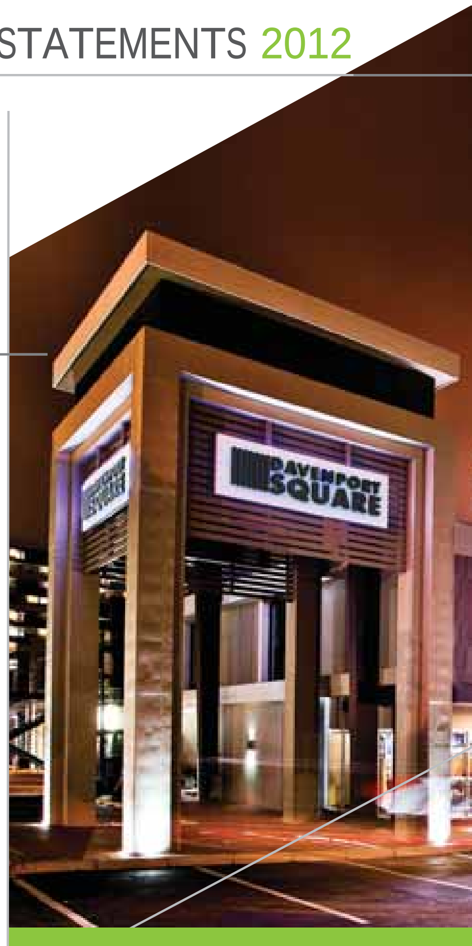
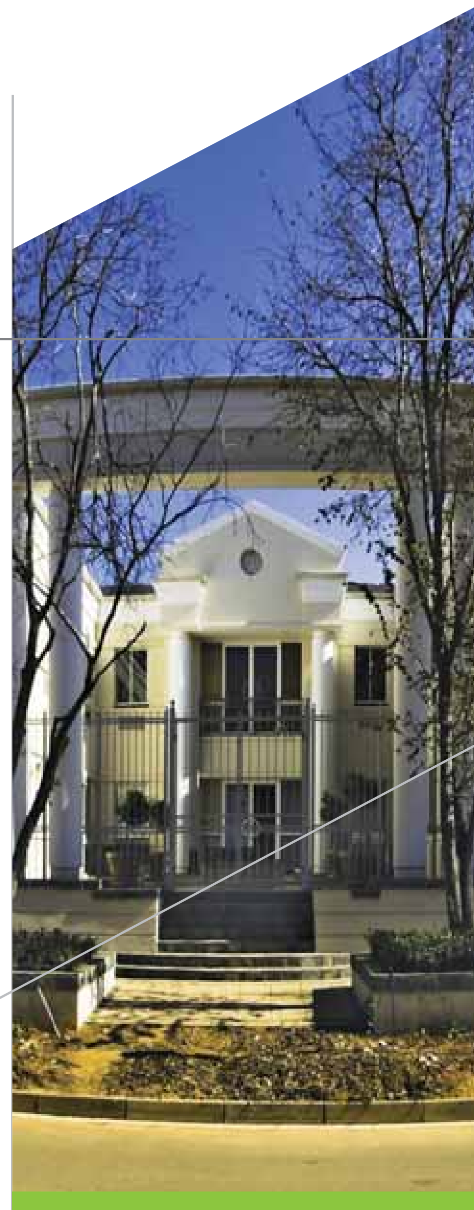
SA CORPORATE REAL ESTATE FUND

ANNUAL FINANCIAL STATEMENTS 2012





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SA CORPORATE REAL ESTATE FUND

Contents To The Audited Annual Financial Statements

SA CORPORATE REAL ESTATE FUND MANAGERS LIMITED

Contents To The Audited Annual Financial Statements

Cover pictures from left to right: 112 Yaldwyn Road, Jet Park, Gauteng
Davenport Square Shopping Centre, Durban, KwaZulu Natal
21 Fricker Road, Illovo, Gauteng

DIRECTORS' RESPONSIBILITY

For And Approval Of The Annual Financial Statements

The directors of SA Corporate Real Estate Fund Managers Limited are responsible for the preparation and integrity of the annual financial statements and the related information included in the SA Corporate Real Estate Fund ("the Fund") and all its subsidiaries ("the Group") annual financial statements. In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal controls and reviews its operation, primarily through the Risk & Compliance Committee and Audit Committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures. These controls are implemented by trained, skilled personnel with appropriate segregation of duties, are monitored by management and the Risk, Audit & Compliance Committe, which was split into the Risk & Compliance Committee and Audit Committee with effect from 1 January 2013, and include a comprehensive budgeting and reporting system operating within an appropriate control framework.

The external auditors are responsible for reporting on the annual financial statements, and their opinion is included on pages 3 and 4. The annual financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act, No. 45 of 2002, and incorporate disclosures in line with the accounting practices of the Group. They are based on appropriate accounting policies consistently applied, except where otherwise stated, and are supported by reasonable judgements and estimates.

The directors believe that the Group will be a going concern in the year ahead. Accordingly, in preparing the annual financial statements, the going concern basis has been adopted.

The annual financial statements for the year ended 31 December 2012 as set out on pages 5 to 41 were approved by the Board of Directors on 25 March 2013 and are signed on its behalf by:

RJ Biesman-Simons
Independent Non-Executive Acting Chairman
25 March 2013

ES Seedat
Acting Chairman - Audit Committee
25 March 2013

These annual financial statements have been prepared under the supervision of:
AM Basson
CA (SA)
Financial Director

REPORT OF THE TRUSTEE

For the year ended 31 December 2012

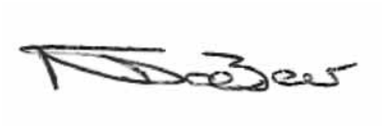
To the unitholders of SA Corporate Real Estate Property Fund

As Trustees to the SA Corporate Real Estate Trust Scheme ("the Scheme"), we are required, in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the CISCA"), to report to the unitholders on the administration of the Scheme during each annual accounting period.

We advise, for the year 1 January 2012 to 31 December 2012, we reasonably believe that the Manager has administered the Scheme in accordance with:

i.) the limitations imposed on the investment and borrowing powers of the manager by the CISCA; and
ii.) the provisions of the CISCA and the relevant deeds.

We confirm that, according to the records available to us, there were no material instances of compliance contraventions and therefore no consequent losses incurred by the portfolio in the year.



Nelia De Beer

Marian Rutters

First National Bank, a division of FirstRand Bank Limited
Trustee
25 March 2013

1st Floor, 3 First Place, Bank City
Cnr Simmons & Jeppe Streets
Johannesburg
2001

East Rand Galleria, Boksburg, Gauteng

INDEPENDENT AUDITOR'S REPORT

To The Unitholders Of SA Corporate Real Estate Fund

We have audited the consolidated and separate annual financial statements of SA Corporate Real Estate Fund set out on pages 5 to 41, which comprise the consolidated and separate statements of financial position as at 31 December 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in unitholders' funds and the consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of SA Corporate Real Estate Fund Managers Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act, No. 45 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

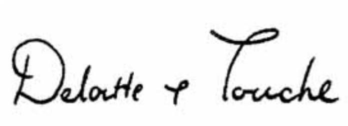
Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of SA Corporate Real Estate Fund as at 31 December 2012, and the consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act, No. 45 of 2002.

Other reports

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012 we have read the Directors' Responsibility and Report of the Trustee for the purpose of identifying whether there are material inconsistencies between these reports and the consolidated and separate audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche
Registered Auditor

Per: DJ Cilliers
Partner
25 March 2013
1st Floor
The Square
Cape Quarter
27 Somerset Road
Cape Town
8005

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries JK Mazzocco Talent and Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board
Regional Leader: MN Alberts

A full list of partners is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

	Notes	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000 Restated	Fund 2010 R000 Restated
Assets						
Non-current assets						
Investment in fixed property companies	7	-	-	3 312 431	3 515 231	3 680 509
Shares		-	-	782 655	791 756	936 166
Loans		-	-	2 529 776	2 723 475	2 744 343
Investment property	8	7 733 791	7 812 992	4 352 314	4 350 282	4 551 604
Letting commissions and tenant installations	8	53 521	41 114	30 778	22 943	23 133
Investment in associate		-	-	-	-	155 892
Interest rate swap derivatives	15	2 854	-	2 854	-	-
Rental receivable straight line adjustment		199 851	182 058	135 555	118 103	91 306
		7 990 017	8 036 164	7 833 932	8 006 559	8 502 444
Current assets						
Investment in associate classified as held for disposal	9	-	175 208	-	168 954	-
Properties classified as held for disposal	10	182 900	527 700	124 900	422 050	278 535
Trade and other receivables	11	129 142	164 557	62 044	66 671	60 830
Letting commissions and tenant installations	10	835	-	171	-	-
Intercompany loans	7	-	-	96 234	109 905	88 916
Capital gains taxation in fixed property companies		824	-	-	-	-
Rental receivable - straight line rental adjustment		33 233	28 775	20 681	19 015	17 439
Cash and cash equivalents	12	407 281	373 651	373 401	320 719	277 669
		754 215	1 269 891	677 431	1 107 314	723 389
Total assets		8 744 232	9 306 055	8 511 363	9 113 873	9 225 833
Unitholders' funds and liabilities						
Unitholders' funds	13	6 973 355	6 967 767	6 973 359	6 961 517	7 125 700
Non-current liabilities						
Interest bearing borrowings	14	620 975	1 222 982	620 975	1 222 982	1 684 330
Interest rate swap derivatives	15	-	13 732	-	13 732	31 541
Deferred taxation	16	146 744	95 363	-	-	-
		767 719	1 332 077	620 975	1 236 714	1 715 871
Current liabilities						
Trade and other payables	17	171 317	183 572	85 189	95 346	86 701
Interest bearing borrowings	14	520 000	500 000	520 000	500 000	-
Capital gains taxation and secondary taxation in companies		56	2 415	55	55	2 265
Distributions payable	18	305 475	301 411	305 475	301 428	295 296
Interest rate swap derivatives	15	6 310	18 813	6 310	18 813	-
		1 003 158	1 006 211	917 029	915 642	384 262
Total unitholders' funds and liabilities		8 744 232	9 306 055	8 511 363	9 113 873	9 225 833

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

		Group		Fund	
		2012	2011	**2012**	2011
	Notes	**R000**	R000	**R000**	R000
Revenue	6	**1 227 838**	1 235 323	**644 726**	672 965
Income					
Rent		**893 877**	891 049	**524 810**	525 766
Straight line rental adjustment	8	**8 177**	28 575	**5 155**	34 102
Recovery of property expenses		**325 784**	315 699	**114 761**	113 097
Income from associate company	9	**1 402**	41 141	**1 402**	16 970
Interest income		**1 402**	16 970	**1 402**	16 970
Share of post-acquisition reserves		**-**	24 171	**-**	-
Interest income		**30 547**	23 597	**29 506**	22 406
Dividends from fixed property companies		**-**	-	**293 952**	318 468
		1 259 787	1 300 061	**969 586**	1 030 809
Expenses					
Accounting and secretarial fees		**(5 893)**	(10 205)	**(3 296)**	(10 205)
Audit fees		**(1 661)**	(1 517)	**(1 661)**	(1 517)
Administrative fees		**(11 594)**	(7 737)	**(11 368)**	(7 463)
Interest expense		**(139 202)**	(164 161)	**(139 117)**	(163 164)
Property administration fees		**(35 200)**	(34 815)	**(12 740)**	(13 458)
Property expenses		**(407 387)**	(396 966)	**(160 163)**	(162 284)
Service fees		**(35 559)**	(31 539)	**(20 273)**	(31 539)
		(636 496)	(646 940)	**(348 618)**	(389 630)
Operating income		**623 291**	653 121	**620 968**	641 179
Amortisation of debt restructure costs		**(32 739)**	(27 473)	**(32 739)**	(27 473)
Revaluation of interest rate swap	15	**(30 141)**	(1 004)	**(30 141)**	(1 004)
Capital (loss) / profit on disposal of investment properties/investments		**(20 075)**	3 276	**(6 538)**	(2 588)
Capital profit on disposal of investment in associate	9	**-**	-	**6 254**	-
Revaluation of investment properties / investments	8	**246 236**	(235 767)	**194 184**	(74 640)
Revaluation of fixed property companies		**-**	-	**(9 101)**	(139 973)
(Impairment) / revaluation of investment in associate		**-**	(4 855)	**-**	13 062
Profit before taxation		**786 572**	387 298	**742 887**	408 563
Taxation (charge)/credit	20	**(49 939)**	27 463	**-**	-
Net profit attributable to unitholders		**736 633**	414 761	**742 887**	408 563
Other comprehensive income, net of taxation		**27 473**	27 473	**27 473**	27 473
Amortisation of hedge reserve		**27 473**	27 473	**27 473**	27 473
Total comprehensive income attributable to unitholders		**764 106**	442 234	**770 360**	436 036

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

for the year ended 31 December 2012

	Capital R000	Non-distributable reserves R000	Distributable reserves R000	Total R000
GROUP				
Unitholders' funds at 1 January 2011	**7 076 649**	**49 086**	**-**	**7 125 735**
Total comprehensive income for the year	-	27 473	414 761	442 234
Net profit for the year	-	-	414 761	414 761
Amortisation of debt restructure costs	-	27 473	-	27 473
Capital items transferred to non-distributable reserves	-	(185 441)	185 441	-
Revaluation of interest rate swap	-	(1 004)	1 004	-
Revaluation of investment properties	-	(28 892)	28 892	-
Revaluation of investment property under development	-	(206 875)	206 875	-
Impairment of investment in associate	-	(4 855)	4 855	-
Capital profit on disposal of investment properties	-	3 276	(3 276)	-
Taxation on property revaluation and disposals	-	26 009	(26 009)	-
Straight line rental adjustment net of taxation	-	30 122	(30 122)	-
Other	-	80	(80)	-
Share of associate company's post-acquisition reserves	-	24 171	(24 171)	-
Amortisation of debt restructure costs	-	(27 473)	27 473	-
	7 076 649	(108 882)	600 202	7 567 969
Distributions attributable to unitholders	-	-	(600 202)	(600 202)
Unitholders' funds at 31 December 2011	**7 076 649**	**(108 882)**	**-**	**6 967 767**
Total comprehensive income for the year	**-**	**27 473**	**736 633**	**764 106**
Net profit for the year	**-**	**-**	**736 633**	**736 633**
Amortisation of debt restructure costs	**-**	**27 473**	**-**	**27 473**
Capital items transferred to non-distributable reserves	**-**	**120 820**	**(120 820)**	**-**
Revaluation of interest rate swap	**-**	**(30 141)**	**30 141**	**-**
Revaluation of investment properties	**-**	**245 611**	**(245 611)**	**-**
Revaluation of investment property under development	**-**	**625**	**(625)**	**-**
Capital loss on disposal of investment properties	**-**	**(20 075)**	**20 075**	**-**
Taxation on property revaluation and disposals	**-**	**(49 792)**	**49 792**	**-**
Straight line rental adjustment net of taxation	**-**	**7 331**	**(7 331)**	**-**
Amortisation of debt restructure costs	**-**	**(27 473)**	**27 473**	**-**
Early debt settlement cost	**-**	**(5 266)**	**5 266**	**-**
42 879 535 units repurchased	**(142 489)**	**-**	**-**	**(142 489)**
Unit repurchase cost	**(216)**	**-**	**-**	**(216)**
Lapsed distribution on units repurchased	**-**	**-**	**795**	**795**
	6 933 944	**39 411**	**616 608**	**7 589 963**
Distributions attributable to unitholders	**-**	**-**	**(616 608)**	**(616 608)**
Unitholders' funds at 31 December 2012	**6 933 944**	**39 411**	**-**	**6 973 355**

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (continued)

for the year ended 31 December 2012

	Capital R000	Non-distributable reserves R000	Distributable reserves R000	Total R000
FUND				
Unitholders' funds at 1 January 2011	**7 076 615**	**49 085**	**-**	**7 125 700**
Total comprehensive income for the year	-	27 473	408 563	436 036
Net profit for the year	-	-	408 563	408 563
Amortisation of debt restructure costs	-	27 473	-	27 473
Capital items transferred to non-distributable reserves	-	(191 656)	191 656	-
Revaluation of interest rate swap	-	(1 004)	1 004	-
Revaluation of investment properties/investments	-	(115 542)	115 542	-
Revaluation of investment property under development	-	(99 071)	99 071	-
Impairment of investment in associate	-	13 062	(13 062)	-
Capital loss on disposal of investment properties/investments	-	(2588)	2 588	-
Other	-	655	(655)	-
Straight line rental adjustment net of taxation	-	34 102	(34 102)	-
Capital property company dividend	-	6 203	(6 203)	-
Amortisation of debt restructure costs	-	(27 473)	27 473	-
	7 076 615	(115 098)	600 219	7 561 736
Distribution attributable to unitholders	-	-	(600 219)	(600 219)
Unitholders' funds at 31 December 2011	**7 076 615**	**(115 098)**	**-**	**6 961 517**
Total comprehensive income for the year	**-**	**27 473**	**742 887**	**770 360**
Net profit for the year	**-**	**-**	**742 887**	**742 887**
Amortisation of debt restructure costs	**-**	**27 473**	**-**	**27 473**
Capital items transferred to non-distributable reserves	**-**	**127 074**	**(127 074)**	**-**
Revaluation of interest rate swap	**-**	**(30 141)**	**30 141**	**-**
Revaluation of investment properties/investments	**-**	**184 458**	**(184 458)**	**-**
Revaluation of investment property under development	**-**	**625**	**(625)**	**-**
Capital loss on disposal of investment properties/investments	**-**	**(6 538)**	**6 538**	**-**
Capital profit on disposal of associate	**-**	**6 254**	**(6 254)**	**-**
Straight line rental adjustment	**-**	**5 155**	**(5 155)**	**-**
Amortisation of debt restructure costs	**-**	**(27 473)**	**27 473**	**-**
Early debt settlement cost	**-**	**(5 266)**	**5 266**	**-**
42 879 535 units repurchased	**(142 489)**	**-**	**-**	**(142 489)**
Unit repurchase cost	**(216)**	**-**	**-**	**(216)**
Lapsed distribution on units repurchased	**-**	**-**	**795**	**795**
	6 933 910	**39 449**	**616 608**	**7 589 967**
Distribution attributable to unitholders	**-**	**-**	**(616 608)**	**(616 608)**
Unitholders' funds at 31 December 2012	**6 933 910**	**39 449**	**-**	**6 973 359**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Notes	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000 Restated	Fund 2010 R000 Restated
Cash flows from operating activities						
Net profit for the year		**736 633**	414 761	**742 887**	408 563	852 140
Adjustments for:						
Interest received		**(30 547)**	(23 597)	**(29 506)**	(22 406)	(35 299)
Total income received from associate company		**(1 402)**	(41 141)	**(1 402)**	(16 970)	(15 620)
Interest paid		**139 202**	164 161	**139 117**	163 164	165 462
Provision for doubtful debt movement		**(14 427)**	(3 145)	**(3 990)**	(1 644)	(4 026)
Provision for VAT		**5 925**	-	**5 925**	-	-
Amortisation of letting commissions and tenant installations		**30 687**	15 602	**14 260**	8 992	7 795
Taxation		**49 939**	(27 463)	**-**	(615)	-
Revaluation of investment properties / investments (excluding straight line adjustment)		**(253 788)**	317	**(189 613)**	81 440	(200 599)
Revaluation of investment property under development		**(625)**	206 875	**(625)**	99 071	(91 320)
Impairment / (revaluation) of investment in associate		**-**	4 855	**-**	(13 062)	(22 568)
Interest rate swap revaluation and amortisation of debt restructure costs		**62 880**	28 477	**62 880**	28 477	54 434
Capital loss / (profit) on disposal of investment properties / investments		**20 075**	(3 276)	**6 538**	2 588	(359)
Capital profit on disposal of associate		**-**	-	**(6 254)**	-	-
Operating profit before working capital changes		**744 552**	736 426	**740 217**	737 598	710 040
Working capital changes		**31 663**	17 674	**6 202**	(16 542)	(10 467)
Decrease / (Increase) in current receivables		**49 843**	(16 395)	**22 284**	(25 187)	(39 961)
(Decrease) / Increase in current payables		**(18 180)**	34 069	**(16 082)**	8 645	29 494
Cash generated from operations		**776 215**	754 100	**746 419**	721 056	699 573
Interest received		**30 547**	23 597	**29 506**	22 406	35 299
Interest from associate company		**1 402**	16 970	**1 402**	16 970	15 620
Interest paid		**(139 202)**	(164 161)	**(139 117)**	(163 164)	(165 462)
Interest swap early settled		**-**	-	**-**	-	(88 355)
Taxation paid		**(1 742)**	(13 328)	**-**	(1 595)	-
Distributions paid	18	**(612 544)**	(594 087)	**(612 561)**	(594 087)	(572 068)
Net cash flows from operating activities		**54 676**	23 091	**25 649**	1 586	(75 393)
Net cash flows from investing activities		**708 137**	1 430	**756 216**	2 812	(147 080)
Settlement of interest rate swap	15	**(59 230)**	-	**(59 230)**	-	-
Increase in investment properties / investments	8	**(117 946)**	(174 747)	**(58 404)**	(79 634)	(310 543)
Proceeds on disposal of investment properties / investments		**754 034**	191 573	**720 908**	91 248	181 269
Increase in letting commissions and tenant installations	8	**(43 929)**	(15 396)	**(22 266)**	(8 802)	(17 806)
Proceeds on disposal of investment in associate		**175 208**	-	**175 208**	-	-
		762 813	24 521	**781 865**	4 398	(222 473)
Net cash flows from financing activities		**(729 183)**	38 652	**(729 183)**	38 652	84 330
Repurchase of units		**(142 489)**	-	**(142 489)**	-	-
Unit repurchased cost		**(216)**	-	**(216)**	-	-
Lapsed distribution on units repurchased		**795**	-	**795**	-	-
Early debt settlement cost		**(5 266)**	-	**(5 266)**	-	-
(Decrease) / Increase in interest bearing borrowings		**(582 007)**	38 652	**(582 007)**	38 652	84 330
Net increase in cash		**33 630**	63 173	**52 682**	43 050	(138 143)
Cash and cash equivalents at beginning of year		**373 651**	310 478	**320 719**	277 669	415 812
Cash and cash equivalents at end of year	12	**407 281**	373 651	**373 401**	320 719	277 669

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2012

1. General information

SA Corporate Real Estate Fund (“the Fund”), incorporated in the Republic of South Africa, is a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, No. 45 of 2002. The Fund is listed on the JSE Limited. The Fund is managed by SA Corporate Real Estate Fund Managers Limited, a company approved by the Registrar of Collective Investment Schemes to manage the Fund.

2. Adoption of new and revised International Financial Reporting Standards

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on or before 1 January 2012. The adoption of these standards and interpretations has not resulted in any adjustment to the amounts previously reported in the Annual Financial Statements for the year ended 31 December 2011.

3. Accounting policies

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies used in the preparation of the financial statements are consistent with those applied in the prior year. The financial statements have been prepared on the going concern and historical cost bases, except where otherwise stated.

The principal accounting policies are set out below:

3.1 Basis of consolidation

The Group Annual Financial Statements incorporate the results and financial position of the Fund and all its subsidiaries. The results of subsidiaries are included from the effective dates of gaining control and up to the effective dates of relinquishing control. All inter-entity transactions and balances between Group entities are eliminated.

The accounting policies of the subsidiaries are consistent with those of the Fund.

3.2 Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the aggregate of the fair value of the underlying assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Cost directly attributable to the acquisition is recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortised and is tested for impairment on an annual basis.

If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal.

3.3 Investment in subsidiaries

Investments in subsidiary companies, including fixed property companies, are revalued to fair value at each reporting date. Surpluses or deficits on revaluation or disposal are reflected in profit or loss and transferred to capital in the statement of changes in unitholders' funds.

3.4 Investment properties

Investment properties are properties held to earn rentals and appreciate in capital value. Investment properties are initially recognised at cost, including transaction costs on acquisition, and are stated at their fair value at each reporting date. These fair values of property exclude accrued operating lease income. Gains or losses arising from changes in the fair values are reflected in profit or loss in the year in which they arise and are transferred to non distributable reserves in the statement of changes in unitholders' funds. Land and buildings are not depreciated.

3.4 Investment properties (continued)

Properties purchased by the Group and settled by the issuing of units are recorded at the fair value of the properties acquired, unless that fair value cannot be reliably measured, in which case they are measured at the fair value of the units granted in terms of IFRS 2: Share Based Payments. This excludes purchases of properties which are regarded as business combinations as described in note 3.2.

New buildings that are acquired and developed for future use as investment property as well as existing investment property that is redeveloped for continued future use as investment property are carried at fair value.

Properties held under long term operating leases are classified and accounted for as investment properties.

Partially held investment property is treated as a jointly controlled asset as the co-owners jointly control the property. The following is therefore recognised in the annual financial statements:

- the undivided share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities incurred;
- any income from the sale or use of the undivided share of the output of the partially held investment property, together with the share of any expenses incurred by the partially held investment property; and
- any expenses incurred in respect of the interest held in the partially held investment property.

3.5 Investment in associates

Associates are those companies, which are not subsidiaries or joint ventures, over which the Group exercises significant influence. Results of associates are accounted for in the Group using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. Any losses of associates are brought to account until the investment in and loans to such associates are written down to a nominal amount. Thereafter, losses are accounted for only insofar as the Group is committed to providing financial support to such associates. The carrying value of investments in associates represents the cost of each investment including unimpaired goodwill, the share of post acquisition retained earnings and losses and the movements in reserves less any impairment. Equity accounted income represents the Group's proportionate share of the associate's post-acquisition accumulated profit after accounting for distributions declared by the associates. Any significant movements between the year-end of associates and the Group are accounted for. Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associate.

In the Fund the investment in the associate is held at cost less impairments in accordance with IAS 27.

3.6 Borrowing costs

Where a fixed property company undertakes a major development or refurbishment of its property, interest is capitalised to the cost of the property concerned during the construction period. Where a property, owned by the Fund, undertakes a major development or refurbishment, interest is capitalised to the extent that it is directly incurred in the course of development.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.7 Assets held for sale

Properties and other non-current assets which have been earmarked for sale and have met the recognition criteria in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations are classified as current assets held for sale. Properties held for sale are measured at fair value in terms of IAS 40: Investment Property. Other assets held for sale are measured at their fair value less cost to sell.

3.8 Taxation

The Fund is treated as a trust for income taxation purposes and no liability for taxation arises on its profits to the extent that it is distributed by the Fund. The Fund's capital profit is exempt from capital gains taxation.

The fixed property companies are subject to taxation. For these companies the income tax expense comprises the sum of current taxation payable, secondary taxation on companies and deferred taxation. Taxable profit differs from accounting profit as it excludes income or expenses that are taxable or deductible in other years and it excludes items never deductible or taxable.

3.8 Taxation (continued)

Deferred taxation is provided for using the balance sheet liability method based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxation assets and liabilities are not recognised if the temporary differences arise from goodwill, or from the initial recognition (other than business combinations) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred taxation is raised in the fixed property companies at the Capital Gains Tax rate on all temporary differences arising from the revaluation of investment properties.

3.9 Impairment (excluding goodwill)

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Whenever an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying amount. A reversal of impairment loss is recognised immediately in profit or loss.

3.10 Financial instruments

A financial asset or financial liability is recognised for as long as the Group is party to the contractual provisions of the instrument.

3.10.1 Non-derivative financial instruments

Non-derivative financial instruments recognised on the balance sheet include cash and cash equivalents, trade and other receivables, straight line rental adjustment, investments, unitholders' funds, interest bearing borrowings and trade payables.

a. Financial assets

i. Initial recognition

Financial assets are initially measured at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets are classified into the following specified categories: 'at fair value through profit or loss', 'held to maturity' investments, 'available for sale' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

ii. Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3.10.1 Non-derivative financial instruments (continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Investments in fixed property companies have been designated as at fair value through profit or loss.

iii. Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment losses.

The Group does not currently have any held-to-maturity investments.

iv. Available for sale financial assets

Gains and losses arising from changes in fair value of available for sale financial assets, other than impairment losses, are recognised directly in equity. Where the investment is disposed of, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

v. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

vi. Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

b. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

i. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

ii. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

3.10.1 Non-derivative financial instruments (continued)

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

iii. Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.10.2 Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to interest rate risk exposures. At inception, these instruments are either designated as cash flow hedges, or not, on an item by item basis.

Derivative financial instruments designated as a hedge:
Changes in the fair value of designated cash flow hedging instruments are recognised in other comprehensive income and accumulated in equity to the extent that the hedge is effective. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged items affects profit or loss.

Derivative financial instruments not designated as a hedge:
Derivative financial instruments not designated as cash flow hedging instruments are accounted for as financial instruments at fair value through profit or loss.

The fair value of the interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made on the settlement amount of the obligation.

3.12 Revenue recognition

Revenue comprises gross rental income, including all recoveries from tenants. Variable operating cost recoveries are recognised on the accrual basis. Rental income and fixed operating costs recoveries are recognised on the straight line basis in accordance with IAS 17: Leases. Turnover rental income is recognised on the accrual basis and measured at fair value.

Interest income is recognised at the effective rates of interest on a time related basis.

Dividends are recognised when the right to receive them is established.

3.13 Leases

Investment properties leased out under operating leases are reflected as investment properties on the balance sheet. Where there are fixed increments in rental, the income is recognised on a straight line basis in accordance with IAS 17: Leases.

3.14 Deferred expenses

Deferred expenses comprise tenant installation costs and letting commissions which are amortised on a straight line basis over the lease period to which they relate. The tenant installations and letting commissions are separately disclosed. As at date of disposal, the unamortised deferred expense is included in the capital profit or loss of the property.

3.15 Distributions

In terms of the Collective Investment Schemes Act, No. 45 of 2002 the Fund is obliged to distribute to its unitholders all net revenue profit earned and received.

3.16 Segment reporting

Information reported to the Group's chief operating decision makers, for the purposes of resource allocation and assessment of its performance, is based on the economic sectors in which the investment properties operate.

On a primary basis the Group operates in the following reportable segments:

- Retail
- Industrial
- Offices & other

3.17 Unitholders' funds

Unitholders' funds represent the residual interest in the Fund's assets after deducting all of its liabilities and have been accounted for as equity. Units issued by the Fund are recognised at the proceeds received, net of direct issue cost. Units repurchased by the Fund are recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own units.

4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of the fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment the Group considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing leases and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Principal assumptions of management's estimation of fair value

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group used assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: The receipt of contracted rentals, expected future market rentals, lease renewals, maintenance requirements and appropriate discount and capitalisation rates. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

4. Critical accounting estimates and judgements (continued)

The expected future market rentals are determined with reference to current market rentals for similar properties in the same location and condition.

(b) Doubtful debt provision

All legal arrears that have been summonsed, as well as tenants with arrears older than 90 days, have been provided against. Exceptions are applied based on an assessment of the individual debtor.

5. New accounting standards and IFRIC interpretations

Certain new additional accounting standards and IFRIC interpretations have been published that are applicable for future accounting periods. These new standards and interpretations have not been early adopted by the Group. The directors do not expect that the adoption of the standards and interpretations will have a material impact on future financial statements. The standards and interpretations in issue, but not yet effective, that are relevant to the Group are:

IFRS 7 Financial Instruments: Disclosures (effective 1 January 2013)
IFRS 9 Financial Instruments (effective 1 January 2015)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 11 Joint Arrangements (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 27 Separate Financial Statements (effective 1 January 2013)
IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)
IAS 31 Interests in Joint Ventures (effective 1 January 2013)
IAS 32 Financial Instruments: Presentation (effective 1 January 2014)
SIC 13 Jointly Controlled Entities - Non-Monetary Contribution by Venturers (effective 1 January 2013)

6. Revenue

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000
Rent	**876 136**	884 168	**520 691**	525 065
Turnover rent	**17 741**	6 881	**4 119**	701
Total rent	**893 877**	891 049	**524 810**	525 766
Straight line rental adjustment	**8 177**	28 575	**5 155**	34 102
Recovery of property expenses	**325 784**	315 699	**114 761**	113 097
	1 227 838	1 235 323	**644 726**	672 965

7. Investment in fixed property companies

The Fund has pledged and ceded the shares and loan accounts of certain of its subsidiary companies, to secure loan facilities of R500m by Old Mutual Specialised Finance Proprietary Limited (2011: R1 000m). At 31 December 2012 the balance owing to Old Mutual Specialised Finance Proprietary Limited was R500m (2011: R1 000m). Refer to note 14 for details of borrowings.

The Fund's claims against Madison Park Properties 24 Proprietary Limited and Jrad Investments Proprietary Limited have been subordinated in favour of outside creditors to the extent of the deficit on shareholder funds in these companies. The total deficit on the shareholder funds in these companies amount to R98 635 723 (2011: R95 909 269).

7. Investment in fixed property companies (continued)

The following subsidiaries, incorporated in South Africa, are wholly owned by SA Corporate Real Estate Fund Nominees Proprietary Limited, as nominee of the Fund:

	Fund		Fund		Fund	
	2012 R000	2011 R000	2012 R000	2011 R000	2012 R000	2011 R000
	Intercompany loans		Investment in fixed property companies		Recovery of property expenses	
Fixed property companies						
Blue Heron Proprietary Limited	740	(143)	44 004	44 218	249	-
Dune Lark Investments Proprietary Limited	188	413	24 745	25 107	145	-
Erf 84-85-86 Shakas Head Proprietary Limited	(278)	118	24 203	22 522	136	-
Grey Heron Investments Proprietary Limited	402	(167)	19 924	20 809	124	-
Jrad Investments Proprietary Limited	(233)	(167)	31 063	29 669	168	-
Madison Park Properties 24 Proprietary Limited	14 588	15 180	36 171	39 922	191	-
Rock Kestrel Investments Proprietary Limited	466	(20)	7 150	7 826	44	-
SA Retail Properties Proprietary Limited	66 751	76 989	2 878 001	3 104 817	15 724	-
Stondell Investments Proprietary Limited	(5)	(90)	5 929	5 751	37	-
Umlazi Mega City Proprietary Limited	8 793	10 713	117 710	109 978	674	-
Whirlprops 25 Proprietary Limited	4 457	(1 698)	80 106	62 693	448	-
Wood Ibis Investments Proprietary Limited	365	336	43 425	41 919	260	-
	96 234	101 464	3 312 431	3 515 231	18 200	-
Distributions receivable from associate	-	8 441	-	-	-	-
	96 234	109 905	3 312 431	3 515 231	18 200	-

Stellenbosch Square, Stellenbosch

8. Investment property

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Carrying value at beginning of year	**7 812 992**	8 185 492	**4 350 282**	4 551 604
at valuation	**7 178 125**	7 347 450	**4 194 700**	4 077 400
straight line rental adjustment	**(210 833)**	(184 258)	**(137 118)**	(108 746)
property under development	**845 700**	1 022 300	**292 700**	582 950
Acquisitions and improvements	**117 946**	174 747	**58 404**	79 634
at valuation	**111 053**	46 872	**52 729**	34 113
property under development	**5 375**	121 912	**5 375**	42 119
capitalised interest	**1 518**	5 963	**300**	3 402
Fair value adjustment	**246 236**	(235 767)	**194 184**	(74 640)
at valuation	**253 788**	(317)	**198 714**	58 533
straight line rental adjustment	**(8 177)**	(28 575)	**(5 155)**	(34 102)
property under development	**625**	(206 875)	**625**	(99 071)
Net transfer from property under development	**(788 400)**	(97 600)	**(235 400)**	(236 700)
Net transfer to investment property	**788 400**	97 600	**235 400**	236 700
Transfer of properties classified as held for disposal	**(443 383)**	(311 480)	**(250 556)**	(206 316)
at valuation	**(429 309)**	(313 480)	**(236 593)**	(212 046)
straight line rental adjustment	**(14 074)**	2 000	**(13 963)**	5 730
Carrying value at end of year	**7 733 791**	7 812 992	**4 352 314**	4 350 282
at valuation	**7 903 575**	7 178 125	**4 445 250**	4 194 700
straight line rental adjustment	**(233 084)**	(210 833)	**(156 236)**	(137 118)
property under development	**63 300**	845 700	**63 300**	292 700
Letting commissions and tenant installations				
Carrying value at beginning of year	**41 114**	41 320	**22 943**	23 133
Amortisation during the year	**(30 687)**	(15 602)	**(14 260)**	(8 992)
Additions during the year	**43 929**	15 396	**22 266**	8 802
Transfer to property held for disposal *	**(835)**	-	**(171)**	-
Carrying value at end of year	**53 521**	41 114	**30 778**	22 943

* As detailed in note 10.

The fair value of the entire portfolio of investment properties, excluding properties subject to unconditional contracted sales, was determined by independent registered valuers, ACRES, based on the discounted cash flow method and approved on 21 February 2013 by the Board of Directors.

Included in the investment property is capitalised interest as detailed in note 19.

8. Investment property (continued)

The independent valuers applied current market related assumptions to the risks in rental streams of properties. Discount rates in the respective sectors ranged as follows:

	2012		2011	
	Discount rates (%)	**Terminal capitalisation rates (%)**	Discount rates (%)	Terminal capitalisation rates (%)
Industrial	**14.25 - 16.25**	**8.75 - 10.75**	15.00 - 19.00	9.00 - 13.00
Retail	**13.50 - 17.50**	**8.00 - 12.00**	14.50 - 18.00	8.50 - 12.00
Offices & other	**14.50 - 16.00**	**9.00 - 10.50**	15.00 - 17.00	9.00 - 11.00

Certain properties are subject to mortgage bonds in favour of Absa Bank Limited, Old Mutual Specialised Finance Proprietary Limited and Rand Merchant Bank, a division of FirstRand Bank Limited as detailed in note 14.

9. Investment in associate

Oryx Properties Limited ("Oryx") is a property loan stock company incorporated in Namibia and listed on the Namibian Stock Exchange. The carrying value of the Group's 25.47% interest in Oryx comprises:

	Group		Fund	
	2012 R000	2011 R000	**2012 R000**	2011 R000
Cost of acquisition (14 019 055 units)	**168 954**	168 954	**168 954**	168 954
Cumulative share of post-acquisition reserves	**58 399**	58 399	**-**	-
Cumulative impairment	**(52 145)**	(52 145)	**-**	-
Capital profit on disposal of associate	**-**	-	**6 254**	-
Disposal of investment in associate	**(175 208)**	-	**(175 208)**	-
Current carrying value	**-**	175 208	**-**	168 954
Market value	**-**	175 208	**-**	175 208
Income from associate company:				
Interest income	**1 402**	16 970	**1 402**	16 970
Share of retained income	**-**	24 171	**-**	-
	1 402	41 141	**1 402**	16 970

Oryx has a 30 June year end.

9. Investment in associate (continued)

	Group 2012 R000	Group 2011 R000
Financial information of associate at 31 December		
	N$000*	N$000*
Investment properties		
At valuation	-	1 107 427
Straight line basis adjustment	-	(28 596)
Other non-current assets	-	27 480
Other current assets	-	16 117
Total assets	-	1 122 428
Debentures and debenture premium	-	(291 303)
Deferred taxation	-	(18 197)
Other non-current liabilities	-	(257 946)
Current liabilities	-	(44 003)
Total liabilities	-	(611 449)
Net asset value	-	510 979
Results for the year to 31 December		
Rental revenue before straight line rental adjustment	-	121 895
Profit before finance costs	-	178 473
Finance costs	-	(24 084)
Debenture interest	-	(67 562)
Profit before taxation	-	86 827
Taxation	-	(1 766)
Net profit for the year	-	85 061
Group's share of reserves	-	130 146
Group's share of profit after tax	-	21 665

* N$1 = R1

In January 2012 SA Corporate disposed of its shareholding in Oryx Properties.

10. Properties classified as held for disposal

The Group continued with its disposal strategy that was embarked on in 2008, to improve the quality of the portfolio and earnings. Several properties have already been transferred. Certain sale agreements have also been concluded, some of which are now unconditional with others pending the fulfillment of suspensive conditions.

The assets and liabilities held for sale are as follows:

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000

10. Properties classified as held for disposal (continued)

Carrying value at beginning of year	**527 700**	402 518	**422 050**	278 535
Net transfer from investment properties	**429 309**	313 480	**236 593**	212 046
Transfer from investment properties	**413 309**	332 696	**226 705**	235 901
Revaluation adjustment of buildings disposed or classified as held for disposal	**16 000**	(19 216)	**9 888**	(23 855)
Disposal	**(774 109)**	(188 297)	**(533 743)**	(68 531)
Carrying value at end of year	**182 900**	527 700	**124 900**	422 050
Straight line rental adjustment	**(2 309)**	(16 383)	**(1 246)**	(15 210)
Straight line rental adjustment	**2 309**	16 383	**1 246**	15 210
	182 900	527 700	**124 900**	422 050
Letting commissions and tenant installations				
Carrying value at beginning of year	**-**	-	**-**	-
Transfer from investment property *	**835**	-	**171**	-
Carrying value at end of year	**835**	-	**171**	-

* As detailed in note 8.

11. Trade and other receivables

Trade receivables	**47 415**	68 210	**14 978**	18 548
Provision for doubtful debts	**(27 229)**	(41 655)	**(6 216)**	(11 530)
Trade receivables net of provision for doubtful debts *	**20 186**	26 555	**8 762**	7 018
Other receivables and accrued interest	**108 956**	138 002	**53 282**	59 653
	129 142	164 557	**62 044**	66 671

* As detailed in note 27.

12. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks.

Cash and bank balances	**27 248**	40 135	**11 339**	7 073
Money markets investments and call accounts	**345 124**	293 258	**345 124**	293 258
Distributions account	**316**	2 274	**316**	2 274
Tenant deposit	**34 593**	37 984	**16 622**	18 114
	407 281	373 651	**373 401**	320 719

The tenant deposit and distributions accounts are not available for use by the Group, as it relates to the tenant deposit liability included in payables.

13. Unitholders' funds

Capital 2 038 989 077 (2011: 2 081 868 612) units	**6 933 944**	7 076 649	**6 933 910**	7 076 615
Non distributable reserves	**39 411**	(108 882)	**39 449**	(115 098)
	6 973 355	6 967 767	**6 973 359**	6 961 517

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

13. Unitholders' funds (continued)

The non-distributable reserves include items of a capital nature which may not be distributed to the unitholders in terms of the Trust Deed.

The statement of changes in unitholders' funds reflects a detailed analysis of movements in unitholders' funds.

The Board previously approved the implementation of a unit repurchase programme which was confirmed by the unitholders at the respective annual general meetings in May 2011 and 2012. In terms of the programme, a portion of the proceeds from the sale of the properties can be used to repurchase units in the open market which would then be cancelled. From March to April 2012 30 952 100 units were repurchased in the open market at an average price of 323.08c and in December 2012 11 927 435 were repurchased at an average price of 356.24c.

14. Interest bearing borrowings

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Absa Bank Limited	**619 835**	601 842	**619 835**	601 842
Loans bearing interest at JIBAR plus 1.7% per annum. This loan is repayable on 11/09/2014.	**399 835**	*399 839	**399 835**	*399 839
Loan bearing interest at JIBAR plus 1.7% per annum. This loan is repayable on 31/12/2013.	**220 000**	202 003	**220 000**	202 003
Old Mutual Specialised Finance Proprietary Limited	**500 000**	1 000 000	**500 000**	1 000 000
Loan bearing interest at a fixed rate of 10.82% per annum NACQ. This loan was repayable on 31/12/2012.	**-**	500 000	**-**	500 000
Loan bearing interest at JIBAR plus 1.6% per annum. This loan is repayable on 13/08/2013.	**270 000**	*270 000	**270 000**	*270 000
Loan bearing interest at JIBAR plus 2.75% per annum. This loan is repayable on 13/08/2013.	**30 000**	*30 000	**30 000**	*30 000
Loan bearing interest at JIBAR plus 2.5% per annum. This loan is repayable on 29/04/2015.	**200 000**	*200 000	**200 000**	*200 000
Nedbank Limited Loan bearing interest at a fixed rate of 10.57% per annum until 13/09/2013, thereafter at a variable rate at prime less 2.3% until 30/10/2015. This loan is repayable on or before 31/10/2015.	**-**	100 000	**-**	100 000
Rand Merchant Bank, a division of FirstRand Bank Limited Loan bearing interest at JIBAR plus 2.25% per annum. This loan is repayable on 25/07/2016	**21 140**	21 140	**21 140**	21 140
	1 140 975	1 722 982	**1 140 975**	1 722 982
Non-current borrowings	**620 975**	1 222 982	**620 975**	1 222 982
Current borrowings	**520 000**	500 000	**520 000**	500 000
	1 140 975	1 722 982	**1 140 975**	1 722 982

* Interest rate risk is mitigated by an interest rate swap derivative for all loans marked by an asterisk.

14. Interest bearing borrowings (continued)

The fair value of the interest bearing borrowings excluding the effect of interest rate swaps as at 31 December 2012 amounts to R1 140m (2011: R1 723m).

On 14 December 2012, the Fund restructured its debt swap profile by cancelling interest-rate swap contracts with high rates and entered into agreements at more favourable rates. The new swaps were contractually entered into on 14 December 2012 and are effective from 2 January 2013 as detailed in note 15.

The Fund early settled its long term debt facility with Nedbank Limited to the amount of R100m.

These loans are secured by first mortgage bonds over a portion of the property portfolio to the value of R3 692m (2011: R5 278m), as listed below and in note 8, as well as the cession of shares and loan accounts of certain of the Fund's property companies as indicated in note 8:

Property

ABSA Bank Limited
106 Johan Avenue - Sandton
199 North Ridge Road - Durban
40 Electron Avenue - Isando
9 Milner Road - Paarden Eiland (Tableview Industrial Park)
90 Electron Avenue - Isando
Atterbury Décor - Pretoria
Checkers - Somerset West
Cnr Rudo Nel & Tudor Streets - Jet Park
Cnr Staal & Stephenson Road - Pretoria
East Rand Galleria - Durban
Midway Mews - Midrand
Musgrave Centre - Durban

Old Mutual Specialised Finance Proprietary Limited
111 Mimets Road - Denver
112 Yaldwyn Road - Jet Park
13 Wellington Road - Johannesburg*
2 Fobian Street - Boksburg
21 Fricker Road - Illovo*
21 Pomona Road - Pomona*
27 Jet Park Road - Jet Park
37 Yaldwyn Road - Jet Park*
425 West Street - Durban
5 Yaldwyn Road - Jet Park
57 Sarel Baard Crescent - Centurion*
83 Heidelburg Ave - City Deep*
88 Loper Avenue - Aeroport*
Beryl Street - Jet Park
Bluff Shopping Centre - Durban
Cnr Handel & Crownwood Roads - Ormonde
Cnr Koornhof Rd & Essex Street - Meadowdale*
Davenport Square Shopping Centre - Durban*
Forest Road Design & Décor Centre - Fourways*
Hayfields Mall - Pietermaritzburg*
Montana Crossing - Pretoria
Springfield Value Centre - Springfield*

14. Interest bearing borrowings (continued)

Old Mutual Specialised Finance Proprietary Limited (continued)
Stellenbosch Square - Stellenbosch
Tygerberg Business Park - Cape Town*
Whirlprops 25 P Proprietary Limited - Durban
*Released as at 31/12/2012 with the settlement of the R500m loan.

Rand Merchant Bank, a division of FirstRand Bank Limited
Comaro Crossing - Oakdene
1 Baltex Road - Isipingo
1 Holwood Park La Lucia
Nobel Street Office Park - Bloemfontein
6 Cedarfield Close - Durban
10 Yarborough Road - Pietermaritzburg
Lebombo Road - Pretoria
11 Columbine Place - Red Hill
6 - 9 Mahogany Road - Mahogany Ridge
36 Wierda Rd West - Sandton

The Fund is subject to, and is in compliance with, the following covenants:

Covenants	2012 Ratio	2011 Ratio
ABSA Bank Limited		
Interest cover ratio	**>2.00**	>2.00
Net rental income to net interest	**>1.60**	>1.35
Total loan to value	**<0.30**	<0.30
Total borrowings to total assets (excluding negative mark to market values)	**<0.60**	<0.60
Total borrowings to total assets (including negative mark to market values)	**<0.65**	<0.65
Old Mutual Specialised Finance Proprietary Limited		
Interest cover ratio	**>2.00**	>2.00
Security portfolio loan to value	**<0.50**	<0.50
Total loan to value	**<0.30**	<0.30
Security tenancy level	**>0.90**	>0.90
Vacancy level	**<0.10**	<0.10
Hedging - total debt	**<0.15**	<0.15
Nedbank Limited		
Gearing ratio (total borrowings to total assets)	**-**	<0.30
Interest Cover (calculated on headline earnings)	**-**	>3.00
Rand Merchant Bank, a division of FirstRand Bank Limited		
Interest bearing debt asset ratio	**<0.30**	<0.30
Facility outstandings mortgaged asset value ratio	**<0.35**	<0.35
Interest cover ratio	**>2.50**	>2.50
Facility interest cover ratio	**>2.50**	>2.50
Net asset value	**>R 3.5bn**	>R 3.5bn

14. Interest bearing borrowings (continued)

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Debt funding capacity				
Loan and guarantee facilities	**1 140 975**	1 722 982	**1 140 975**	1 722 982
Unutilised facility	**258 860**	178 860	**258 860**	178 860
Overdraft facility	**38 000**	-	**38 000**	-
Total facilities in place	**1 437 835**	1 901 842	**1 437 835**	1 901 842
Difference between facility and debt funding capacity	**1 007 098**	716 178	**945 929**	676 249
Total debt funding capacity	**2 444 933**	2 618 020	**2 383 764**	2 578 091
Less: Net interest rate swap liability	**(3 456)**	(32 545)	**(3 456)**	(32 545)
Less: Facility utilised	**(1 140 975)**	(1 722 982)	**(1 140 975)**	(1 722 982)
Debt funding capacity available at end of year	**1 300 502**	862 493	**1 239 333**	822 564
Adjusted for future capital commitments and proceeds on disposal	**78 544**	(1 066)	**57 715**	19 792
Total capital commitments	**(31 284)**	(34 176)	**(25 518)**	(13 318)
Expected proceeds on disposal	**109 828**	33 110	**83 233**	33 110
Anticipated available debt capacity	**1 379 046**	861 427	**1 297 048**	842 356

15. Interest rate swap derivatives

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Designated and accounted for at fair value through profit or loss				
Non-current asset	**2 854**	-	**2 854**	-
Non-current liability	**-**	(13 732)	**-**	(13 732)
Current liability	**(6 310)**	(18 813)	**(6 310)**	(18 813)
Carrying amount of net liability	**(3 456)**	(32 545)	**(3 456)**	(32 545)
Carrying value at beginning of year	**(32 545)**	(31 541)	**(32 545)**	(31 541)
Fair value adjustment	**(30 141)**	(1 004)	**(30 141)**	(1 004)
Settlement	**59 230**	-	**59 230**	-
Carrying value at end of year	**(3 456)**	(32 545)	**(3 456)**	(32 545)

Interest rate swap agreements, for 5-7 years linked to JIBAR, have been concluded to convert floating rates to fixed rates. The total nominal value of the swaps is R720m (2011: R900m).

In December 2012, the Fund restructured its debt swap profile by cancelling interest-rate swap contracts with high rates and entered into agreements at more favourable rates.

The Fund carries the derivatives as financial liabilities at fair value through profit or loss.

The following table indicates the periods in which the net undiscounted cash flows are expected to occur and impact profit or loss:

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Expected cash (outflow) / inflow	**(945)**	(44 746)	**(945)**	(44 746)
Not later than 1 year	**(6 517)**	(19 388)	**(6 517)**	(19 388)
Later than 1 year and not later than five years	**(816)**	(25 358)	**(816)**	(25 358)
More than 5 years	**6 388**	-	**6 388**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
16. Deferred taxation				
Balance at the beginning of year	**95 363**	119 774	**-**	-
Charged to the income statement	**51 381**	(24 411)	**-**	-
Not included in headline earnings				
Current year	**31 334**	(22 864)	**-**	-
Change in capital gains taxation inclusion rate	**19 201**	-	**-**	-
Included in headline earnings	**846**	(1 547)	**-**	-
Balance at the end of year	**146 744**	95 363	**-**	-
17. Trade and other payables				
Trade and other payables	**170 283**	179 424	**84 197**	91 241
Unclaimed distributions	**1 034**	4 148	**992**	4 105
	171 317	183 572	**85 189**	95 346

Northpark Mall, Pretoria North, Gauteng

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000

18. Distributions payable

Balance at the beginning of year	**301 411**	295 296	**301 428**	295 296
Distribution attributable to unitholders	**616 608**	600 202	**616 608**	600 219
Distributions paid	**(612 544)**	(594 087)	**(612 561)**	(594 087)
Balance at the end of year	**305 475**	301 411	**305 475**	301 428

19. Capitalisation of interest

Interest capitalised during development phases	**1 518**	5 963	**300**	3 402

Interest was capitalised at annual rates ranging from 8.3% to 8.8% (2011: 8.5% to 8.7%)

The capitalised interest is included in the investment property as detailed in note 8

20. Taxation

Current income taxation	**1 442**	3 916	**-**	-
Deferred taxation	**(51 381)**	24 411		
Deferred capital gains taxation	**(50 535)**	22 864	**-**	-
Deferred taxation on straight line rental adjustment *	**(846)**	1 547	**-**	-
Secondary taxation on companies	**-**	(864)	**-**	-
Total taxation (charged) / credited	**(49 939)**	27 463	**-**	-

Deferred taxation is provided on the revaluation of properties owned by fixed property companies at the capital gains taxation rate of 18.7% (2011: 14.0%).

* Excluded from headline earnings

Taxation rate reconciliation	**%**	%	**%**	%
Standard rate	**18.7**	14.0	**-**	-
Change in capital gain taxation inclusion rate	**4.0**	-	**-**	-
Permanent differences	**(3.0)**	0.7	**-**	-
Distributions vested in beneficiary	**(14.6)**	(21.7)	**-**	-
Secondary Taxation on Companies	**-**	0.2	**-**	-
Deferred taxation asset not recognised	**0.1**	0.8	**-**	-
Utilisation of assessed losses	**1.1**	(1.1)	**-**	-
Effective rate	**6.3**	(7.1)	**-**	-

The taxation adjustment is primarily attributable to the revaluation adjustment charged through profit or loss.

No taxation is provided for against operating profit, to the extent that it is declared as a tax deductible distribution in terms of section 11(s) of the Income Tax Act. Therefore the Group reconciles the capital gains tax rate to the effective taxation rate.

20. Taxation (continued)

The capital gains taxation inclusion rate for companies has increased from 50.0% to 66.7% for all disposals of assets after 1 March 2012. This has increased the effective capital gains taxation rate from 14.0% to 18.7%.

Deductible temporary differences and unutilised tax losses for which no deferred tax asset has been raised

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000
Deferred taxation of investment property	**18 302**	13 401	**-**	-
Estimated taxation loss	**16 185**	2 534	**-**	-
	34 487	15 935	**-**	-

21. Net profit, earnings, and diluted earnings per unit

The calculation of net profit, earnings, and diluted earnings per unit are based on a net profit of R736 633 000 (2011: R414 761 000) for the Group and 2 057 569 388 (2011: 2 081 868 612) weighted units in issue at the end of the year. Net profit, earnings, and diluted earnings per unit are 35.80c (2011: 19.92c).

22. Headline earnings per unit

The calculation of headline earnings per unit is based on headline earnings of R559 565 000 (2011: R626 191 000) for the Group and 2 057 569 388 (2011: 2 081 868 612) weighted units in issue during the year.

Reconciliation of earnings, headline earnings and distribution attributable to unitholders:

	Group		Group	
	2012	**2012**	2011	2011
	R000	**CPU**	R000	CPU
Net profit for the year	**736 633**	**35.80***	414 761	19.92*
Adjustments for:				
Capital loss / (profit) on disposal of investment properties	**20 075**		(3 276)	
Taxation on capital profit on disposal of investment properties	**(1 442)**		(3 052)	
Revaluation of investment properties	**(245 611)**		28 892	
Revaluation of investment property under development	**(625)**		206 875	
Taxation on revaluation	**50 535**		(22 864)	
Impairment of investment in associate	**-**		4 855	
Headline earnings	**559 565**	**27.20***	626 191	30.08*
Straight line rental adjustment	**(8 177)**		(28 575)	
Taxation on straight line rental adjustment	**846**		(1 547)	
Share of associate company's after taxation profit	**-**		(24 171)	
Amortisation of debt restructure costs	**32 739**		27 473	
Other	**699**		(173)	
Revaluation of interest rate swap	**30 141**		1 004	
Lapsed distribution on units bought back	**795**		-	
Distributable income attributable to unitholders	**616 608**	**30.15**	600 202	28.83
Interim	**311 133**	**15.17**	298 791	14.35
Final	**305 475**	**14.98**	301 411	14.48

* Weighted average cents per unit

	Group		Fund	
	2012	2011	2012	2011
	R000	R000	R000	R000

23. Distribution per unit

	Group 2012	Group 2011	Fund 2012	Fund 2011
Available for distribution	616 608	600 202	616 608	600 219
	cents	cents	cents	cents
No. 33 declared 19 August 2011, paid 26 September 2011		14.35		14.35
No. 34 declared 22 February 2012, paid 26 March 2012		14.48		14.48
No. 35 declared 20 August 2012, paid 01 October 2012	15.17		15.17	
No. 36 declared 22 February 2013, paid 25 March 2013	14.98		14.98	
Distributions declared (cents per unit)	30.15	28.83	30.15	28.83

24. Operating lease income

	Group 2012	Group 2011	Fund 2012	Fund 2011
The minimum future lease payments receivable under non-cancellable operating leases are as follows:	R000	R000	R000	R000
Not later than 1 year	842 384	930 094	464 638	519 277
Later than one year and not later than 5 years	1 878 632	2 150 598	1 059 813	1 272 639
Later than 5 years	321 962	502 237	241 462	348 977
	3 042 978	3 582 929	1 765 913	2 140 893
Straight line rental adjustment	(235 393)	(227 216)	(157 482)	(152 328)
	2 807 585	3 355 713	1 608 431	1 988 565

25. Operating lease expense

	Group 2012	Group 2011	Fund 2012	Fund 2011
Rent paid recognised as an expense:				
Minimum rental expense	(2 457)	(2 271)	(12)	(414)
Contingent rental expense	(2 563)	(2 817)	-	-
Total rental expense	(5 020)	(5 088)	(12)	(414)
The minimum future lease payments payable under non-cancellable operating leases are as follows:				
Not later than 1 year	(3 269)	(3 114)	-	-
Later than 1 year and not later than 5 years	(14 148)	(13 601)	-	-
Later than 5 years	(238 600)	(242 416)	-	-
	(256 017)	(259 131)	-	-
The minimum future sub-lease payments receivable under non-cancellable operating leases are as follows:				
Not later than 1 year	58 795	65 801	-	-
Later than 1 year and not later than 5 years	164 159	176 639	-	-
Later than 5 years	3 024	25 137	-	-
	225 978	267 577	-	-

Operating lease expense relates to leases of land with leases expiring between 2025 and 2054.

Operating lease income relates to leases expiring between 2013 and 2029.

The contingent rental expense is calculated as a percentage of either the valuation or the net rental income generated by the property.

26. Segment results

2012 Information on reportable segments

	Industrial R000	Retail R000	Offices & other R000	Corporate R000	Group R000
Revenue	473 486	654 095	100 257	-	1 227 838
Rental income (excluding straight line rental adjustment)	389 648	421 518	82 711	-	893 877
Net property expenses	(34 092)	(64945)	(17766)	-	(116 803)
Property administration fees	(5 973)	(27 477)	(1 750)	-	(35 200)
Property expenses	(84 468)	(288 190)	(34 729)	-	(407 387)
Recovery of property expenses	56 349	250 722	18 713	-	325 784
Net property income	355 556	356 573	64 945	-	777 074
Straight line rental adjustment	27 489	(18 145)	(1 167)	-	8 177
Income from associate company	-	-	-	1 402	1 402
Interest income	-	-	-	30 547	30 547
Interest expense	-	-	-	(139 202)	(139 202)
Amortisation of debt restructure costs	-	-	-	(32 739)	(32 739)
Group expenses	-	-	-	(54 707)	(54 707)
Capital loss on disposal of investment properties	(1 044)	(17 865)	(1 134)	(32)	(20 075)
Revaluation of investment properties	178 919	66 073	619	-	245 611
Investment properties	206 408	47 928	(548)	-	253 788
Straight line rental adjustment	(27 489)	18 145	1 167	-	(8 177)
Revaluation of investment properties under development	625	-	-	-	625
Revaluation of interest rate swap	-	-	-	(30 141)	(30 141)
Taxation	(5 689)	(44 088)	(162)	-	(49 939)
Net profit / (loss) attributable to unitholders	555 856	342 548	63 101	(224 872)	736 633
Properties	3 495 654	3 747 343	671 385	-	7 914 382
At valuation	3 556 400	3 688 075	659 100	-	7 903 575
Straight line rental adjustment	(129 446)	(83 232)	(22 715)	-	(235 393)
Under development	63 300	-	-	-	63 300
Classified as held for disposal	5 400	142 500	35 000	-	182 900

Revenue reported above represents revenue, from external tenants, generated in South Africa. The Fund does not place significant reliance on any single tenant. No single tenant contributed 10% or more to the Fund's revenue for both 2012 and 2011.

26. Segment results (continued)

2011 Information on reportable segments

	Industrial R000	Retail R000	Offices & other R000	Corporate R000	Group R000
Revenue	435 214	696 660	103 449	-	1 235 323
Rental income (excluding straight line rental adjustment)	363 118	448 345	79 586	-	891 049
Net property expenses	(30 901)	(72 537)	(12 644)	-	(116 082)
Property administration fees	(5 621)	(26 856)	(2 338)	-	(34 815)
Property expenses	(79 084)	(291 009)	(26 873)	-	(396 966)
Recovery of property expenses	53 804	245 328	16 567	-	315 699
Net property income	332 217	375 808	66 942	-	774 967
Straight line rental adjustment	18 292	2 987	7 296	-	28 575
Income from associate company	-	-	-	41 141	41 141
Interest income	-	-	-	23 597	23 597
Interest expense	-	-	-	(164 161)	(164 161)
Amortisation of debt restructure costs	-	-	-	(27 473)	(27 473)
Group expenses	-	-	-	(50 998)	(50 998)
Capital (loss) / profit on disposal of investment properties	(1)	3 295	(18)	-	3 276
Revaluation of investment properties	93 891	(312 841)	(16 817)	206 875	(28 892)
Investment properties	112 183	(309 853)	(9 522)	206 875	(317)
Straight line rental adjustment	(18 292)	(2 988)	(7 295)	-	(28 575)
Revaluation of investment properties under development	-	(107 804)	-	(99 071)	(206 875)
Impairment of investment in associate	-	-	-	(4 855)	(4 855)
Revaluation of interest rate swap	-	-	-	(1 004)	(1 004)
Taxation	(7 766)	34 302	312	615	27 463
Net profit / (loss) attributable to unitholders	436 633	(4 253)	57 715	(75 334)	414 761
Properties	3 286 893	4 349 799	687 617	-	8 324 309
At valuation	3 358 850	3 107 775	711 500	-	7 178 125
Straight line rental adjustment	(101 957)	(101 376)	(23 883)	-	(227 216)
Under development	-	845 700	-	-	845 700
Classified as held for disposal	30 000	497 700	-	-	527 700

27. Financial instruments and financial risk management

The Group is exposed to strategic and business risk, financial risk, regulatory and compliance risk.

This note deals with certain financial analyses relating to the financial risks.

Capital risk management

Capital is actively managed to ensure that the Group is properly capitalised and funded at all times, having regard to its regulatory needs, prudent management and the needs of its stakeholders.

The Group has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, which includes risk and sensitivity analyses of forecasts, that the Group's capital is managed. Specifically, the Group has adopted the following capital management policies:

- Maintenance, as a minimum, of capital sufficient to meet the statutory requirements and such additional capital as management believes is necessary.
- Maintenance of an appropriate level of liquidity at all times. The Group further ensures that it can meet its expected capital and financing needs at all times, having regard to the business plans, forecasts and any strategic initiatives.
- Maintenance of an appropriate level of issued units based on approval from the unitholders and the Board.

The Group has both qualitative and quantitative risk management procedures to monitor the key risks and sensitivities of the business. This is achieved through scenario analyses and risk assessments. From an understanding of the principal risks, appropriate risk limits and controls are defined.

Gearing ratio

The Group's investment committee reviews the capital structure on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group's borrowing capacity is limited to 30% of the total investment portfolio value in terms of the Trust Deed and 60% in terms of the Collective Investment Schemes Control Act, No. 45 of 2002. The Group's current borrowings amount to 14% (2011: 20%) of its total investment portfolio.

The debt to total investment portfolio ratio at the year-end was as follows:

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000
Debt (before effective interest rate adjustment)	**1 140 975**	1 722 982	**1 140 975**	1 722 982
Total investment portfolio *	**8 149 775**	8 726 733	**7 945 881**	8 593 635
Net debt to property ratio	**14%**	20%	**14%**	20%

* Total investment portfolio includes investment property (at valuation), property under development, properties classified as held for disposal, investment in fixed property companies and investment in associate.

Financial risk management objectives

In the normal course of operations, the Group is exposed to interest rate risk, credit risk and liquidity risk arising from its financial instruments. In order to manage these risks, the Group may enter into transactions which make use of derivatives. The Group does not speculate in or engage in the trading of derivative instruments.

27. Financial instruments and financial risk management (continued)

Interest rate risk management

Interest rate movements impact on the net cost of the Group's short term cash investments and interest bearing borrowings. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, monitoring cash flows and investing surplus cash at negotiated rates. The Group enters into interest rate swap contracts, from time to time, for the purposes of cash flow hedging.

It is the Group's policy that all debt above 5% of the property portfolio value be fixed to reduce the interest rate risk to acceptable levels. This excludes the funding of developments in progress that will be ring-fenced in order to comply with the accounting requirements for capitalising interest.

Interest rate sensitivity analysis

The sensitivity analysis is based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rates internally to key management personnel and represents management's reasonable assessment of the possible change in interest rates. If interest rates were 50 basis points higher/lower and all other variables were constant, the Group's and Fund's net profit for the year ended 31 December 2012 would decrease/increase by R5,7m (2011: R1,1m). In December 2012, the Fund restructured its debt swap profile by cancelling interest-rate swap contracts with high rates and entered into agreements at more favourable rates, effective from January 2013.

The Group's sensitivity to a 50 basis point interest rate change on cash balances, would increase or decrease the Group's net profit for the year by R2,0m (2011: R1,9m) and the Fund's net profit by R1,9m (2011: R1,6m), if the closing cash balance was in place for the entire year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets that are subject to credit risk are cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk at the end of the year was:

	Group		Fund	
	2012	2011	**2012**	2011
	R000	R000	**R000**	R000
Cash and cash equivalents	**407 281**	373 651	**373 401**	320 719
Trade receivables	**20 186**	26 555	**8 762**	7 018
Other receivables, accrued interest and intercompany loans	**108 956**	138 002	**149 516**	169 558
Loans and receivables (including cash and cash equivalents)	**536 423**	538 208	**531 679**	497 295

Credit risk with regard to trade and other receivables, and the straight line rental adjustment is minimised by the large and diverse tenant base, spread across diverse industries and geographical areas.

Credit risk attached to the Group's cash and cash equivalents is minimised by its cash resources being placed with several financial institutions of high credit standing, in terms of pre-determined exposure limits. Exposure limits are assessed bi-annually and reviewed by the Audit Committee to limit concentration to a single institution.

The Group does not have any significant credit risk exposure to any single tenant counterparty.

27. Financial instruments and financial risk management (continued)

The following table represents relevant information on trade receivables at the balance sheet date:

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Trade receivables	**47 415**	68 210	**14 978**	18 548
Past due but not impaired	**20 186**	26 555	**8 762**	7 018
Impaired (excluding VAT)	**27 229**	41 655	**6 216**	11 530
Provision for doubtful debts	**(27 229)**	(41 655)	**(6 216)**	(11 530)
Trade receivables net of provision for doubtful debts	**20 186**	26 555	**8 762**	7 018
Ageing of trade receivables past due but not impaired	**20 186**	26 555	**8 762**	7 018
< 30 days	**5 654**	807	**2 179**	349
30 days	**3 807**	7 177	**1 369**	2 316
60+ days	**10 725**	18 571	**5 214**	4 353
Ageing of impaired trade receivables	**27 229**	41 655	**6 216**	11 530
< 30 days	**1 757**	-	**313**	-
30 days	**458**	2 150	**29**	228
60+ days	**25 014**	39 505	**5 874**	11 302

Provision for doubtful debts

The movement in the provision for doubtful debts during the year was as follows:

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Balance at the beginning of the year	**41 655**	44 801	**11 530**	13 174
Amounts written off during the year	**(20 324)**	(26 741)	**(6 703)**	(7 300)
Additional provisions recognised	**25 933**	36 695	**6 555**	9 612
Prior year provisions reversed	**(20 035)**	(13 100)	**(5 166)**	(3 956)
Balance at the end of the year	**27 229**	41 655	**6 216**	11 530

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The calculation of the provision for doubtful debts as a percentage of arrear rentals is shown in the table below. The provision is carried exclusive of VAT whilst the arrear rentals include VAT. This has been taken into account in the calculation below.

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Provision excluding VAT	**27 229**	41 655	**6 216**	11 530
VAT thereon	**3 812**	5 832	**870**	1 614
Provision including VAT	**31 041**	47 487	**7 086**	13 144
Arrear rentals	**47 415**	68 210	**14 978**	18 548
Provision as a % of arrear rentals	**65%**	70%	**47%**	71%

Management and the Board do not consider there to be any material credit risk exposure, which is not adequately provided for.

27. Financial instruments and financial risk management (continued)

Liquidity risk management

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Repayment profile of financial liabilities				
Less than three months	497 670	530 282	411 542	442 073
Trade and other payables	170 283	179 424	84 197	91 241
Distributions payable	305 475	301 411	305 475	301 428
Unclaimed distributions	1 034	4 148	992	4 105
Interest rate swap derivatives	1 261	4 846	1 261	4 846
Interest on interest bearing borrowings	19 617	40 453	19 617	40 453
Between three months and one year	578 681	638 315	578 680	635 955
Capital gains taxation and secondary taxation on companies	56	2 415	55	55
Interest bearing borrowings	520 000	500 000	520 000	500 000
Interest rate swap derivatives	5 256	14 542	5 256	14 542
Interest on interest bearing borrowings	53 369	121 358	53 369	121 358
Between one and five years	667 469	1 406 726	667 469	1 406 726
Interest bearing borrowings	620 975	1 222 982	620 975	1 222 982
Interest rate swap derivatives	816	25 358	816	25 358
Interest on interest bearing borrowings	45 678	158 386	45 678	158 386
After five years	-	-	-	-
	1 743 820	2 575 323	1 657 691	2 484 754

The Group expects to meet its other obligations from operating cash flows, existing facilities as detailed in note 14 and refinancing long term debt.

Categories of financial instruments

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Non-derivative financial instruments:				
Financial assets				
Designated as at fair value through profit or loss	-	-	3 312 431	3 515 231
Investment in fixed property companies	-	-	3 312 431	3 515 231
Loans and receivables (including cash and cash equivalents)	521 547	522 441	531 679	497 295
Trade receivables	20 186	26 555	8 762	7 018
Other receivables and accrued interest	94 080	122 235	53 282	59 653
Intercompany loans	-	-	96 234	109 905
Cash and cash equivalents	407 281	373 651	373 401	320 719
	521 547	522 441	3 844 110	4 012 526

27. Financial instruments and financial risk management (continued)

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Financial liabilities				
Amortised cost	**1 610 132**	2 196 913	**1 532 879**	2 115 192
Interest bearing borrowings	**1 140 975**	1 722 982	**1 140 975**	1 722 982
Trade and other payables	**163 682**	172 520	**86 429**	90 782
Distributions payable	**305 475**	301 411	**305 475**	301 428
	1 610 132	2 196 913	**1 532 879**	2 115 192
Derivative financial instruments:				
As at fair value through profit or loss	**3 456**	32 545	**3 456**	32 545

Fair value measurements recognised in the statement of financial position

The table below analyses financial instruments that are measured at fair value, subsequent to initial recognition. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1 fair value adjustments are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value adjustments are those derived from inputs, other quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value adjustments are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data i.e. unobservable inputs.

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Level 1	**-**	-	**-**	-
Level 2				
Derivative financial liabilities	**(3 456)**	(32 545)	**(3 456)**	(32 545)
Level 3				
Financial assets designated as at fair value through profit or loss	**-**	-	**3 312 431**	3 515 231
	(3 456)	(32 545)	**3 308 975**	3 482 686
Financial assets designated as at fair value through profit or loss				
Carrying value at beginning of year	**-**	-	**3 515 231**	3 680 509
Revaluation (net of taxation) recognised through profit or loss *	**-**	-	**(9 101)**	(144 410)
Decrease in inter-entity loan	**-**	-	**(193 699)**	(20 868)
Carrying value at closing of year	**-**	-	**3 312 431**	3 515 231

* The revaluation (net of taxation) recognised through profit or loss for the year included R9 101 000 relating to assets held during the financial year (2011: R144 410 000).

27. Financial instruments and financial risk management (continued)

Level 3: Financial assets designated as at fair value through profit or loss sensitivity analysis

The sensitivity analysis is based on the exposure to the discount rates and growth rates at the balance sheet date. A 50 basis points increase or decrease in the discount rate and a 100 basis points increase or decrease in growth rates represents management's reasonable assessment of the possible change in market rates:

	Growth rate		
Discount rate	(1.0%) 2012 R000	Current 2012 R000	1.0% 2012 R000
Investment in fixed property companies			
0.5%	3 077 652	3 229 253	3 390 800
Current	3 155 155	3 312 431	3 480 712
(0.5%)	3 235 712	3 399 313	3 574 467

The prior year sensitivity analysis has not been disclosed due to the impracticable nature of the disclosure. The disclosure has been prospectively applied.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

28. Related party transactions

PARTY CONCERNED	TRANSACTION TYPE	TERMS & CONDITIONS	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Related party transactions						
Nedbank Limited	Rental Income	Based on market-related rates	8 959	9 266	1 841	2 330
Sponsor of the Fund and subsidiary of the Old Mutual Group	Interest expense on loans	Based on market-related interest rates	(1 969)	(10 599)	(1 969)	(10 599)
	Sponsor fees	Based on JSE regulations	(126)	(117)	(126)	(117)
Oryx Properties Limited *Associate*	Distribution	Minimum 90% of net distributable income	1 402	16 970	1 402	16 970
SA Corporate Real Estate Fund Managers Limited *Managing company*	Service fee	Based on 40bps of enterprise value	(35 559)	(34 815)	(20 273)	(34 815)

28. Related party transactions (continued)

PARTY CONCERNED	TRANSACTION TYPE	TERMS & CONDITIONS	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Related party transactions (continued)						
Old Mutual (South Africa) Limited Group *Intermediate holding company of managing company*	Rental Income	Based on market-related rates	**796**	829	**59**	46
Old Mutual Property Proprietary Limited, including its wholly owned subsidiary Marriott Property Services Proprietary Limited # *95% owner of managing company*	Property management fees	Based on a percentage of rental collections net of VAT	**(35 200)**	(34 815)	**(12 740)**	(13 458)
	Accounting and secretarial fees	Cost recovery basis with annual review	**(5 893)**	(10 205)	**(3 296)**	(10 205)
	Letting commissions	Based on a percentage of rental income on concluded deals	**(21 459)**	(22 246)	**(9 352)**	(11 474)
	Disposal commissions, acquisition and development fees	Sliding scale of sales proceeds and/or development costs	**(3 510)**	(5 572)	**(2 803)**	(1 803)
	On-site staff (jointly controlled building only)	Overhead cost recovery	**(298)**	(883)	**(78)**	(164)
Old Mutual Specialised Finance Proprietary Limited *Subsidiary of the Old Mutual Group*	Interest expense on loans	Based on market related interest rates	**(91 489)**	(92 288)	**(91 489)**	(92 288)
Group Property Companies Δ *(Subsidiaries, joint ventures)*	Distribution	100% of net distributable income	**-**	-	**293 952**	318 468
Group Property Companies Δ *(Subsidiaries, joint ventures)*	Recovery of property expense	Recovery of service fees accounting and secretarial fee and revaluation expense	**-**	-	**18 200**	-
Balances owing at year end						
Old Mutual Specialised Finance Proprietary Limited* *Subsidiary of the Old Mutual Group*	Non-current borrowings		**(300 000)**	(500 000)	**(300 000)**	(500 000)
	Current borrowings		**(200 000)**	(500 000)	**(200 000)**	(500 000)

28. Related party transactions (continued)

Party concerned	Transaction type	Terms & conditions	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Balances owing at year end (continued)						
Nedbank Limited^* *Subsidiary of the Old Mutual Group*	Non-current borrowings		**-**	(100 000)	**-**	(100 000)
SA Corporate Real Estate Fund Managers Limited *Managing company*	Service fee payable	Based on 40bps of enterprise value	**(2 874)**	(2 966)	**(2 874)**	(2 966)
Group Property Companies ∆ *(Subsidiaries, joint ventures)*	Investment in property companies	Fair value of investment	**-**	-	**3 312 431**	3 515 231
Group Property Companies ∆ *(Subsidiaries, joint ventures)*	Intercompany loan receivable	Current receivables	**-**	-	**96 234**	109 905

* Terms and conditions of related party borrowings are detailed in note 14.
# The agreement with Old Mutual Property Proprietary Limited expires on 30 June 2013.
^ The Fund has early settled the loan as detailed in note 14.
∆ Transactions between the Fund and its subsidiaries, as detailed in note 7, have been eliminated on consolidation and are not disclosed in this note. The terms and conditions of both the current and non-current intercompany loans are interest free and with no repayment terms.

29. Capital commitments

	Group 2012 R000	Group 2011 R000	Fund 2012 R000	Fund 2011 R000
Total capital commitments	**31 284**	34 176	**25 518**	13 318

These commitments will be funded by available cash and debt.

STATUTORY INFORMATION AND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

30. Subsequent events

Subsequent to the financial year end under review, the following activities have occurred:

Repurchase of units

The Board previously approved the implementation of a unit repurchase programme for which prior approval had been given by the unitholders at the respective annual general meetings in May 2011 and May 2012. In terms of the programme, a portion of the proceeds from the sale of the properties can be used to repurchase units in the open market which would then be cancelled. From March to April 2012, 30 952 100 units were repurchased in the open market at an average price of 323.08c and in December 2012, 11 927 435 where repurchased at an average price of 356.24c. Subsequent to year end, another 58 896 063 units were repurchased in the open market at an average price of 378.61c.

Possible internalisation of the management of the Fund

The Fund has entered into exclusive discussions with Old Mutual Property Proprietary Limited regarding the possible internalisation of the management of the Fund.

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.

31. Going concern

As referred to in note 28, the property management contract with OMP expires on 30 June 2013. The Fund has embarked on a request for proposal to procure a property manager. The Board is of the view that this will not impact the Fund's ability to operate.

The directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on the going concern basis.

Umlazi Mega City, Umlazi, KwaZulu Natal

32. Contingent Liability

Renbro Shopping Centre

During April 2009 the Fund purchased Renbro Shopping Centre from Kaponong Developments Proprietary Limited for an amount of R106m.

The finalisation of the purchase price was subject to a contingent payment based on the income earned from the property in the 12 months following the date of purchase. The Fund and the seller are in disagreement with respect to the calculation of the net property income. It is not practicable to quantify the amounts due to either party as a result of the different interpretations of the net income calculation. Management has satisfied itself that it is improbable that the purchase price will be increased.

VAT attribution

The Fund applied for a South African Revenue Service ("SARS") ruling with respect to the treatment of the distributions received from the property companies in its VAT attribution calculation. The distributions received have historically been excluded from the calculation as the Fund is deemed to be a conduit due to the requirement of the Trust Deed to fully distribute all distributable income to the unitholders.

SARS has indicated that the Fund is required to include the distributions in its calculation, which would result in a possible disallowed VAT liability of R10,4m for the period 2007 to 2012. Based on a direct attribution calculation the Fund deems the liability to be R5,9m, which it has provided for in the 2012 financial year. SARS has not concluded on the ruling.

33. Prior year adjustment

	Fund As previously reported		Fund Adjusted reporting		Fund Adjustment	
	2011	2010	**2011**	2010	**2011**	2010
	R000	R000	**R000**	R000	**R000**	R000
Statement of Financial Position						
Current assets						
Other receivables and accrued interest	**76 791**	138 929	**59 653**	58 063	**17 138**	80 866
Intercompany loans	**140 150**	136 240	**109 905**	88 916	**30 245**	47 324
	216 941	275 169	**169 558**	146 979	**47 383**	128 190
Current liabilities						
Trade and other payables	**138 624**	213 344	**91 241**	85 154	**47 383**	128 190
Statement of Cashflows						
Working capital	**(16 542)**	(10 467)	**(16 542)**	(10 467)	**-**	-
Decrease / (Increase) in current receivables	**55 621**	(112 092)	**(25 187)**	(39 961)	**(80 808)**	72 131
Decrease / (Increase) in current payables	**(72 163)**	101 625	**8 645**	29 494	**80 808**	(72 131)

In terms of the Trust Deed, the Fund is required to claim all capital expenditure from the Trustees.

This claim from the Trustees has previously been disclosed in "Other receivables and accrued interest" to the extent that it relates to the Fund and in "Intercompany loans" to the extent that it relates to the property companies.

The Trustee's liability has been disclosed in the "Trade and other payables". However, as it does not meet the requirements of the IAS 1 definition of an asset and a liability, this has been corrected in 2012 and the 2011 and 2010 separate Fund statement of Financial Position has retrospectively been restated, with no impact on the Group Statement of Financial Position.

These adjustments have no impact on the consolidated and separate Statements of Comprehensive Income, the Statements of Changes in Unitholders' Funds, nor does it have any impact on the distributable income.

DIRECTORS' RESPONSIBILITY

For And Approval Of The Annual Financial Statements

SA Corporate Real Estate Fund Managers Limited's (the Company) directors are responsible for monitoring the preparation and fair presentation of the annual financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Risk & Compliance and Audit committee.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No 71 of 2008, and incorporate disclosures in line with the accounting practices and corporate governance philosophy of the Company. They are based on appropriate accounting policies consistently applied, except where otherwise stated and are supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for reporting on the annual financial statements, and their opinion is included on pages 46 to 47.

The Board has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future and has no reason to believe the business will not be a going concern in the year ahead. Accordingly, in preparing the annual financial statements, the going concern basis has been adopted.

The annual financial statements for the year ended 31 December 2012 as set out on pages 51 to 61 were approved by the Board of Directors on 25 March 2013 and are signed on its behalf by:

RJ Biesman-Simons
Independent Non-Executive Acting Chairman
25 March 2013

ES Seedat
Acting Chairman -Audit Committee
25 March 2013

These annual financial statements have been prepared under the supervision of:
AM Basson
CA (SA)
Financial Director

SA Corporate Real Estate Fund Managers Limited: **Annual Financial Statements**

DECLARATION BY THE COMPANY SECRETARY

For the year ended 31 December 2012

We hereby certify that SA Corporate Real Estate Fund Managers Limited has lodged with the Companies and Intellectual Property Commissioner all such returns and notices as are required of a public company, in terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended, and that all such returns and notices are true, correct and up to date.

Old Mutual Property

Old Mutual Property Proprietary Limited
Company Secretary
25 March 2013

Mutual Park
Jan Smuts Drive
Pinelands
7405

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2012

The Audit Committee has pleasure in submitting its report which covers both SA Corporate Real Estate Fund ("The Fund") and SA Corporate Real Estate Fund Managers Limited ("the Manco"). The Manco is governed by the Companies Act and as such this report is compiled to meet the requirements of section 94(7)(f) of the Companies Act, 71 of 2008, ("the Act") as amended. The Fund is also governed by the Johannesburg Stock Exchange ("JSE") Listing Requirements which requires it to have an audit committee in compliance with the King III code.

In addition to having statutory responsibilities to the Manco's shareholders, the Audit Committee is a subcommittee of the Board of Directors. It assists the Board through advising them and making recommendations on financial reporting, internal financial controls, risk management, external and internal audit functions and statutory and regulatory compliance of the Fund and Manco. The Committee oversees co-operation between the internal and external auditors and serves as a link between the Board and these functions.

In December 2012, the Board agreed to split the functions of the Risk, Audit & Compliance Committee ("RA&CC") and a separate Audit Committee and Risk & Compliance Committee were constituted with effect from 1 January 2013. This is in line with the recommendations of the King III Report on Corporate Governance.

Terms of reference

The committee has adopted formal terms of reference, delegated to it by its Board of Directors as its scope and responsibilities. The committee follows an annual work plan to ensure all its duties and responsibilities as set out in its terms of reference are dealt with. The committee confirms that the RA&CC has discharged its functions and complied with its terms of reference for the year ended 31 December 2012. The Board concurred with this assessment.

Composition

The committee consists of four independent non-executive directors. All members are independent as described in section 94(4) of the Act. Mr Biesman-Simons stepped down as Chairman of the RA&CC on 25 July 2012 when he was appointed as Acting Chairman of the Board. He was reappointed to the committee on 6 December 2012 in line with the JSE's updated guidance letter which allows for an independent non-executive Chairman of the Board to be a member of the Audit Committee. The appointment of members of the Committee requires the approval by the shareholders at the Annual General Meeting each year.

As at 31 December 2012, the committee comprised:

NAME	QUALIFICATIONS	DATE APPOINTED
Robert John Biesman-Simons	CA(SA)	19 August 2010 Resigned: 25 July 2012 Re-appointed: 6 December 2012
Ebrahim Suleman Seedat	CA(SA)	27 February 2001
Gugulethu Patricia Dingaan	CA(SA)	20 May 2010
Kenneth John Forbes	CA(SA)	19 September 2012

The Chairman, Managing Director and Financial Director and representatives from the external and internal auditors attend the committee meetings by invitation. The Company Secretary acts as secretary to the committee.

Meetings

The RA&CC held four meetings during the year. Separate confidential meetings were held with the external auditors and the representative of the Old Mutual Property Proprietary Limited (OMP) internal auditors.

Statutory duties

The RA&CC discharged its function in terms of the Act as follows:

- Nominated Deloitte & Touche as external auditor for the Fund and Manco and Mr DJ Cilliers as the designated independent auditor and verified their independence.
- Approved the audit fees and determined the external auditor's terms of engagement.

REPORT OF THE AUDIT COMMITTEE (continued)

For the year ended 31 December 2012

Statutory duties (continued)

- Ensured that the appointment of the external auditors complies with the Act and other relevant legislation and requirements.
- Determined the nature and extent of allowable non-audit services. The non-audit services performed by the external auditors include inter alia VAT and Income Tax related services.
- Dealt with queries relating to the accounting practices, internal audit of the Fund and Manco, the content and auditing of its financial statements, the internal financial controls of the Fund and Manco and any other related matters. Enhancements to the disclosures were recommended by the JSE and implemented in the current year.
- Made submissions to the Board on matters concerning the Fund's and Manco's accounting policies, standards, financial control, records and reporting.
- Reviewed the interim and year-end financial statements as well as the integrated annual report.
- Took appropriate steps to ensure that the financial statements were prepared in accordance with the International Financial Reporting Standards and the requirements of the Act.

Delegated duties

The RA&CC executed the duties delegated to it as follows:

- Recommended approval of the property valuations to the Board.
- Reviewed the external auditor's approach and scope document and reviewed the quality and effectiveness of the external audit process.
- Overseeing of the risk management and internal audit functions performed by OMP.
- Discussed and reviewed the findings, problems and concerns arising from the internal and external audits.
- Monitored compliance with legislation and regulations.
- Reviewed the effectiveness of the Fund's and the Manco's system of internal financial control, including receiving assurance from OMP, management, internal audit and external audit.
- Reviewed the performance and objectivity of the internal audit function and approve the internal audit plan and approach.
- Made recommendations on the risk management policy and plan adopted by the Board.
- Made recommendations to the Board concerning the levels of tolerance and appetite for risk.
- Reviewed compliance with the RA&CC terms of reference and recommended changes to the Audit Committee's terms of reference to the Board.
- Reported back to the Board on matters delegated to it in terms of its terms of reference.

Assurances from OMP

The following assurances were provided by OMP for the year ended 31 December 2012:

- The system of internal control within the Fund and Manco has been designed to provide reasonable assurance that significant risks are appropriately managed, that management and financial information emanating from the Fund and Manco is reliable, and that relevant laws and regulations have been complied with and assets are safeguarded.
- The finance function including the senior financial management staff have the necessary skills and experience.
- There were no critical breaches or breakdowns in controls, procedures and systems during the year.
- Risks within the Fund and Manco have been identified, assessed and, in consultation with the Executive Directors, reported to the RA&CC and Board. Risks are subject to regular review and managed appropriately.

Based on the processes reviewed and the assurances obtained, the committee believes that the internal financial controls are effective.

REPORT OF THE AUDIT COMMITTEE (continued)

For the year ended 31 December 2012

Regulatory compliance

The Committee confirms that it has complied with all applicable legal, regulatory and other responsibilities.

Independence of the external auditors

During the year under review the RA&CC reviewed the representation of the external auditor and, after conducting its own review, confirmed the independence of the auditor.

Expertise and experience of the financial director

As required by the JSE Listing Requirements 3.84(h), the RA&CC is satisfied that the Financial Director, Ms Antoinette Basson, possesses the appropriate expertise and experience to meet her responsibilities as required by the JSE.

Financial statements and integrated report

The Committee recommends the annual financial statements to the Board for approval.

E S Seedat
Acting Chairman - Audit Committee
25 March 2013

106 Johan Ave, Sandton, Gauteng

INDEPENDENT AUDITOR'S REPORT

To The Shareholders Of SA Corporate Real Estate Fund Managers Limited

Report on the Financial Statements

We have audited the annual financial statements of SA Corporate Real Estate Fund Managers Limited, set out on pages 51 to 61, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SA Corporate Real Estate Fund Managers Limited as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

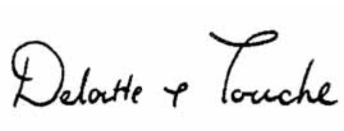
As part of our audit of the financial statements for the year ended 31 December 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

To The Shareholders Of SA Corporate Real Estate Fund Managers Limited

Other reports required by the Companies Act (continued)

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche
Registered Auditor

Per: DJ Cilliers
Partner
25 March 2013
1st Floor
The Square
Cape Quarter
27 Somerset Road
Cape Town
8005

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries JK Mazzocco Talent and Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board
Regional Leader: MN Alberts

A full list of partners is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' REPORT

31 December 2012

Nature of business

The business of the Company is the management of property unit trust schemes in accordance with the Collective Investment Schemes Act, No. 45 of 2002.

Issued share capital

There were no changes to the authorised and issued share capital during the financial year under review. The authorised and issued share capital is

	2012 R	2011 R
100 000 Ordinary shares of R2 each	**200 000**	200 000
1 800 000 "A" Ordinary shares of 1 cent each	**18 000**	18 000
	218 000	218 000

Investments

The Company's beneficial ownership of units in the SA Corporate Real Estate Fund is 1 202 615 units (2011: 1 202 615 units).

Dividends

No dividends were declared for the current period (2011: Nil).

Directorate

The following acted as directors during the year under review:

Director	Date appointed	Date resigned
KM Roman		25 July 2012
RJ Biesman-Simons		
PA Levett		
AM Basson		
KJ Forbes		
ES Seedat		
WC van der Vent		18 May 2012
SH Mia		
LB Van Niekerk		14 May 2012
GP Dingaan		
GJ van Zyl	1 June 2012	
TR Mackey	1 August 2012	
R Morar		
MN Ngcobo		21 February 2012
Alternate		
N Corbishley		21 February 2012

DIRECTORS' REPORT (continued)

31 December 2012

Directorate (continued)

The table below sets out the directors' fees for the year:

	2012 R000	2011 R000
Non-executive		
KM Roman	117	165
RJ Biesman-Simons	264	144
PA Levett * #	168	8
BM Kodisang * #	-	129
A Beattie * #	-	15
KJ Forbes *	177	120
I Mkhari	-	85
MN Ngcobo	24	127
ES Seedat	196	156
WC van der Vent ^	55	102
SH Mia	161	123
GP Dingaan	170	138
R Morar	142	7
Executive		
LB Van Niekerk * #	49	110
GJ Van Zyl * ^	90	-
TR Mackey * #	9	-
AM Basson* #	132	88
Total	1 754	1 517

* Fees accrue to the corporate entity where the director is employed.
# These directors are employed and paid by Old Mutual Property.
^ Fees accrue to the corporate entity where the director is employed up and until date of resignation from that entity.

Executive directors' remuneration

Name	TGP	STI	LTI / MTI	Other^	2012	2011
L B van Niekerk #	912	436	356	1 035	2 739	2 580
G Van Zyl $	677	-	-	-	677	-
T R Mackey *	750	-	-	-	750	-
A M Basson	1 295	225	149	-	1 669	760
	3 634	661	505	1 035	5 835	3 340

TGP = Total Gross Package
S/M/LTI = Short / Medium / Long Term Incentive

2011's Variable Pay allocation (STI/LTI/MTI) is paid March 2012.

A M Basson was appointed on the 1 March 2011.

$ G van Zyl was appointed as Managing Director on 1 June 2012 and resigned from the position on 6 December 2012 when he became a non-executive director. The remuneration is for his 6 months tenure as Managing Director.

L van Niekerk resigned on 14 May 2012 and his remuneration represents 8 months TGP and notice pay to the end of August 2012.

* T R Mackey was appointed as Chief Operating Officer on 1 August 2012 and was appointed as Managing Director on 6 December 2012. The remuneration represents 5 months since his first appointment.

^ This represents other payments and benefits paid to Len van Niekerk.

DIRECTORS' REPORT (continued)

31 December 2012

Auditors

Deloitte & Touche continued in office as auditors of the Company for 2012. At the annual general meeting, shareholders will be requested to reappoint Deloitte & Touche as auditors of SA Corporate Real Estate Fund Managers Limited and to confirm that Mr DJ Cilliers will be the designated audit partner for the 2013 financial year.

Post balance sheet events and going concern

The directors are not aware of any material post balance sheet events and are of the opinion that the Company has adequate resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on the going concern basis.

Company secretary

Old Mutual Property Proprietary Limited

5th floor Mutual Park	P O Box 333
Jan Smuts Drive	Mutual Park
Pinelands	7451
7405	

The above address is also the business address and registered office of the Company.

Musgrave Centre, Durban, KwaZulu Natal

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	2012 R000	2011 R000
Assets			
Non-current assets			
Investment in property fund units	6	**4 390**	4 161
Current assets			
Current tax receivable		**1 431**	1 485
Trade and other receivables		**5 990**	2 966
Cash and cash equivalents	7	**4 903**	4 107
		12 324	8 558
Total assets		**16 714**	12 719
Equity and liabilities			
Capital and reserves			
Share capital	8	**218**	218
Share premium	9	**1 782**	1 782
Non-distributable reserve	10	**2 063**	1 866
Distributable reserve		**7 147**	2 819
		11 210	6 685
Non-current liabilities			
Deferred taxation liability	11	**330**	298
Current liabilities			
Trade and other payables		**5 174**	5 736
Total equity and liabilities		**16 714**	12 719

SA Corporate Real Estate Fund Managers Limited: **Annual Financial Statements**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	2012 R000	2011 R000
Revenue	3.5	**36 633**	34 950
Income		**36 633**	34 950
Income from property fund	12	**35 916**	34 740
Interest received		**268**	210
Legal cost recoveries		**449**	-
Expenses		**(29 709)**	(31 026)
Administration expenses		**(943)**	(1 085)
Asset management fees		**(24 002)**	(28 377)
Audit fees - Current year		**(57)**	(47)
Audit fees - Prior year		**(3)**	-
Directors' fees	13	**(1 754)**	(1 517)
Professional fees		**(2 950)**	-
Profit before taxation and revaluation of investments		**6 924**	3 924
Surplus on revaluation of investment	6	**229**	349
Profit before taxation		**7 153**	4 273
Taxation	14	**(2 628)**	(1 162)
Profit for the year		**4 525**	3 111
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to the shareholders		**4 525**	3 111

SA Corporate Real Estate Fund Managers Limited: **Annual Financial Statements**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital R000	Share premium R000	Non-distributable reserve R000	Distributable reserve R000	Total R000
Balance at 1 January 2011	218	1 782	1 566	8	3 574
Total comprehensive income for the year	-	-	-	3 111	3 111
Transfer to non-distributable reserve	-	-	300	(300)	-
Balance at 31 December 2011	218	1 782	1 866	2 819	6 685
Total comprehensive income for the year	**-**	**-**	**-**	**4 525**	**4 525**
Transfer to non-distributable reserve	**-**	**-**	**197**	**(197)**	**-**
Balance at 31 December 2012	**218**	**1 782**	**2 063**	**7 147**	**11 210**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Notes	2012 R000	2011 R000
Cash flows from operating activities			
Cash generated from operations	15	**2 713**	4 111
Distributions received	12	**357**	343
Interest received		**268**	210
Dividends paid to shareholders	16	**-**	(3 981)
Income taxation paid	17	**(2 542)**	(2 339)
Net cash flows from operating activities		**796**	(1 656)
Cash and cash equivalents at beginning of year		**4 107**	5 763
Cash and cash equivalents at end of year	7	**4 903**	4 107

96, 15th Road, Randjespark, Midrand, Gauteng

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2012

1. General information

SA Corporate Real Estate Fund Managers Limited is a public company incorporated in South Africa. The address of its registered office and principal place of business, together with its principal activities, are disclosed and described in the Directors' Report.

2. Adoption of new and revised International Financial Reporting Standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or before 1 January 2012.

3. Accounting policies

The financial statements provide information about the financial position, results of operations and changes in financial position of the Company. They have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are consistent with those applied in the prior year. The financial statements have been prepared on the going concern and historical cost bases, except where otherwise stated.

The principal accounting policies are set out below:

3.1 Taxation

Income tax charge for the year comprises current and deferred tax, and secondary tax on companies. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Deferred taxation is provided for using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred taxation is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in equity. The effect on deferred taxation of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity. Deferred tax liability is not recognised on temporary differences that arise from the initial recognition of goodwill, initial recognition of an asset or liability in a transaction that is not a business combination which, at the time of transaction, affects neither the accounting nor taxable profit or loss; and temporary differences associated with investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.2 Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of assets, excluding financial assets at fair value through profit or loss, is impaired. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Whenever an impairment loss is subsequently reversed (except for goodwill), the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying amount. A reversal of impairment loss is recognised immediately in profit or loss.

3.3 Financial instruments

A financial asset or financial liability is recognised for as long as the Company is party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables originated by the Company are held at amortised cost, using the effective interest rate method, after deducting accumulated impairment losses. Receivables with no fixed maturity are held at cost.

Other investments in debt and equity

The Company classifies its other investments in debt and equity securities into the following categories:
- at fair value through profit or loss;
- held-to-maturity; and
- available-for-sale.

Held-to-maturity investments are those that the Company has the positive intent and ability to hold to maturity and these are held at amortised cost using the effective interest rate method, after deducting accumulated impairment losses.

Investments classified as at fair value through profit or loss and available-for-sale are held at fair value, which is the market price at the reporting date. Gains and losses arising from available-for-sale financial assets are recognised directly in equity. Gains and losses arising from investments classified as at fair value through profit or loss are recognised in net profit for the period.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs

Trade payables

Trade payables are carried at the fair value of the consideration to be paid in the future for goods and services that have been received or supplied and invoiced or formally agreed with the supplier

3.4 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the settlement amount of the obligation.

3.5 Revenue recognition

Revenue comprises service fees, income from investments and interest income. Service fees and income from investments are recognised at fair value when they accrue. Interest income is recognised in the income statement using the effective interest method taking into account the expected timing and amount of cash flows.

4. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

4. Critical accounting estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. New accounting standards and IFRIC interpretations

Certain new additional accounting standards and IFRIC interpretations have been published that are applicable for future accounting periods. These new standards and interpretations have not been early adopted by the Company. The directors do not expect that the adoption of the standards and interpretations will have a material impact on future financial statements. The standards and interpretations in issue, but not yet effective, that are relevant to the Company are:

IFRS 9 Financial Instruments (effective 1 January 2015)
IFRS 12 Disclosure of Interest In Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 32 Financial Instruments: Presentation (effective 1 January 2014)

	2012 R000	2011 R000
6. Investment in property fund units		
1 202 615 units in SA Corporate Real Estate Fund at carrying value at beginning of year	**4 161**	3 812
Surplus on revaluation of units	**229**	349
Market value at end of year	**4 390**	4 161
Market value of each unit as at 31 December 2012 R3.65 (2011: R3.46)		
7. Cash and cash equivalents		
Cash on call	**1 613**	1 257
Current accounts	**3 290**	2 850
	4 903	4 107
8. Share capital		
Authorised and issued		
100 000 Ordinary shares of R2 each	**200**	200
1 800 000 "A" Ordinary shares of 1 cent each	**18**	18
	218	218
9. Share premium		
Arising on the issue of 1 800 000 "A" Ordinary shares	**1 782**	1 782

	2012 R000	2011 R000
10. Non-distributable reserve		
Balance at beginning of the year	**1 866**	1 566
Revaluation of investments net of deferred capital gains taxation	**197**	300
Balance at end of the year	**2 063**	1 866
Comprising:		
Capital profit arising on the sale of Marriott Property Equity Unit Trust units	**34**	34
Surplus arising on the revaluation of investments net of deferred capital gains taxation	**2 029**	1 832
	2 063	1 866
11. Deferred taxation		
Balance at beginning of the year	**298**	249
Charge for the year	**32**	49
Balance at end of the year	**330**	298
Temporary differences comprise of:		
Deferred taxation on revaluation of investments	**330**	298
12. Income from property fund		
Income from SA Corporate Real Estate Fund:		
Service fee	**35 559**	34 397
Distributions received	**357**	343
	35 916	34 740
13. Director's remuneration		
Directors' fees		
- Current *	**1 754**	1 517
The executive directors are employed and paid by Old Mutual Property Proprietary Limited and no other fees are paid by SA Corporate Real Estate Fund Managers Limited.		
* As detailed in the Directors Report on page 49.		
14. Taxation		
South African normal taxation		
- Current	**2 605**	1 113
- Over-provision prior year	**(9)**	-
- Deferred tax at capital gains taxation rate	**32**	49
	2 628	1 162
	%	%
Tax rate reconciliation:		
Statutory rate	**28.0**	28.0
Capital gains taxation	**(0.5)**	(1.1)
Non-deductible expenses	**9.2**	0.3
Effective rate	**36.7**	27.2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

	2012 R000	2011 R000
15. Cash generated from operations		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**7 153**	4 273
Adjusted for:		
Distributions received	**(357)**	(343)
Surplus on revaluation of investment	**(229)**	(349)
Interest received	**(268)**	(210)
Operating cash inflows before working capital changes	**6 299**	3 371
Working capital changes	**(3 586)**	740
(Increase)/Decrease in trade & other receivables	**(3 024)**	253
(Decrease)/Increase in trade & other payables	**(562)**	487
Cash generated from operations	**2 713**	4 111
16. Dividends paid to shareholders		
Balance at beginning of the year	**-**	(3 981)
Charged to the statement of changes in equity	**-**	-
Balance at end of the year	**-**	-
Dividends paid during the year	**-**	(3 981)
17. Taxation paid		
Balance at beginning of the year	**1 485**	259
Charged to the statement of comprehensive income (net of deferred taxation)	**(2 596)**	(1 113)
Balance at end of the year	**(1 431)**	(1 485)
Taxation paid during the year	**(2 542)**	(2 339)
18. Capital resources		
The Company's capital resources employed or immediately available for employment for the purpose of the Collective Investment Scheme at the year end amounted to	**4 063**	3 867

19. Financial instruments and financial risk management

The Company's financial instruments consist primarily of cash deposits with banks, investments, trade and other receivables and payables. All these financial instruments are carried at cost or amortised cost with the exception of the Company's investment which is carried at fair value.

In the normal course of its operations, the Company is inter alia exposed to credit, interest rate, liquidity and price risk. In order to manage these risks, the Company may enter into transactions which make use of derivatives. The Company does not speculate in or engage in the trading of derivative instruments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The credit risk attached to the Company's cash deposits is low as it is only placed with reputable financial institutions. Credit risk with respect to trade and receivables is limited in view of all fee income being received from a JSE listed Collective Investment Scheme in Property which is restricted to a maximum debt level of 30% of the asset value and the fact that the Company is responsible for the management of this entity.

All trade receivables are current and unsecured. No impairment is considered necessary and no amounts have been provided for or written off (2011: nil).

	2012 R000	2011 R000

19. Financial instruments and financial risk management

(continued)

Tax receivable	**1 431**	1 485
Trade and other receivables	**5 990**	2 966
Cash and cash equivalents	**4 903**	4 107
	12 324	8 558

Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Company's earnings and the value of its assets, liabilities and equity. The exposure to interest rate risk is limited to cash resources and is managed through monitoring cash flows and investing surplus cash at negotiated rates which enables the Company to maximise returns while minimising risks.

Cash and cash equivalents	**4 903**	4 107

Due to the relatively low cash and cash equivalents balances, a change in the interest rates would not have a significant impact on the operating results of the Company.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company proactively manages its liquidity risk by regularly assessing cash requirements and monitoring cash flows, whilst ensuring surplus cash is invested in a manner to achieve maximum returns. The Company also complies with the capital adequacy requirements of the Collective Investment Schemes Control Act and reports to the Financial Services Board monthly in this regard.

Repayment profile of financial liabilities:

Less than 3 months:		
Trade and other payables	**5 174**	5 736

Price risk

Price risk arises from the risk of an adverse effect on the carrying value of the Company's investment resulting from fluctuations in the quoted price of the equity. The Company only has an investment in the Collective Investment Scheme managed by it.

Investment in property fund units	**4 390**	4 161

A 10% movement in the value of the quoted price of the units would result in a R439 000 (2011: R416 100) change to the surplus on revaluation of investments and investment value.

Categories of financial instruments

Financial assets		
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**5 990**	2 966
Cash and cash equivalents	**4 903**	4 107
	10 893	7 073
Available for sale		
Investment in property fund units	**4 390**	4 161
	15 283	11 234

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

19. Financial instruments and financial risk management (continued)

Categories of financial instruments (continued)

	2012 R000	2011 R000
Financial liabilities		
Amortised cost		
Trade and other payables	**5 174**	5 736

Fair value measurements recognised in the statement of financial position

The table below analyses financial instruments that are measured at fair value, subsequent to initial recognition. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

Level 1 fair value adjustments are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value adjustments are those derived from inputs, other quoted prices included within level 1, that are observable for the asset or liability, either directly (ie. As prices) or indirectly (ie. Derived from prices); and

Level 3 fair value adjustments are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data ie. Unobservable inputs.

	Level 1	Level 2	Level 3	Total
2012				
Financial assets measured at fair value				
Investment in property fund units	4 390	-	-	4 390
Total	**4 390**	**-**	**-**	**4 390**
2011				
Financial assets measured at fair value				
Investment in property fund units	4 161	-	-	4 161
Total	**4 161**	**-**	**-**	**4 161**

20. Related party transactions

The terms and conditions of related party transactions are reviewed and negotiated periodically. Details of material transactions with those related parties that took place during the year under review are summarised below:

PARTY CONCERNED	TRANSACTION TYPE	TERMS & CONDITIONS	2012 R000	2011 R000
Related party transactions				
SA Corporate Real Estate Fund	Service fee income	Based on 40 bps of SA Corporate Real Estate Fund's enterprise value	**35 559**	35 397
	Distributions received		**357**	343
Old Mutual Property Proprietary Limited	Asset management fee	Based on 30 bps of SA Corporate Real Estate Fund's enterprise value	**(24 002)**	(28 377)

20. Related party transactions (continued)

PARTY CONCERNED	TRANSACTION TYPE	TERMS & CONDITIONS	2012 R000	2011 R000
Related party transactions (continued)				
Various	Directors' fees	Based on shareholders approval at AGM	**(1 754)**	(1 517)
Old Mutual Property Proprietary Limited	Travel expenses	Reimbursed on actual cost incurred	**(219)**	(55)
Balances at year end				
NATURE	**DISCLOSED AS**	**TERMS & CONDITIONS**		
SA Corporate Real Estate Fund				
Service fee receivable	Trade and other receivables	Based on 40bps of SA Corporate Real Estate Fund's enterprise value	**2 874**	2 966
Recovery expenses	Trade and other receivables	Reimbursed on actual cost	**442**	-
Old Mutual Property Proprietary Limited				
Asset management fee receivable	Trade and other receivables	Claw back of performance fee	**2 667**	-
Asset management fee payable	Trade payables	Based on 30bps of SA Corporate Real Estate Fund's enterprise value	**(4 774)**	(4 805)
Recovery expenses	Trade payables	Reimbursed on actual cost incurred	**(176)**	(368)
Recovery expenses	Trade and other receivables	Reimbursed on actual cost incurred	**7**	-

21. Subsequent events

SA Corporate Real Estate Fund has entered into exclusive discussions with Old Mutual Property Proprietary Limited regarding the possible internalisation of the management of the Fund.

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.

SA CORPORATE
REAL ESTATE FUND

Managed By

OLD MUTUAL
Property

A licenced financial services provider