SA CORPORATE REAL ESTATE FUND

SA Corporate Real Estate Fund
("SA Corporate" or "the 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 ("ManCo")
(Registration number 1994/009895/06)
REIT status approved from 1 January 2014

PRELIMINARY SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Distribution growth
- 2nd half 2014 9.4% higher than 2nd half 2013
- Full year 9.0% higher than 2013

Capital structure
- Premium to NAV increased to 25.5%
- LTV increased to 29.1%
- 82.5% of debt fixed
- 17.3m units issued

Portfolio activity
- Acquisition of AFHCO portfolio for R1 086,0m
- Standing portfolio value up 5.9%
- Acquisition of 8 other properties for R316,8m

Property performance
- NPI growth of 19.4% (standing portfolio 8.6%)
- Vacancy as % of rental income improved to 3.1% [1]
- Tenant Retention at 75.9% [1]

[1] Excludes the AFHCO Group

INTRODUCTION

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

REVIEW OF FINANCIAL RESULTS AND PORTFOLIO PERFORMANCE

Distribution Growth

SA Corporate achieved a second half distribution of 18.02 cents per unit ("cpu") representing growth of 9.4% relative to the comparable period December 2013 of 16.47cpu. The Fund delivered a full year distribution of 35.70 cpu, representing growth of 9.0% relative to the comparable period (32.75cpu). This is in line with guidance given during the interim announcement.

The R1,1bn business acquisition of AFHCO Holdings Proprietary Limited and its subsidiaries ("AFHCO Group") and further R305,9m acquisition of investment properties at a weighted average yield of 9.8% impacted positively on distribution growth.

The net property income ("NPI") contribution of these and prior year acquisitions to growth in distribution, was 13.9%. This was underpinned by standing portfolio NPI growth of 8.6%, contributing at an NPI level to 9.4% of growth, offset largely by increased financing costs by 13.6%.

Portfolio Performance

The total NPI increased by 19.4% due mainly to R1.7bn of acquisitions over the last two years. The standing portfolio growth of 8.6% was driven by 5.3% rental growth, improved recoveries on the back of reduced vacancies and expense reductions. Reductions in property management fees in the first half against the comparable period, focused energy management and improved collections contributed to the reduced expenses.

The industrial net property income growth (11.8%) was supported by R164m of acquisitions at a 9.2% yield, weighted average escalations of 8.1% and good retentions. The retail portfolio net property income growth of 12.8% was underpinned by further reductions in vacancies, also contributing to improved recoveries, strong retentions and positive reversions. The commercial portfolio net property income growth increased by 40.2%, driven mainly by the acquisition of World Trade Center in November 2013 at a 9% yield, together with the disposal of largely vacant B and C grade office buildings.

Property expenses increased by 11.9%, due to net positive acquisitions. Expenses relating to the standing portfolio were marginally down by 0.4%. Municipal costs (representing 60% of property expenses) decreased by 0.4%, due to improved energy management. Standing portfolio property expenses excluding municipal costs decreased by 0.3%, driven mainly by reduced property management fees (with the first full year of Broll management), reduced bad debts and legal costs, arising from improved collections and reduced maintenance costs as the quality of the portfolio improves.

The premium to net asset value ("NAV") increased to 25.5% at December 2014 (NAV: 381cpu, Unit price: 478 cpu), compared to a premium of 8.4% at December 2013 (NAV: 368cpu, Unit price: 399cpu).

Finance Costs

Net interest expense increased by 120.7%. This was driven by the increased gearing from 18.3% to 29.1% predominantly to fund the R1,4bn acquisitions. Interest costs in respect of development properties are currently being capitalised and therefore do not have any impact on the net finance costs.

Group and Other Expenses

Group Expenses decreased by 18.0% with the execution of the internalisation of the ManCo with effect from 1 May 2014 (elimination of the service fee based on enterprise value plus debt, to a cost recovery model) and the inclusion of the VAT provision in the first half of 2013.

The 58,896,063 units repurchased in the open market in January and February 2013, gave rise to a lapsed distribution of R8,8m, as these were purchased cum dividend. These lapsed distributions were available for re-distribution as part of the 2013 distribution.

The breakdown of distributable earnings is set out below:

DISTRIBUTABLE EARNINGS (R000)	Year ended 31.12.2014 Audited	Year ended 31.12.2013 Audited
Rent (excluding straight line rental adjustment)	**1,034,231**	878,077
Net property expenses	**(115,689)**	(109,078)
Property expenses	**(494,474)**	(441,832)
Recovery of property expenses	**378,785**	332,754
Net property income	**918,542**	768,999
Taxation on distributable earnings	**-**	102
Net funding cost	**(162,795)**	(73,751)
Interest income	**30,478**	20,811
Interest expense	**(193,273)**	(94,562)
Group expenses	**(45,793)**	(55,822)
Lapsed distribution on units repurchased	**-**	8,823
Distributable earnings	**709,954**	648,351
Units in issue (000)	**1,997,395**	1,980,093
Weighted number of units in issue (000)	**1,988,341**	1,985,703
Distribution (cents per unit)	**35.70**	32.75
Interim	**17.68**	16.28
Final	**18.02**	16.47

PROPERTY VALUATIONS

The value of the Fund's independently valued property portfolio increased by R1,80bn to R10,67bn as at December 2014 (December 2013: R8,87bn). The standing portfolio, representing properties not under development, held for the full 12 months to December 2014, increased by R445,45m (5.9%) from December 2013.

The capitalisation and discount rates in the Fund's standing portfolio at 31 December 2014 were calculated on a weighted basis:

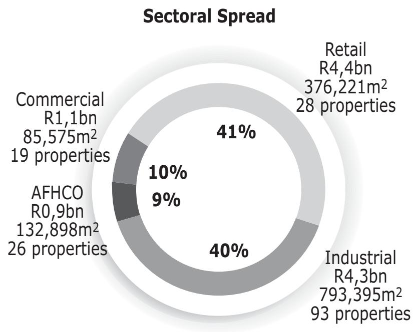
Sector	Capitalisation rate (%)		Discount rate (%)		Growth in standing portfolio (%)
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**
Industrial	**8.9**	9.0	**14.4**	14.5	**6.5**
Retail	**8.7**	8.7	**14.2**	14.2	**5.8**
Commercial	**8.7**	9.3	**14.2**	14.8	**4.0**
Portfolio total	**8.8**	**8.8**	**14.3**	**14.3**	**5.9**

The recently acquired AFHCO portfolio, excluding properties under development and the development bulk, was valued at 31 December 2014 at a weighted average capitalisation rate of 10.1%.

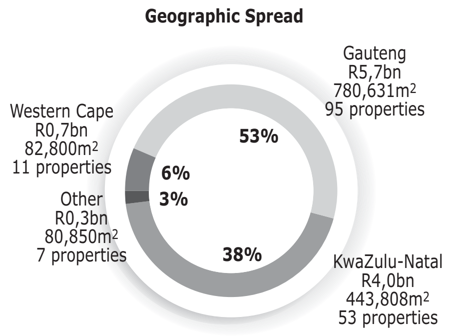
PORTFOLIO INVESTMENT ACTIVITY

The portfolio comprised 166 properties (December 2013: 134). The sectoral and geographic weightings by value as at 31 December 2014 are set out below:

Sectoral Spread



Geographic Spread



Committed developments:

Properties	Cost (Rm)	Commencement date	Forecast completion date	Yield forecast 1st 12 months (%)	Sector	Region
East Point, Boksburg	420,1	05/2014	06/2016	9.0	Retail	Gauteng
Umlazi Mega City, Umlazi	331,5	11/2014	09/2016	9.2	Retail	KwaZulu Natal
Stuttafords House, Johannesburg CBD	65,1	09/2014	03/2016	11.0	AFHCO	Gauteng
Connaught Mansions and Gemdawn, New Doornfontein	43,3	09/2014	08/2015	11.0	AFHCO	Gauteng
Jeppe Street Mall, New Doornfontein	36,6	09/2014	09/2015	11.0	AFHCO	Gauteng
Stellenbosch Square, Stellenbosch [1]	16,2	11/2014	09/2015	11.1	Retail	Western Cape
Total	**912,9**			**9.4**		

[1] 50% Undivided share of development cost

Acquisitions:

Properties	Cost (Rm)	Acquisition date	Yield forecast 1st 12 months (%)	Sector	Region
AFHCO portfolio [1]	1 086,0	07/2014	9.9	AFHCO	Gauteng
Eveready & Continental Tyres, New Brighton, Port Elizabeth	124,5	01/2014	9.0	Industrial	Eastern Cape
Celtis Ridge Shopping Centre, Centurion	106,0	01/2014	9.0	Retail	Gauteng
50 Mangosuthu Highway, Umlazi	43,4	04/2014	9.0	Retail	KwaZulu Natal
Truck World (39 Viewpoint Road), Bardene	16,0	12/2014	11.1	Industrial	Gauteng
19 Brunton Circle, Founders View	14,1	03/2014	9.0	Industrial	Gauteng
16 Friesland Crescent, Longmeadow	9,4	07/2014	9.0	Industrial	Gauteng
Multi Glass	3,3	11/2014	8.4	AFHCO	Gauteng
Normandi Court Flat	0,1	12/2014	11.0	AFHCO	Gauteng
Total	**1 402,8**		**9.6**		

[1] Includes R169m with payment and economic interest deferred to 2015

Contracted and unconditional acquisitions:

Properties	Cost (Rm)	Acquisition date	Yield forecast 1st 12 months (%)	Sector	Region
Morulat Property Investments 4 portfolio	243,6	01/2015*	10.6	AFHCO	Gauteng
Total	**243,6**		**10.6**		

* Transferred in January 2015

Disposals:

Property	Transfer date	Gross selling price (Rm)	Carrying value at latest valuation date (Rm)	Exit yield on sale price (%)
90 Electron Avenue, Isando	10/2014	20,0	20,5	5.9
Total		**20,0**	**20,5**	**5.9**

Contracted disposals:

Properties	Expected transfer date	Gross selling price (Rm)	Carrying value (Rm)	Exit yield on sale price (%)
Stellenbosch Square, Stellenbosch [1] [2]	02/2015	40,0	46,3	7.8
36 Wierda Road West, Wierda Valley [2]	02/2015	39,0	39,0	7.5
The Boulevard, Melville	03/2015	31,2	31,2	7.4
293 Hebbard Road, Robertville	04/2015	23,5	23,5	5.5
Lebombo Road, Garsfontein (portion)	05/2015	12,0	7,5	6.2
3 Remblok Street, Strydom Park	03/2015	10,7	10,4	8.3
110 Zastron Road, Bloemfontein [3]	01/2015	6,9	6,9	6.8
Total		**163,3**	**164,8**	**7.2**

[1] 50% Undivided share [2] Transferred in February 2015 [3] Transferred in January 2015

LEASE EXPIRIES AND VACANCIES

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

Sector	Vacancy as % of GLA*		Vacancy as % of rental income	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013
SA Corporate Portfolio:				
Industrial	1.4	0.2	1.2	0.2
Retail	5.9	8.9	3.4	4.6
Commercial	12.7	11.8	7.8	7.0
Portfolio total	**3.7**	**4.0**	**3.1**	**3.2**
AFHCO Portfolio:				
Residential	7.9	-	8.9	-
Retail / Commercial	1.8	-	2.3	-
Portfolio total	**6.1**	**-**	**6.3**	**-**

* GLA=Gross Lettable Area

The Fund has made good progress with the vacancy take-up with overall vacancies reducing by 0.3% based on GLA and 0.1% based on rental income.

The Fund's industrial vacancy, although marginally up at 1.4% as at December 2014 (December 2013: 0.2%), remains well below the sector average of 2.7%. We continue to pro-actively manage the portfolio, understanding and providing for our tenants needs, thereby ensuring good retention.

Retail vacancies continued their positive downward trend reducing by 3% to 5.9% as at 31 December 2014 (December 2013: 8.9%). Further reductions are anticipated as we seek to improve the quality of the portfolio through redevelopments.

In the current economic climate the office market remains challenging. The current year saw an increase in commercial vacancies from 11.8% to 12.7%. Stand alone office vacancies reduced by 0.65%, while retail office vacancies (offices in or above retail centres) increased by 5.4%. Office remains a small component of the portfolio and the focus will continue to be to divest from non-performing B to C grade properties in this sector.

A general trend in inner city residential vacancies as experienced every year, is that vacancies increase in December due to tenants vacating apartments over the vacation period. Consequently whilst AFHCO's residential vacancies increased to 7.9% as at December 2014 these have reduced to 4.9% in February 2015. AFHCO retail / commercial vacancies have reduced to 1.8% from 3.1% when the portfolio was acquired in July 2014.

The lease expiry profile and vacancies (by GLA) are set out below:

Sector	Vacancy (%)	Expiries (%)					
		Monthly	2015	2016	2017	2018	Thereafter
SA Corporate Portfolio:							
Industrial	1.4	1.8	18.2	12.9	30.4	15.2	20.1
Retail	5.9	8.9	17.9	16.4	11.9	18.0	21.0
Commercial	12.7	8.0	23.2	22.1	10.4	5.7	17.9
Total	**3.7**	**4.3**	**18.6**	**14.7**	**23.4**	**15.2**	**20.1**
AFHCO Portfolio:							
Retail / Commercial	1.8	12.2	16.7	24.0	10.4	7.7	27.2
Residential [1]	7.9	58.0	34.1				

[1] Calculated on number of units

TENANT RETENTION AND RENTAL REVERSION

The table below reflects the Fund's tenant retention ratio and rental reversion per sector for a rolling 12 month period ending December 2014:

Sector	Expiries (m^2)	Retention (m^2)	Retention (%)	Rental reversion (%)
SA Corporate Portfolio:				
Industrial	81,090	58,235	71.8	0.4
Retail	61,008	49,743	81.5	3.5
Commercial	20,925	15,719	75.1	(3.2)
Total	**163,023**	**123,697**	**75.9**	**1.7**
AFHCO Portfolio:				
Retail / commercial	4,169	4,077	97.8	16.2

Tenant retention remains a focus area and has improved from 73.1% in 2013 to 75.9%. With 28.4% of industrial leases having expired this year, industrial retentions have improved by 5.4%, due to proactive management of this portfolio. The AFHCO portfolio continues its historical trend of solid retentions.

Whilst the industrial lease reversions were marginally positive, pressure still remains on renewal rentals, as administered costs continue to rise. The retail portfolio showed good positive reversions, despite a year of weak annual retail sales growth of 2.4% for South Africa. There were a number of significant leases renewed, in respect of the commercial portfolio, coming off long lease terms where contractual escalation rates exceeded growth in market rentals, resulting in negative reversions. The AFHCO portfolio has achieved healthy reversions, despite the subdued economic climate, bearing testament to the robustness of the inner-city retail/commercial shopping environment.

BORROWINGS

The debt profile is detailed below as at 31 December 2014:

Facility	Maturity date	Value (Rm)	Interest Rate (%)
Term revolver	31.12.2015	-	8.07
Term revolver	25.07.2016	101	8.95
Term	31.12.2016	500	8.17
Term	15.12.2017	1,152	8.22
Term	13.08.2018	200	9.02
Term	30.09.2018	270	8.38
Term	30.09.2018	30	8.38
Term	15.12.2019	848	8.52
Total /weighted average		**3,101**	**8.39**

Having entered a net acquisitive phase of investment, the Fund's effective loan to value ("LTV") increased to 29.1% (December 2013: 18.3%). The weighted average cost of debt, in respect of the effective debt excluding fixes, was 7.7%, (December 2013: 6.8%) at a weighted average margin of 1.7% (December 2013: 1.1%) and a weighted average tenor of 3.4 years (December 2013: 2.5 years).

At 31 December 2014, 82.5% of the debt drawn was fixed via interest rate hedges, at a weighted average rate and margin of 6.9% and 0.78% respectively and a weighted average tenor of 3.1 years. The total weighted average cost of debt inclusive of fixes, depicted above, amounts to 8.4%. This is up 0.57% from December 2013, due to increase in funding and funding tenors.

STRATEGY AND PROSPECTS

During the current year the Fund completed the ManCo internalisation transaction, acquired a R1,1bn inner city residential and retail portfolio and commenced the conversion to a Corporate REIT, being the final stage of its 4 pillar turnaround strategy.

In the latter half of the year, the Fund successfully concluded a R2bn syndicated loan facility at competitive pricing to term out some of the temporary facilities, fund acquisitions and retail developments. Cognisant of the volatility of the interest rate market and aligned to its strategic intent of sustainable distribution growth the Fund's debt facilities remain adequately hedged at 82.5%.

The platform has been set for sustainable growth aligned to the Fund's strategic objectives of:

- A diversified portfolio that generates stable growing income and capital gains
- Improving the portfolio through quality acquisitions, developments of inner-city properties, improving industrial properties to meet the operational needs of tenants and the redevelopment of shopping centres unlocking value in the retail portfolio
- Enhanced returns by managing liquidity and interest rate risk through the effective use of debt and equity, that is appropriately structured
- Efficient and effective property operations to enhance property fundamentals
- Reducing the business impact on the environment and reducing costs through green initiatives

The Board is pleased with the execution of the strategy and performance of the Fund and anticipates that distribution growth in excess of inflation will be achieved in 2015.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (R000)	As at 31.12.2014 Audited	As at 31.12.2013 Audited
Assets		
Non-current assets	**10,621,038**	8,927,419
Investment property	**10,291,993**	8,654,251
Letting commissions and tenant installations	**63,430**	63,116
Property, plant and equipment	**1,427**	-
Intangible asset	**71,800**	-
Interest rate swap derivatives	**21,204**	39,644
Rental receivable - straight line adjustment	**169,468**	170,408
Other financial assets	**1,019**	-
Deferred taxation	**697**	-
Current assets	**719,311**	515,248
	554,939	515,248
Trade receivables	**15,312**	16,637
Other receivables and accrued interest	**167,713**	146,143
Other financial assets	**24,429**	-
Rental receivable - straight line adjustment	**41,871**	40,566
Interest rate swap derivatives	**4,042**	382
Taxation receivable	**321**	-
Inventory	**27**	-
Cash resources and short term investments	**301,224**	311,520
Properties classified as held for disposal	**163,000**	-
Letting commissions and tenant installations	**1,372**	-
Total assets	**11,340,349**	9,442,667
Unitholders' funds and liabilities		
Unitholders' funds	**7,603,215**	7,280,242
Non-current liabilities	**3,106,491**	1,625,913
Interest bearing borrowings	**3,100,650**	1,625,913
Interest rate swap derivatives	**5,841**	-
Current liabilities	**630,643**	536,512
Trade and other payables	**253,560**	198,506
Taxation payable	**480**	-
Distributions payable	**359,910**	326,030
Interest rate swap derivatives	**16,684**	11,976
Bank overdraft	**9**	-
Total unitholders' funds and liabilities	**11,340,349**	9,442,667
NAV cpu	**381**	368

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (R000)	Notes	Year ended 31.12.2014 Audited	Year ended 31.12.2013 Audited
Revenue		**1,408,879**	1,186,412
Income		**1,439,357**	1,207,223
Rent		**1,034,231**	878,077
Straight line rental adjustment		**(4,137)**	(24,419)
Recovery of property expenses		**378,785**	332,754
Interest income		**30,478**	20,811
Expenses		**(761,610)**	(592,216)
Accounting and secretarial fees		**(1,843)**	(6,082)
Audit fees		**(2,183)**	(1,845)
Administrative fees		**(35,770)**	(10,460)
Depreciation		**(688)**	-
Interest expense		**(193,273)**	(94,562)
Operating expense		**(20,538)**	-
Property expenses		**(467,657)**	(412,714)
Property administration fees		**(26,817)**	(29,118)
Service fees		**(12,841)**	(37,435)
Operating income		**677,747**	615,007
Amortisation of debt restructure costs		**-**	(10,504)
Capital loss on disposal of investment properties		**(3,634)**	(4,086)
Gain on acquisition of subsidiary	4	**102,000**	-
Internalisation fee	3	**(185,000)**	-
Loss on disposal of property, plant and equipment		**(29)**	-
Revaluation of investment properties		**401,547**	380,625
- Revaluations		**397,410**	356,206
- Straight line rental adjustment		**4,137**	24,419
Revaluation of interest rate swap derivatives		**(25,329)**	31,506
Income before taxation		**967,302**	1,012,548
Taxation		**(122)**	146,846
Net profit attributable to unitholders		**967,180**	1,159,394
Other comprehensive income			
Amortisation of hedge reserve		**-**	10,516
Total comprehensive income attributable to unitholders		**967,180**	1,169,910

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS (R000)	Year ended 31.12.2014 Audited	Year ended 31.12.2013 Audited
Unitholders' funds at the beginning of the year	**7,280,242**	6,973,355
Total comprehensive income for the year	**967,180**	1,169,910
Profit for the year	**967,180**	1,159,394
Amortisation of hedge reserve	**-**	10,516
Repurchase of units	**-**	(222,986)
Unit repurchase cost	**-**	(509)
Lapsed distribution on units repurchased	**-**	8,823
17,301,905 units issued	**65,747**	-
Distribution attributable to unitholders	**(709,954)**	(648,351)
Unitholders' funds at the end of the year	**7,603,215**	7,280,242

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS (R000)	Year ended 31.12.2014 Audited	Year ended 31.12.2013 Audited
Operating profit before working capital changes	**683,145**	744,967
Working capital changes	**8,524**	(19,333)
Cash generated from operations	**691,669**	725,634
Operating activities changes	**(850,747)**	(695,993)
Net cash flows from operating activities	**(159,078)**	29,641
Net cash flows from investing activities	**(783,072)**	(395,668)
Net cash flows from financing activities	**931,845**	270,266
Net decrease in cash	**(10,305)**	(95,761)
Cash resources and short term investments at beginning of year	**311,520**	407,281
Cash resources and short term investments at end of year	**301,215**	311,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The summarised audited consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Collective Investment Schemes Control Act, No.45 of 2002 ("CISCA") for preliminary reports applicable to summarised financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements. This report and the consolidated financial statements were compiled under the supervision of AM Basson CA(SA), the financial director and have been audited in compliance with the CISCA. The auditors, Deloitte & Touche, have issued their unmodified opinion on the group's financial statements for the year ended 31 December 2014. A copy of their audit report is available for inspection at the Fund's registered address. The audit was conducted in accordance with International Standards on Auditing. These preliminary summarised consolidated financial statements have been derived from the group financial statements and are consistent, in all material respects, with the group financial statements. This preliminary report has been audited by Deloitte & Touche and an unmodified audit opinion has been issued. The auditor's report does not necessarily report on all of the information contained in this announcement. Unitholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from SA Corporate's registered address.

1. Reconciliation of net profit to headline earnings to distributable earnings attributable to unitholders

	Year ended 31.12.2014 Audited R000	CPU	Year ended 31.12.2013 Audited R000	CPU
Net profit	**967,180**	**48.42***	1,159,394	58.39*
Adjustments for:				
Capital loss on disposal of investment properties	**3,634**		4,086	
Taxation	**-**		(102)	
Revaluation of investment properties	**(401,547)**		(380,625)	
Taxation on adjustments	**-**		(124,929)	
Gain on acquisition of subsidiary	**(102,000)**		-	
Headline earnings	**467,267**	**23.50***	657,824	33.13*
Amortisation of debt restructure costs	**-**		10,504	
Cost of acquisition of subsidiary	**15,795**		-	
Debt facility fees	**11,616**		-	
Depreciation	**688**		-	
Taxation	**122**		-	
Internalisation fee	**185,000**		-	
Lapsed distribution on units repurchased	**-**		8,823	
Revaluation of interest rate swap derivatives	**25,329**		(31,506)	
Straight line rental adjustment	**4,137**		24,419	
Taxation on distributable earnings	**-**		102	
Taxation on straight line rental adjustment	**-**		(21,815)	
Distributable earnings attributable to unitholders	**709,954**	**35.70**	648,351	32.75
Interim	**350,044**	**17.68**	322,315	16.28
Final	**359,910**	**18.02**	326,036	16.47

* Calculated on weighted average number of units in issue

2. Primary operational segments (R000)

Business segment	Industrial	Retail	Commercial	AFHCO	Group
Extract from statement of comprehensive income					
Revenue	531,554	660,554	144,833	71,938	1,408,879
Rental income (excluding straight line rental adjustment)	459,682	402,165	118,894	53,490	1,034,231
Net property expenditure	(44,542)	(33,647)	(20,610)	(16,890)	(115,689)
Property expenses	(116,177)	(294,008)	(49,042)	(35,247)	(494,474)
Recovery of property expenses	71,635	260,361	28,432	18,357	378,785
Net property income	415,140	368,518	98,284	36,600	918,542
Straight line rental adjustment	237	(1,972)	(2,493)	91	(4,137)
Net interest expense	-	-	-	-	(162,795)
Internalisation fee	-	-	-	-	(185,000)
Group expenses	-	-	-	-	(74,014)
Revaluation of interest rate swap derivatives	-	-	-	-	(25,329)
Headline earnings	415,377	366,546	95,791	36,691	467,267
Other information					
Properties	4,178,739	4,287,465	1,094,375	891,835	10,452,414
Non-current assets:	4,145,096	4,218,090	1,036,972	891,835	10,291,993
At valuation	4,265,500	2,809,200	1,053,200	742,457	8,870,357
Straight line rental adjustment	(120,404)	(67,535)	(16,228)	(7,172)	(211,339)
Property under development	-	1 476 425	-	156,550	1,632,975
Current assets:	33,643	69,375	57,403	-	160,421
Properties classified as held for disposal	33,900	71,200	57,900	-	163,000
Straight line rental adjustment	(257)	(1,825)	(497)	-	(2,579)
Revaluation of investment properties excluding straight line rental adjustment	197 308	138 060	47 120	14 922	397 410
Additions and acquisitions	220 918	314 640	6 743	883 361	1 425 662

Segmental growth rates (%)	Industrial	Retail	Commercial	Group
Rental income (excluding straight line rental adjustment)	10.3	7.3	37.6	17.8
Property expenses	5.9	(0.7)	36.5	11.9
Recovery of property expenses	10.8	4.8	44.1	13.8
Net property income	11.6	12.7	40.0	19.4

SA CORPORATE
REAL ESTATE FUND

PRELIMINARY SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

3. Amendments to the Trust Deed

During the reporting period, the unitholders voted in favour of the following amendments to the Trust Deed:

- To amend the existing service charge arrangement in respect of the Fund from a monthly charge based on 0.4% of the aggregate market capitalisation of the Fund plus borrowings, to a monthly charge equal to the actual operating costs incurred by the ManCo in administering the Fund as well as the cancellation of the initial charge of 5% on the value of any new units issued.

  This was settled with the payment by the Fund to the ManCo of a consideration of R185 million excluding VAT. As a consequence of the above amendment, the Fund was deemed to gain control over its ManCo with effect from 1 May 2014. The results of the ManCo were consolidated in the SENS announcement dated 26 August 2014. However, as the Fund is not entitled to the ManCo's variable returns and therefore does not control the Manco, the ManCo is no longer consolidated in the Fund's results. This has no impact on the distributable earnings as the Manco is on the cost recovery model post internalisation and the impact on distributable earnings remains unchanged. The impact on the profit after tax has subsequently been reversed with a total impact of R8.0m mainly due to the gain on bargain purchase of R8.9m.
- To increase the borrowing limits imposed on the Fund from 30% to 60% of the value of its underlying investment property value.

4. Significant transactions

On 1 July 2014 the Group acquired the AFHCO Group for a consideration of R249 360 000. The AFHCO Group was acquired to enter the residential Johannesburg inner-city sector and thus further diversify the Fund's property portfolio. The acquisition was funded with a combination of units and cash:

	R'000
17 301 905 units at a price of 380cpu	65,747
Cash	183,613
Total	249,360

Under a contingent consideration arrangement the purchase price may be adjusted in the event that the AFHCO Group do not meet the forecasted income used in determining the price of this acquisition. This adjustment is limited to 12.5% of the aggregate gross value of the AFHCO Group's property portfolio.

The directors are of the opinion that no adjustment to the purchase price is necessary as at 1 July 2014 as they expect AFHCO Group to meet their forecasts. This opinion had not changed at the reporting date and no asset has been raised for this amount as at 31 December 2014.

Assets acquired and liabilities recognised at date of acquisition:	**R'000**
Non-current assets	
Investment property	795,406
Letting commissions and tenant installations	1,458
Property, plant and equipment	2,248
Intangible asset	71,800
Deferred taxation	214
Current assets	
Trade and other receivables	27,287
Rental receivable - straight line rental adjustment	7,081
Taxation receivable	321
Inventory	11
Cash and cash equivalents	51,203
Non-current liabilities	
Borrowings	(542,892)
Current liabilities	
Trade and other payables	(52,621)
Taxation payable	(10,156)
	351,360

4. Significant transactions (continued)

Gain on acquisition of subsidiary:	**R'000**
Consideration	249,360
Less fair value of identifiable assets acquired and liabilities assumed	(351,360)
Gain on acquisition of subsidiary	(102,000)

The gain on acquisition of subsidiary arose mainly due to as the intangible asset which arose upon acquisition to the amount of R71,8m and the tax benefit that the AFHCO Group obtained in becoming a subsidiary of a REIT, resulting in a reversal of a deferred tax liability to the amount of R37,6m.

Net cashflow on acquisition:	**R'000**
Consideration paid in cash	183,613
Less cash and cash equivalents balances acquired	(51,203)
	132,410

Included in the consolidated profit for the year is R50,6m attributable to the AFHCO Group. Revenue for the year includes R71,8m in respect of the AFHCO Group. Had these business combinations been in effect at 1 January 2014, the revenue of the Group would have been R1 480,7m, and the profit for the year would have been R1 018,9m. Management considers these estimated numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for future comparisons.

5. Interest rate swap derivatives

The interest rate swap derivatives are valued based on the discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk. This is classified as a level 2 financial asset in terms of the degree to which the fair value is observable.

6. Events after the reporting period

Subsequent to year end, Morulat Property Investments 4 Proprietary Limited was acquired for R122 654 000, aligned to the strategic intent of growing the inner-city residential portfolio and was partly settled by the issuance of 26 767 491 units at a price of 448.31 cents. The initial accounting for the business combination is incomplete at the time these financial statements have been authorised for issue. The disclosures required by paragraph B64 of the IFRS 3 Business combinations have not been made as the fair value of the assets acquired and liabilities assumed have not yet been determined.

The directors are not aware of other significant events between the end of the financial year under review and the date of signature of these financial statements.

DISTRIBUTION DECLARATION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution no.40 in respect of the income distribution period 1 July 2014 to 31 December 2014. The distribution amounts to 18.02 cpu. The source of the distribution comprises net income from property rentals and interest earned on cash investments. Please refer to the statement of comprehensive income for further details.

As SA Corporate has REIT status, unitholders are advised that the distributions meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The distributions on SA Corporate units will be deemed to be dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The distributions received by or accrued to South African tax residents must be included in the gross income of such unitholders and are not exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT, with the effect that the distribution is taxable in the hands of the unitholder. These distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident unitholders, provided that the South African resident unitholders have provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated units, or the transfer secretaries, in respect of certificated units:
a) a declaration that the distribution is exempt from dividends tax; and
b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

DISTRIBUTION DECLARATION AND IMPORTANT DATES (continued)

SA Corporate unitholders are advised to contact the CSDP, broker or transfer secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Distributions received by non-resident unitholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that until 31 December 2013 distributions received by non-residents from a REIT were not subject to dividend withholding tax. From 1 January 2014, any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the unitholder.

Assuming dividend withholding tax will be withheld at a rate of 15%, the net dividend amount due to non-resident unitholders is 15.317 cents per SA Corporate unit. A reduced dividend withholding rate, in terms of the applicable DTA, may only be relied on if the non-resident unitholder has provided the following forms to the CSDP or broker, as the case may be, in respect of uncertificated units, or the transfer secretaries, in respect of certificated units:
a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident unitholders are advised to contact the CSDP, broker or the transfer secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

1,997,394,919 SA Corporate units are in issue at the date of this distribution declaration and SA Corporate's income tax reference number is 2951279203.

Last date to trade cum distribution	Friday, 20 March 2015
Units will trade ex-distribution	Monday, 23 March 2015
Record date to participate in the distribution	Friday, 27 March 2015
Payment of distribution	Monday, 30 March 2015

Unit certificates may not be dematerialised or re-materialised between Monday, 23 March and Friday, 27 March 2015 both days inclusive.

SA Corporate Real Estate Fund Managers Limited

Registered office	**Registered auditors**	**Transfer secretaries**	**Sponsor**
South Wing, First Floor	Deloitte & Touche	Computershare Investor Services (Pty) Ltd	Nedbank Capital
Block A	1st Floor	Ground Floor	A division of Nedbank Limited
The Forum	The Square	70 Marshall Street	135 Rivonia Road
North Bank Lane	Cape Quarter	Johannesburg	Sandton
Century City	27 Somerset Road	2001	2196
7441	Cape Town	PO Box 61051	
Tel 021 529 8410	8005	Marshalltown	
		2107	

Directors: J Molobela (Chairman), TR Mackey (Managing)*, AM Basson (Finance)*, RJ Biesman-Simons, GP Dingaan, KJ Forbes, EM Hendricks (appointed 2 April 2014), P Levett, SH Mia (retired 15 May 2014), MA Moloto (appointed 7 July 2014), R Morar (resigned 28 February 2014), ES Seedat

* Executive

B Swanepoel
Company Secretary
27 February 2015