 000
Adjusted for future capital commitments and proceeds on disposal	(64 451)	(348 853)
Capital commitments	(140 861)	(382 968)
Expected proceeds on disposal	76 410	34 115
Anticipated available loan facility	213 884	84 147
Capital cash	162	33 533
Vacancy factor (based on lettable area)	1%	2%
Valuation analysis (cents per unit)		
Net asset value (including distribution yet to be paid)	340	258
Listed market price	340	291
Capitalised interest (R000)	5 853	311

### NOTES TO THE FINANCIAL STATEMENTS

1. The group's results have been prepared in accordance with International Financial Reporting Standards (IFRS). These condensed financial statements have been prepared in accordance with IAS 34. The policies applied are consistent with those used in the prior period. The comparative figures have been restated in order to give effect to the prior year adjustment referred to in note 1.2.

#### 1.1 Headline earnings and distribution attributable to unitholders

	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
	R000	CPU
<b>Net profit (earnings)</b>	<b>875 932</b>	<b>120,79</b>
Adjustments for:		
Capital deficit/(surplus) on disposal of investment properties	2 091	(1 154)
Write-up on revaluation of investment properties net of taxation	(593 555)	(358 653)
<b>Headline earnings</b>	<b>284 468</b>	<b>39,23</b>
Surplus on revaluation of interest rate swap derivative	(1 602)	(514)
Net transfers from maintenance reserves	-	2 034
Unclaimed distributions written back	323	-
Adjusted for straight line rental adjustment net of taxation	(7 619)	(1 499)
Distributable income	275 570	184 922
<b>Distribution attributable to unitholders</b>	<b>275 570</b>	<b>38,00</b>

#### 1.2 Prior year adjustment

In the prior period deferred taxation was provided on the straight line rental adjustment for properties owned by the Fund. Confirmation that the Fund is deemed to be a vesting trust for taxation purposes requires that no deferred taxation should be provided on the straight line rental adjustment for properties owned by the Fund. The financial statements of the prior period have been restated to reflect this change. The effect of the restatement on the financial statements is summarised below:

(R000)	Seventeen months to 31.12.2006 (Reviewed)	Twelve months to 31.07.2005 (Restated)
Unitholders' funds at beginning of period	-	19 889
Net profit for the period	-	544
	-	20 433

#### 1.3 Primary operational segments for the seventeen months ended 31 December 2006

Business segment (R000)	Industrial	Office	Retail	Corporate	Group
<b>Income statement</b>					
Rental income	241 593	44 854	98 639	-	385 086
Straight line rental adjustment	(1 412)	105	9 422	-	8 115
Revenue	240 181	44 959	108 061	-	393 201
Net property income	218 286	35 940	98 776	-	353 002
Interest received	-	-	-	6 900	6 900
Interest paid	-	-	-	(50 127)	(50 127)
Surplus on revaluation of interest rate swap derivative	-	-	-	1 602	1 602
Fund expenses	-	-	-	(26 413)	(26 413)
Deferred taxation on straight line rental adjustment	753	137	(1 386)	-	(496)
Capital deficit on disposal of investment properties	(987)	(2 426)	1 322	-	(2 091)
Write-up on revaluation of investment properties net of taxation	405 872	53 468	134 215	-	593 555
Net profit	623 924	87 119	232 927	(68 038)	875 932
<b>Balance sheet</b>					
Investment properties	1 781 262	377 041	801 548	-	2 959 851
As per valuations	1 823 614	382 851	820 099	-	3 026 564
Straight line rental adjustment	(42 352)	(5 810)	(18 551)	-	(66 713)
Current and other long term assets	107 319	43 514	32 525	25 510	208 868
Excluding rental straight line adjustment	64 967	37 704	13 974	25 510	142 155
Rental straight line adjustment	42 352	5 810	18 551	-	66 713
Total assets	1 888 581	420 555	834 073	25 510	3 168 719
Interest bearing borrowings	-	-	-	652 665	652 665
Trade payables	8 089	2 711	7 077	11 023	28 900
Taxation	15 893	525	8 130	-	24 548
Distribution payable	-	-	-	86 996	86 996
Total liabilities	23 982	3 236	15 207	750 684	793 109

### COMMENTS

#### 1. Results

As a consequence of the change in the Fund's year end to December, these results follow the reviewed results for the twelve month period ended 31 July 2006, which were released on 24 August 2006.

In the five months to December 2006 the standing portfolio has again delivered strong rental growth, which has underpinned the growth in distributions to unitholders. Distributable income for the period from 1 August to 31 December 2006 amounts to R86 996 000 or 12,00 cents per unit. This distribution is 18% higher than that of the comparative five month period last year.

The reconciliation of the comparative results for the period 1 August to 31 December for both years is set out below:

	2006 R000	2005 R000
Revenue *	130 674	99 734
Net property expenditure	(12 793)	(12 546)
Net property income	117 881	87 188
Interest received	1 713	2 032
Interest paid	(23 425)	(8 208)
Surplus on revaluation of interest rate swap derivative	-	622
Fund expenses	(9 496)	(7 262)
Headline earnings	86 673	74 372
Surplus on revaluation of interest rate swap derivative	-	(622)
Unclaimed distributions written back	323	-
Distributable income for the 5 months to December	86 996	73 750
Distribution per unit for five months (cpu)	12,00	10,17

\* Excluding any straight line adjustment

The total distribution paid for the seventeen months ended 31 December 2006 is 38,00 cents per unit. This follows the change in the Fund's year end from July to December.

Industrial market rentals continued to show positive growth as a consequence of the consistent contraction in available space and the high costs of new developments. SA Corporate has been well positioned to benefit from this growth and the Fund's substantial industrial portfolio has performed ahead of management's expectations. There is currently no vacant space in the industrial portfolio and the average gross rental of R26/m<sup>2</sup> in the portfolio is considered to be below market. This gives rental upside on the expiry of leases.

The office market has, similarly, enjoyed a high level of tenant demand and rentals in the preferred nodes are now reflecting the fact that the longstanding oversupply of office space has been absorbed. Demand for new office developments is supporting this strong rental growth, which has had a positive influence on rentals in the secondary nodes. The Fund currently has a relatively low weighting to office property.

Notwithstanding the recent interest rate increases, strong consumer spending has resulted in retail sales climbing further and market rentals have continued to strengthen on the back of higher turnovers. The healthy performance of retail property underscores the fact that these assets are able to respond rapidly to improving trading conditions, while offering defensive qualities in a softening market.

The Fund's exceptional occupancy levels have been maintained and, at 31 December 2006, the overall vacancy, by area was at 1%.

#### 2. Portfolio activity

In the five-month period the Fund made three acquisitions as set out in the table below.

Address	Sector	Acquisition Cost	Initial Yield	Date of Transfer
Cnr Staal & Stephenson Roads, Pretoria West	Industrial	R34m	11,75%	31/08/2006
Cnr Old Pretoria Road, Midrand	Office	R40m	9,10%	19/09/2006
8 Sookay Place, Derby Downs, Westville	Office	R30m	10,17%	12/12/2006

Management has stated its intentions of increasing the Fund's office portfolio and the current market offers investment opportunities where attractive yields are supported by rentals with good growth potential.

The development of the distribution warehouse at Tygerberg Business Park in Cape Town was completed at the end of September 2006. The final development cost of this building was R71 million and will yield 10,25% in the first year. The property is let to the Fuel Group Limited.

The following disposals were effected in the period from 1 August 2006 to 31 December 2006. The sale of these properties is in line with the Fund's policy of identifying assets which will under-perform in terms of rental growth and, hence, value appreciation.

Address	Sector	Disposal Price	Date of Transfer
Kruisfontein Road Investments, Cape Town	Retail	R5m	11/09/2006
13 Eton Road, Parktown	Commercial	R5m	13/09/2006
Cnr Blauwberg & Koeberg Road, Cape Town	Industrial	R12m	17/11/2006
Milan Street, Cape Town	Industrial	R6m	29/09/2006

#### 3. Revaluation

SA Corporate's property portfolio was independently valued at R3,03 billion at 31 December 2006. The standing portfolio, excluding sales, developments and acquisitions, increased in value by some R426m or 17% from July 2006. The Fund's net asset value has increased by 32% to 340 cents per unit from 31 July 2005.

#### 4. BEE Transaction

SA Corporate has advanced negotiations with its approved BEE partners to the point where the terms of a comprehensive relationship agreement have been finalised. The