

# REVIEWED FINAL RESULTS AND DISTRIBUTION DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2011

## Distribution growth

- Full year 1.4% higher than December 2010
- 2nd half 2011 2.1% higher than 2nd half 2010

## Gearing capacity

- Low gearing of 20.2%
- 87.0% of debt is fixed

## Portfolio activity

- Standing portfolio value up 0.7% since December 2010
- Disposal of 7 properties above valuation for R195.4m

## Property performance

- Overall vacancies decreased to 5.6%
- Commercial vacancies decreased to 13.6%

# SA CORPORATE REAL ESTATE FUND

SA Corporate Real Estate Fund  
(Incorporated in the Republic of South Africa)  
Share Code: SAC ISIN Code: ZAE000083614  
A Collective Investment Scheme in property registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 and managed by SA Corporate Real Estate Fund Managers Limited ("SA Corporate Fund Managers")  
(Registration number 1994/009895/06)  
("SA Corporate" or "the Fund")

## INTRODUCTION

SA Corporate Real Estate Fund is a JSE listed Property Unit Trust which owns a portfolio of retail, industrial and commercial buildings located primarily in the major metropolitan areas of South Africa.

## FINANCIAL RESULTS AND PORTFOLIO PERFORMANCE

The distribution for the second half of the year to December 2011 (14.48cpu) increased by 2.1% relative to the comparable period in 2010 (14.18cpu) and the full year's distribution (28.83cpu) increased by 1.4% compared with 2010 (28.42cpu). This was largely impacted by disposals made in 2010 and 2011. The distribution growth relating to the standing portfolio increased by 4.7%. The Fund outperformed the Listed Property sector during the year producing a total return of 19.3% vs. 8.9% and the discount to net asset value improved from 8.0% at December 2010 to a surplus of 3.4% (NAV: 335cpu, Unit price: 346cpu) at December 2011. Industrial rental growth (10.6%) was underpinned by the take-up of vacant space, solid tenant retentions combined with positive rental reversions. Retail rental income decreased by 2.9% despite improved vacancies. The reduction is attributable to a combination of the impact of disposals and 0.7% negative rental reversions. Commercial rental income decreased by 2.7%. The decline is due to the impact of property disposals, partially off-set by the decrease in vacancies by 5.9%, an increase in tenant retentions to 93.0% and positive rental reversions of 1.8%. Standing portfolio rental growth (excluding recoveries and turnover rental) increased by 6.1%, due to a reduction in vacancies, improved tenant retention and positive rental reversions. Property expenses increased by 10.1% compared with December 2010. Municipal costs representing 57.0% of property expenses, increased by 10.1% due to an increase in electricity and water of 25.5% and 13.3% respectively. Bad debt expenses increased by 41.9%, from R16.8m to R23.8m driven by pressure on consumer discretionary spend due to a slower economic recovery.

Net interest paid increased by 8.4%. Interest paid decreased by 0.8%, due to the set-off of disposal proceeds placed in the debt access facility and favourable market interest rates. Interest received decreased by 34.3%, resulting from a low interest rate environment and excess cash being placed in the debt access facility.

Fund expenses reduced by 12.4% compared to December 2010 due to the reduction in service fees relating to an over accrual in 2010.

### The breakdown of distributable earnings is set out below:

	12 months to 31.12.2011 Reviewed	12 months to 31.12.2010 Audited
<b>DISTRIBUTABLE EARNINGS (DR) (R000)</b>		
Rent (excluding straight lining adjustment)	891,049	871,994
Net property expenses	(116,082)	(108,003)
Property expenses	(431,781)	(392,325)
Recovery of property expenses	315,699	284,322
<b>Net property income</b>	<b>774,967</b>	<b>763,991</b>
Taxation on distributions	(93)	-
Interest income from associate company (Oryx)	16,970	15,620
<b>Net funding cost</b>	<b>(140,564)</b>	<b>(129,666)</b>
Interest received	23,597	35,892
Interest paid	(164,161)	(165,558)
<b>Fund expenses</b>	<b>(50,998)</b>	<b>(58,217)</b>
Prior year distributable income reallocated to DR upon deregistration	(80)	-
<b>Distributable earnings</b>	<b>600,202</b>	<b>591,728</b>
Units in issue	2,081,869	2,081,869
Distribution (cents per unit)	28.83	28.42
- Interim	14.35	14.24
- Final	14.48	14.18

## PROPERTY VALUATIONS

The value of the Fund's independently valued property portfolio decreased by R0.2bn to R8.6bn as at 31 December 2011 (31 December 2010: R8.8bn). The standing portfolio, representing properties held for the full 12 months in December 2011, increased by 0.7%, from December 2010.

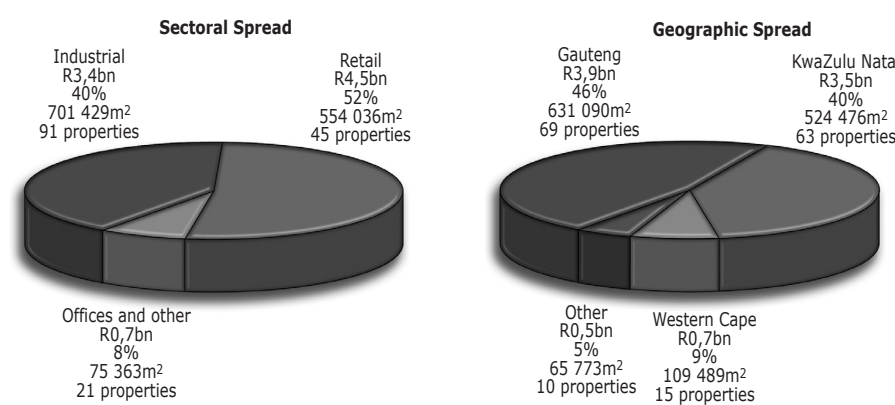
The capitalisation and discount rates in the Fund's standing portfolio at 31 December 2011 was calculated on a weighted basis:

Property type	Capitalisation rate (%)		Discount rate (%)		Growth in standing portfolio (%)
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	
Retail	9.5	9.5	15.5	15.5	(2.1)
Industrial	9.9	10.0	15.9	16.1	4.3
Commercial	10.0	10.0	16.0	16.0	(0.8)
<b>Portfolio total</b>	<b>9.7</b>	<b>9.8</b>	<b>15.7</b>	<b>15.8</b>	<b>0.7</b>

The portfolio valuation gives rise to a NAV of 335cpu, a 2.0% decrease over December 2010 (342cpu).

## PORTFOLIO INVESTMENT ACTIVITY

The portfolio comprised 157 properties. The sectoral and geographic weightings by value are set out below:



The table below sets out the development activity during the year under review.

Developments	Cost (Rm)	Completion date	Yield forecast 1st 12 months (%)	Sector	Region
Musgrave Shopping Centre, Durban	144.0	12/2011	7.3	Retail	KwaZulu Natal
57 Sarel Baard Crescent, Gauteng	58.0	04/2011	8.4	Industrial	Gauteng
89 Davenport Road, Glenwood, Durban	22.0	12/2011	11.0	Retail	KwaZulu Natal
Hayfields Mall, Pietermaritzburg	22.0	03/2012	12.0	Retail	KwaZulu Natal

There were no acquisitions during the year.

## Disposals recognised during the year

Properties	Transfer date	Proceeds (Rm)	Carrying value at date of sale (Rm)	Exit yield on sale price (%)
191 Chapel Street, Durban	02/2011	19.0	18.7	12.1
17 Timber Street, Pietermaritzburg	02/2011	11.0	10.8	11.7
40 Grey Street, Bloemfontein	03/2011	2.4	2.4	7.8
Quarry, 57 Hilton Ave, Hilton	03/2011	41.0	40.3	10.1
Montclair Mall, Durban	06/2011	78.5	73.4	10.8
Paradys Park, Brackenfell	07/2011	30.0	29.8	10.6
Whirlpool 25, Durban	10/2011	13.5	13.3	9.4
<b>Total</b>		<b>195.4</b>	<b>188.7</b>	<b>10.7</b>

## Unconditional disposals

Property	Expected transfer date	Contracted sale price (Rm)	Carrying value at 31 December 2011 (Rm)	Exit yield on sale price (%)
24 - 28 Commercial Road, Amanzimotiti	03/2012	3.7	3.7	9.7
94 Intersite Avenue, Durban	01/2012	7.5	7.5	8.1
6 Lanner Road, Durban	01/2012	22.5	22.5	9.6
<b>Total</b>		<b>33.7</b>	<b>33.7</b>	<b>9.3</b>

## LEASE EXPIRIES AND VACANCIES

Vacancies in terms of rentable area and rental income were as follows:

Property type	Vacancy as % of GLA		Vacancy as % of rental income	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Retail	9.7	10.4	6.6	6.6
Industrial	1.4	2.9	1.5	2.2
Commercial	13.6	19.5	9.2	14.6
<b>Portfolio total</b>	<b>5.6</b>	<b>7.3</b>	<b>5.0</b>	<b>6.1</b>

The retail sales environment, whilst showing signs of steady improvement, remains under pressure. Retail vacancies as a percentage of GLA reduced by 0.7% since December 2010, due to improved fundamentals and a focused tenant retention strategy (82.2% - 2011 vs 70.4% - 2010). Vacancies as a percentage of rental income has remained relatively unchanged attributable to a lower gross rental impacted by disposals and lower expected market rental in respect of the vacancies.

The high quality industrial portfolio remained robust in a challenging economic environment. Industrial vacancies as a percentage of GLA reduced by 1.5%, due to a focused leasing strategy. Industrial vacancies as a percentage of rental income decreased by 0.7% attributable to a take-up of space and 10.2% positive rental reversions.

The industry office sector vacancies continued their upward trend, increasing for the 7th consecutive quarter, highlighting that the sector may take longer to stabilise in an oversupplied office market. The vacancies as a percentage of GLA have however improved by 5.9%, as a result of improved tenant retentions (93.0% - 2011 vs 61.8% - 2010) and gradual take up of vacant space. Refurbishment work at Musgrave Centre has seen the vacant office component decrease from 2,512m<sup>2</sup> at December 2010 to 1,175m<sup>2</sup> as at December 2011. Vacancies as a percentage of rental has improved by 5.4% attributable to the take-up of vacancies and positive rental reversions of 1.8%.

The lease expiry profile and vacancies are set out below:

Property type	Vacant (%)	Expiring (%)					Thereafter
		Monthly	2012	2013	2014	2015	
Retail	9.7	9.1	15.4	13.4	14.2	13.1	25.1
Industrial	1.4	7.9	25.9	19.1	10.7	14.9	20.1
Commercial	13.6	2.4	20.8	21.2	19.1	13.5	9.4
<b>Total</b>	<b>5.6</b>	<b>8.0</b>	<b>21.3</b>	<b>17.0</b>	<b>12.7</b>	<b>14.1</b>	<b>21.3</b>

## TENANT RETENTION AND RENTAL REVERSION

The table below reflects the Fund retention ratio and rental reversion per sector for a rolling 12 month period ending December 2011:

Property type	Expires m <sup>2</sup>	Retention m <sup>2</sup>	Retention (%)	Retention reversion (%)
Retail	88,851	73,029	82.2	(0.7)
Industrial	108,806	84,605	82.8	10.2
Commercial	10,611	9,871	93.0	1.8
<b>Total</b>	<b>208,268</b>	<b>167,505</b>	<b>83.1</b>	<b>2.7</b>

## BORROWINGS

Gearing remained low with debt amounting to 20.2% of the total portfolio (31 December 2010: 20.5%). 87.0% of the debt is fixed, with the earliest fix expiring in December 2012. The debt profile is detailed below:

Type	Maturity date	Fix expiry	Value (Rm)	Interest Rate (%)	Swap
Fixed	13/09/2013	13/09/2013	100	10.57	No
Fixed	31/12/2012	31/12/2012	500	10.82	No
Fixed	11/09/2014	05/06/2013	400	9.75	Yes
Variable	31/12/2013	N/A	202	7.25	No
Fixed	13/08/2013	31/07/2014	270	7.08	Yes
Fixed	13/08/2013	31/07/2014	30	7.08	Yes
Fixed	29/04/2015	31/07/2015	200	10.09	Yes
Variable	25/07/2016	25/07/2016	21	7.85	No
<b>Total</b>			<b>1,723</b>	<b>9.71</b>	

The Fund has an additional R200m floating facility, of which R21.4m was partially used to fund capital expenditure.

## PROSPECTS

Strategy implementation is gaining ground, but the uncertainty of timing relating to the transfer of contracted but conditional disposals amounting to R492m, potential new disposals and acquisitions makes establishing the outlook for distribution growth in 2012 challenging.

Improving the quality of the portfolio and sustainability of income growth has entailed material disposals, and reinvestment (much of which has been defensive) and weighed on short-term distribution growth. Net property income growth expectations in the standing portfolio of 5-7% pa in each of the next 3 years reflect the positive impact of past investment and disposals. The Fund has embarked on establishing a Domestic Medium Term Note programme that should lower the interest rate at which SA Corporate can borrow and increase flexibility. Overall, the distribution in 2012 is unlikely to be better than the current year. This forecast has not been reviewed or reported on by SA Corporate's auditors.

## REVIEW BY INDEPENDENT AUDITORS

The condensed provisional financial information for the year ended 31 December 2011 has been reviewed by the Fund's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A copy of their unmodified review report is available for inspection at the Fund's registered office. Any reference to future financial performance included in this announcement, as well as related information which is not based on the International Financial Reporting Standards, has not been reviewed or reported on by the Fund's auditors.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (R000)

	12 months to 31.12.2011 Reviewed	12 months to 31.12.2010 Audited
<b>Assets</b>		
<b>Non-current assets</b>	<b>8,020,574</b>	<b>8,495,212</b>
Investment property	7,812,992	8,185,492
At valuation	7,178,125	7,347,450
Straight line rental adjustment	(210,833)	(184,258)
Properties under development	845,700	1,022,300
Investment in associate	-	155,892
Rental receivable - straight line adjustment	182,058	153,828
Other receivables	25,524	-
<b>Current assets</b>	<b>1,285,481</b>	<b>929,763</b>
Properties held for disposal	527,700	402,518
Investment in associate held for disposal	175,208	-
Trade receivables	26,555	17,226
Other receivables and accrued interest	153,592	169,111
Rental receivable - straight line adjustment	28,775	30,430
Cash resources and short term investments	373,651	310,478
<b>Total assets</b>	<b>9,306,055</b>	<b>9,424,975</b>
<b>Unitholders' funds and liabilities</b>		
<b>Unitholders' funds</b>	<b>6,967,767</b>	<b>7,125,735</b>
<b>Non-current liabilities</b>	<b>1,350,890</b>	<b>1,835,645</b>
Interest bearing borrowings	1,222,982	1,684,330
Interest rate swap derivative	32,545	31,541
Deferred taxation	95,363	119,774
<b>Current liabilities</b>	<b>987,398</b>	<b>463,595</b>
Trade and other payables	179,424	147,915
Interest bearing borrowings	500,000	-
Capital gains taxation and secondary taxation on companies	2,415	18,795
Unclaimed distributions	4,148	1,589
Distributions payable	301,411	295,296
<b>Total unitholders' funds and liabilities</b>	<b>9,306,055</b>	<b>9,424,975</b>
<b>NAV cpu</b>	<b>335</b>	<b>342</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (R000)

	Year ended 31.12.2011 Reviewed	Year ended 31.12.2010 Audited
<b>Revenue</b>	<b>1,235,323</b>	<b>1,182,374</b>
<b>Income</b>	<b>1,300,061</b>	<b>1,257,105</b>
Rent	891,049	871,994
Straight line rental adjustment	28,575	26,058
Recovery of property expenses	315,699	284,322
Income from associate company	41,141	38,839
- Interest income	16,970	15,620
- Share of post-acquisition reserves	24,171	23,219
Interest	23,597	35,892
<b>Expenses</b>	<b>(646,940)</b>	<b>(616,100)</b>
Accounting and secretarial fees	(10,205)	(10,369)
Audit fees	(1,517)	(1,427)
Administrative fees	(7,737)	(11,696)
Interest paid	(164,161)	(165,558)
Property expenses	(431,781)	(392,325)
Service fees	(31,539)	(34,725)
<b>Operating income</b>	<b>653,121</b>	<b>641,005</b>
Revaluation of interest rate swap	(1,004)	(31,540)
Debt restructure costs	(27,473)	(22,894)
Capital profit on disposal of investment properties	3,276	359
Revaluation of investment properties	(28,892)	148,766
- Revaluations	(317)	174,824
- Straight line rental adjustment	(28,575)	(26,058)
Revaluation of investment property under development	(206,875)	139,994
Impairment of investment in associate	(4,855)	(649)
<b>Income before taxation</b>	<b>387,298</b>	<b>875,041</b>
<b>Taxation</b>	<b>27,463</b>	<b>(22,901)</b>
Secondary tax on companies	(864)	-
Current capital gains and normal income tax	3,916	(1,997)
Deferred tax on property transactions	24,411	(20,904)
Deferred taxation on straight line valuation adjustment	(1,547)	4,042
Deferred taxation on straight line rental adjustment	1,547	(4,042)
<b>Net profit attributable to unitholders</b>	<b>414,761</b>	<b>852,140</b>
<b>Other comprehensive income</b>	<b>27,473</b>	<b>13,934</b>
Revaluation of interest rate swap	-	(8,960)
Amortisation of debt restructure	27,473	22,894
<b>Total comprehensive income attributable to unitholders</b>	<b>442,234</b>	<b>866,074</b>
Units in issue (000)	2,081,869	2,081,869
Weighted units in issue (000)	2,081	