NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2016

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entity

Stor-Age Property REIT Limited (the company) is a company domiciled in South Africa. The address of the company's registered office is 218 Main Road, Claremont, Cape Town.

The group financial statements include the financial statements of the company and its subsidiaries from the date of incorporation of the company of 25 May 2015 until the period ended 31 March 2016. As a result, there are no comparatives presented in these financial statements.

1.2 Basis of preparation

Statement of compliance

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listing Requirements. The financial statements were authorised for issue by the board of directors on 13 June 2016.

1.3 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties, derivative financial instruments and financial assets which are measured at fair value.

The financial statements are prepared on the going concern basis and the accounting policies set out below have been applied consistently across the group, unless otherwise stated.

Functional and presentation currency

The entity's functional currency used for the preparation of the financial statements is South African Rands which have been rounded to the nearest thousand, unless otherwise indicated.

Adoption of standards and interpretations

The standards and interpretations that are relevant to the group, but which are not yet effective for the March 2016 financial period, are identified in the table below, together with the effective dates:

Standard		Effective Date *	Applicable to Group	Expected Impact
IFRS 16	Leases	01-Jan-19	Yes	Not material
IFRS 9 *(amendment)*	Financial Instruments	01-Jan-18	Yes	Not material
IFRS 15	Revenue from Contracts with Customers	01-Jan-17	Yes	#

* *Effective date is for periods beginning on or after the stated date, unless otherwise indicated*
\# *Management is in the process of assessing the impact on the financial statements*

All standards will be adopted at their effective date.
Standards and interpretations that are not applicable to the group and will have no impact on future financial statements are not included in the list above.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Use of estimates and judgements

The preparation of group and company financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.5 Basis of consolidation

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss.

The group financial statements incorporate the financial statements of the company and its subsidiary companies. Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the group financial statements from the date on which control commences until the date on which control ceases. All group companies have a 31 March financial period end.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

The accounting policies of the subsidiary companies are consistent with those of the holding company.

In the company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses.

1.6 Investment properties

Investment properties

Investment properties are properties held to earn rental income and appreciate in capital value.

The cost of investment properties comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment properties is capitalised when it is probable that future economic benefits from the use of the asset will be derived. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Investment properties (continued)

Subsequent to initial recognition investment property is measured at fair value. Fair values are determined annually on the open market value basis, using either the discounted cash flow method or the capitalisation of net income method or a combination of these methods. Valuations are performed as at the reporting date, either internally by the directors or externally by professional valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of investment property being valued. These valuations form the basis for the carrying value in the financial statements. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure other than those a rational market participant would take into account when determining the value of the property. Unrealised gains or losses arising from changes in fair value are included in profit or loss for the period in which they arise and are transferred to the non-distributable reserve as they are not available for distribution. Similarly, the realised gains or losses arising on the disposal of investment properties are recognised in profit or loss for the period in which they arise and are transferred to the non-distributable reserve and are not available for distribution.

On disposal of investment properties, the difference between the net disposal proceeds and the fair value at the date of the last financial reporting period (plus any subsequent capital expenditure post the reporting date) is charged or credited to profit or loss. The net gain or loss on the sale of investment properties is transferred to a non-distributable reserve and is not available for distribution.

When the group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model.

Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and is measured at fair value.

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised.

Leasehold investment properties

Leasehold properties that are leased under operating leases are classified as investment properties and included at fair value in accordance with the IAS 40 elective. The obligation to the lessor for the building element of the leasehold is included in the statement of financial position at the present value of the minimum lease payments at inception, and is shown within note 27. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Borrowing costs

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities necessary to prepare the asset for its intended use are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes, net of any investment income earned on the temporary investment of those borrowings, or, with regard to that part of development cost, financed out of general funds, the weighted average cost of borrowings.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Equipment

Items of equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line basis, over the current estimated useful lives of the assets. The estimated useful lives of the assets for the current periods is:

Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	3 years
Computers	3 years
Computer software	3 years

Depreciation methods, useful lives and residual values are reassessed annually. Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Where parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Profits or losses on the disposal of equipment are recognised in profit or loss. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Financial instruments

A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument.

1.8.1 Non-derivative financial instruments

1.8.1.1 Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale, as appropriate. The group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the group transfers substantially all the risks and rewards of ownership.

The group's financial assets consist of trade and other receivables, cash and cash equivalents and loans in respect of the share purchase scheme at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

1.8.1 Non-derivative financial instruments (continued)

1.8.1.1 Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

Loan receivable

Loans receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Stor-Age share purchase scheme loans

Stor-Age share purchase scheme loans are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

1.8.1.2 Financial liabilities

Initial recognition of financial liabilities is at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statements of financial position.

1.8.2 Derivative financial instruments and hedge accounting

The group utilises derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. In the group, derivative financial assets and financial liabilities comprise interest rate swaps.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

1.8.2 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

Changes in the fair value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in other comprehensive income and presented in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised 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 item affects profit or loss.

The fair value of interest rate swaps is the estimated amount that the group and company would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

1.9 Intangible assets and goodwill

Goodwill

All business combinations are accounted for by applying the acquisition method as at the acquisition date. Goodwill only arises on acquisition of a business and represents the difference between the consideration transferred for the acquisition and the fair value of the net identifiable assets acquired on acquisition date.

Goodwill is stated at cost less any accumulated impairment losses and is not amortised. Goodwill is allocated to cash generating units and is tested annually for impairment. A gain on purchases arising on acquisition is recognised directly in profit or loss.

Intangible assets

Intangible assets acquired are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill is recognised in profit or loss as an expense as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it is probable that future economic benefits will flow to the group and that the cost can be measured reliably. All other expenditure is expensed as incurred.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date.

The estimated useful lives for the period is as follows:

Intangible asset relating to the amalgamation and merger of Stor-Age Self Storage Proprietary Limited	Indefinite
Intangible asset relating to the amalgamation and merger of Fernwood Asset Management Proprietary Limited	Indefinite

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the internal rate of return relating the lease payments.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out (FIFO) principle.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition for sale.

1.12 Impairment

Financial assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be measured reliably.

Objective evidence of impairment includes:

- default or delinquency by a debtor;
- indications that a debtor will enter bankruptcy;
- adverse changes in the payment status of borrowers;
- observable data indicating that there is a measurable decrease in expected cash flows from a group of assets.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flow discounted at the original effective interest rate. An allowance account is used to reduce the carrying amount of tenant receivables impaired by credit losses.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Impairment (continued)

Financial assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Non-financial assets

The carrying amount of the group's non-financial assets, other than investment property and investment property under development, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses in respect of cash generating units are first allocated to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets on a pro rata basis. Impairment losses in respect of goodwill are not reversed.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

1.13 Provisions

Provisions are recognised when the group has present legal or constructive obligations arising from past events, from which outflows of economic benefits are probable, and where reliable estimates can be made of the amount of the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Property revenue

Property revenue comprises rental income and other income from the sale of inventory and management fees, excluding Value Added Tax. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

1.15 Direct property costs

Direct property costs include all expenses incurred in the daily operations of the investment property such as repairs and maintenance, marketing expenses, rates charges as well as other utility costs incurred. Direct property costs are expensed in the period in which they are incurred.

1.16 Dividend received from subsidiaries

Dividend received from subsidiaries is recognised in profit or loss when the shareholder's right to receive payment has been established.

1.17 Interest expense

Interest expense comprises interest on borrowings and is recognised in profit or loss at the effective interest rate of the instrument.

1.18 Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.20 Operating profit

Operating profit is defined as profit before fair value adjustments, amortisation, depreciation, interest and taxation.

1.21 Net property operating income

Net property operating income is defined as revenue from rental income and other income less direct property costs.

1.22 Management fees

Management fees include property management fees, asset management fees, license fees, acquisition fees and development fees. Property management fees, asset management fees, licence fees and acquisition fees are recognised in profit or loss when earned. Development fees are recognised in profit or loss on a straight-line basis over the period of development of the investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Tax

The tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit and loss except to the extent it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Except for investment property, the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

A deferred tax 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 tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are only offset if certain criteria are met.

In terms of the applicable REIT legislation, the distribution to shareholders qualifies as a deduction against it's taxable income provided that not less than 75% of its total income relates to rental income. Each company is assessed individually as to whether it meets the qualifying criteria. Should the qualifying distribution exceed the taxable income, the deduction is limited to the taxable income. Should the qualifying distribution be less than the taxable income then the remaining taxable income will be taxed at normal tax rates as applicable.

In terms of the REIT legislation, any capital gains/losses determined in respect of the sale by a REIT or a controlled property company of (1) investment property, (2) a share in a REIT or (3) a share in a controlled company, will be disregarded for capital gains. The capital gains/losses will vest in the shareholders hands upon sale of the shares.

1.24 Stated capital

Stated capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown as a deduction of the issue proceeds, net of tax, within equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person that allocates resources to and assesses the performance of the operating segments of an entity. The chief operating decision maker reviews the internal management reports quarterly. The group has determined that its chief operating decision maker is the chief executive officer of the REIT.

Segmental information is based on the nature of the business activities for which the properties are used. The group earns revenue in the form of rentals from the tenants of its investment properties.

The group comprises the following main geographical operating segments:

- Western Cape
- Gauteng
- Free State
- KwaZulu-Natal
- Eastern Cape

IFRS has been used for measurement and recognition of the segment results. Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment. Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment on a reasonable basis.

1.26 Employee benefits

The cost of all short term employee benefits is recognised as an expense during the period in which the employee renders the related service. Short-term employee benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date.

1.27 Non-distributable reserve

All unrealised surpluses or deficits arising on the fair value measurements of investment properties and interest rate swaps are transferred to the non-distributable reserve and are not available for distribution. Similarly, all realised surpluses or deficits arising on the disposal of investment properties are transferred to a non-distributable reserve and are not available for distribution. Bargain purchase gains are also transferred to a non-distributable reserve and are not available for distribution.

1.28 Shareholders' distribution

Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

2. FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the executive directors. The executive directors report to the board of directors on their activities. The group audit committee oversees how the executive directors monitor compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the group's activities.

2.1 Credit risk

Credit risk is the risk of financial loss to the group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's trade and other receivables, loans and cash and cash equivalents. Credit risk to the company is the risk of financial loss to the company if a subsidiary for whose loans security has been provided, fails to meet its contractual obligations.

Trade and other receivables

Trade and other receivables relate mainly to the group's tenants and deposits with municipalities. The group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The diversified tenant base ensures that there is no significant concentration risk.

Management has established a credit policy whereby the terms and conditions of the rental agreement require, in the majority of the cases, the provision of a deposit of at least one month's rental. Tenant's goods stored are also pledged as security for the fulfilment of the tenant's payment obligations in terms of the rental agreement.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Stor-Age share purchase scheme loans

The group's exposure to credit risk is influenced by the security provided for the loans and also the characteristics of each borrower who is an employee of the group. The group establishes an allowance for impairment that represents its estimate of specific incurred losses due to the borrowers' inability to meet their commitments.

Cash and cash equivalents

The group limits its exposure to credit risk by only placing funds with reputable financial institutions for investing and cash handling purposes.

2. FINANCIAL RISK MANAGEMENT (continued)

2.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group monitors cash flow requirements taking account of forecast rentals receivable and operating expenditure on a monthly basis. Surplus funds are utilised to reduce borrowings or are placed in deposit accounts at the best possible interest rate. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the group has negotiated certain lines of credit with financial institutions, as set out in note 24.3.

2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The group is mainly exposed to interest rate risk and adopts a policy of ensuring that an appropriate amount of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. All such transactions are carried out within the guidelines set by the board of directors.

Currency risk

The group has no exposure to currency risk.

Price risk

The group has no exposure to price risk.

2.4 Capital risk management

The group's policy is to maintain a strong capital base, comprising its shareholders' interest, so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the group's stated purpose to deliver long-term sustainable growth in distributions per share. The board of directors monitors the level of distributions to shareholders and ensures compliance with regulation and that no profits of a capital nature are distributed. There were no changes in the group's approach to capital management during the period. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. INVESTMENT PROPERTIES

	Group 2016 R'000	Company 2016 R'000
Cost	1 357 190	10 035
Accumulated fair value adjustment	13 397	(531)
Carrying value at end of period	1 370 587	9 504
Movement in investment properties:		
Acquisitions made through business combination	1 338 421	–
Additions/subsequent expenditure	18 769	10 035
Fair value adjustment	13 397	(531)
Carrying value at end of period	1 370 587	9 504

Investment properties comprises a number of self storage facilities. Rental agreements are entered into for periods on a month-to-month basis. A register of investment properties is available for inspection at group's registered office.

Stor-Age Constantia Kloof is held under an operating lease with a term of 40 years (commencement date: December 2012). The property has been classified as investment property and included at its fair value of R52 500 000.

The group's policy is to have one third of the properties externally valued by an independent valuer each year and the remaining properties valued internally by the directors of the company using the same methodology applied by the external valuers. Notwithstanding this policy, the board elected to have all properties valued by an independent external valuer for the period ended 31 March 2016.

Measurement of fair value on investment properties

Details of valuation

Investment properties have been valued at 31 March 2016 by Mr M Gibbons (NDPV, MIVSA) of Mills Fitchet Magnus Penny, who is independent and a member of the South African Institute of Valuers.

The property valuations determine the current market value for the properties as may be achieved on the market after due consideration of all market forces. The property and its value-forming attributes are benchmarked against the current market and fair consideration is then made in order to indicate what the value of the property may realise in the broader investment or end user market based on the principle of willing buyer and willing seller.

The fair value measurement for investment properties has been categorised as level 3 under the fair value hierarchy based on the inputs to the valuation technique used. The level 3 reconciliation is set out in the table above.

3. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
The valuation methodology for each property is based on a discounted cash flow of the net operating income over a 10 year period and notional sale of the asset at the end of the tenth year. (a) Net operating income is based on the projected revenue less projected operating costs, including a property management fee. For properties that have not reached a stabilised mature occupancy level, the growth in occupancy in future periods is calculated assuming a straight-line lease up to stabilised mature occupancy. The number of months to achieve stabilised mature occupancy is based on management's estimate taking account of the historical lease up of the property being valued and experience from similar properties in the portfolio. The projected revenue and costs are adjusted for estimated revenue growth and cost inflation. The discount rates applied to future cash flow have been estimated by reference to underlying market yields for industrial and retail property and inflation. Any outstanding costs to take an investment property from its current state to completion and full fit out is deducted from the valuation. b) The income capitalisation method is also applied as a check to ensure that the discounted cash flow valuation is appropriate. Net operating income is calculated on a forward 12 month basis assuming stabilised mature occupancy and market related rental rates. A market related capitalisation rate is applied to the annualised net operating income to derive a valuation.	(a) Financial information used to calculate forecast net income-e.g. stabilised occupancy levels, expected future growth in revenue and operating costs. (b) Discount rate – the percentage range of rates is between 17.0% and 18.5% (c) The capitalisation rate for the notional sale of an asset in year 10 used is between 9.0% and 11.0% (d) The rental escalation is between 8.0% and 15.0% (d) The operating costs inflation assumption is 7.0%	All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, lease up rates and rental rate and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

4. EQUIPMENT

	Group 2016 R'000	Company 2016 R'000
Furniture and fixtures		
– Cost	108	23
– Accumulated depreciation	(26)	(2)
Motor vehicles		
– Cost	913	–
– Accumulated depreciation	(224)	–
Office equipment		
– Cost	162	–
– Accumulated depreciation	(46)	–
Computer equipment		
– Cost	489	351
– Accumulated depreciation	(167)	(32)
Balance at 31 March 2016	1 209	340
Movement for the period		
Acquisitions made through business combinations	1 026	–
– Furniture and fixtures	71	–
– Motor vehicles	819	–
– Office equipment	136	–
Acquisitions	646	374
– Furniture and fixtures	37	23
– Motor vehicles	94	–
– Office equipment	26	–
– Computer equipment	489	351
Depreciation	(463)	(34)
– Furniture and fixtures	(26)	(2)
– Motor vehicles	(224)	–
– Office equipment	(46)	–
– Computer equipment	(167)	(32)
Balance at 31 March 2016	1 209	340

5. STOR-AGE SHARE PURCHASE SCHEME LOANS

At the inaugural meeting held on 20 October 2015, shareholders approved and adopted the Stor-Age Share Purchase and Option Scheme (the ''Scheme"). In terms of the rules of the Scheme, the maximum number of shares which may be granted to the participants is limited to 11 935 200 shares in the company at any time.

	2016 number of shares
Maximum shares available for the scheme	11 935 200
Issued to the participants in the scheme	11 610 000

	Group 2016 R'000	Company 2016 R'000
Loans to directors and employees		
Directors		
– SC Lucas	36 063	36 063
– GM Lucas	36 063	36 063
– SJ Horton	36 063	36 063
Employees	11 439	11 439
	119 628	119 628

The terms of the loans to directors and employees are as follows:

- The loans bear interest at a rate of 8% per annum compounded monthly and capitalised to the loan.
- Dividends received on the shares held by the beneficiaries are applied to the interest payable.
- The loans are secured by a pledge and cession of the shares to the company.
- The maximum period for the repayment of the loans is ten years.
- In the event of the resignation or dismissal of a beneficiary, the loans are repayable within one year.
- In the event of the retrenchment or death of a beneficiary, the loans are repayable within two years.
- The loans are repayable in cash.

2016	Shares acquired	Shares disposed of by beneficiaries	Shares held at end of period
Directors	3 500 000	–	3 500 000
– SC Lucas	3 500 000	–	3 500 000
– GM Lucas	3 500 000	–	3 500 000
– SJ Horton	1 110 000	–	1 110 000
Employees	11 610 000	–	11 610 000

5. STOR-AGE SHARE PURCHASE SCHEME LOANS (continued)

2016	Interest rate	Number of shares	Date	Issue price R'000	Outstanding balance R'000	Fair value of shares R'000
Issue 1						
Directors						
– SC Lucas	8.00%	3 500 000	16 November 2015	35 000	36 063	32 725
– GM Lucas	8.00%	3 500 000	16 November 2015	35 000	36 063	32 725
– SJ Horton	8.00%	3 500 000	16 November 2015	35 000	36 063	32 725
Employees	8.00%	1 110 000	16 November 2015	11 100	11 439	10 379
Total		11 610 000		116 100	119 628	108 554

6. GOODWILL AND INTANGIBLE ASSETS

	Group 2016 R'000	Company 2016 R'000
Goodwill	45 679	279
Intangible assets acquired through business combinations	36 000	81 400
Website	81	81
Carrying value at 31 March 2016	**81 760**	**81 760**
Goodwill		
Stor-Age Self Storage Proprietary Limited	45 679	279
Total goodwill	**45 679**	**279**
Intangible assets		
Acquired through business combinations*#	36 000	81 400
Management agreement relating to the amalgamation and merger of Stor-Age Self Storage Proprietary Limited^	32 000	77 400
Management agreement relating to the amalgamation and merger of Fernwood Asset Management Proprietary Limited^	4 000	4 000
Website	81	81
– Cost	143	143
– Amortisation	(62)	(62)
Total intangible assets	**36 081**	**81 481**
Total goodwill and intangible assets	**81 760**	**81 760**

* *Details of the amalgamation and merger is set out on note 21.*
\# *Management has assessed the useful life of these intangible assets as indefinite.*
^ *Refer below for details relating to agreements.*

6. GOODWILL AND INTANGIBLE ASSETS (continued)

Goodwill

The company acquired Stor-Age Self Storage Proprietary Limited (the "Operator") on 16 November 2015, for a purchase consideration of R100 million settled by the issue of 10 million ordinary shares (the "Consideration Shares"). In terms of the amalgamation and merger agreement entered into between the shareholders of the Operator and the company, the shareholders of the Operator agreed to not have full entitlement to any distributions paid by the company in respect of the Consideration Shares until after 31 March 2020 in accordance with the specific provisions set out in the agreement and disclosed in the prospectus. The fair value of the discounted purchase consideration is R77.7 million. Management believes that the group will benefit from the synergies of the business combination undertaken.

In the Company's separate financial statements the purchase consideration of R77.7 million is recognised as an intangible asset. On consolidation, the purchase consideration of R77.7 million is recognised as follows:
Goodwill – R45.7 million
Intangible asset – R32 million

On consolidation, the property management fee payable by Roeland Street Investments (Pty) Limited ('RSI 1') to the company is an intercompany transaction. As the company cannot have an asset for its own management the amount paid in respect of the intercompany management fee has been reclassified to goodwill.

For purposes of impairment testing, goodwill acquired has been allocated to the property management contract, ceded to the company as part of the amalgamation and merger of the Operator. Goodwill has been allocated to segments but the same inputs as disclosed below have been used for each cash generating unit given that the underlying properties are in large metropolitan areas. Management has tested these cash flows using a discounted cash flow valuation on a standalone basis, using the following assumptions:
Discount rate – 17%
Exit capitalisation rate – 9.5%.
Growth rate – 9%
Cost inflation – 6%

There was no indication of impairment of the cash generating units at 31 March 2016.

Intangible assets

Intangible assets comprise:
- The property management agreement over RSI 1, Roeland Street Investments 2 (Pty) Ltd (RSI 2) and Roeland Street Investments 3 (Pty) Ltd (RSI 3)
- The asset management agreement over RSI 1, RSI 2 and RSI 3
- The intellectual property and licence agreements with RSI 1, RSI 2 and RSI 3.

The asset management agreement has an indefinite useful life in terms of the provisions of the agreement. The property management agreement and the intellectual property and licence agreement have initial periods of 10 years each ending on 30 September 2023. Both agreements have an automatic contractual renewal period at the discretion of either party to the agreement and the directors have therefore determined that both agreements have an indefinite useful life.

Intangible assets are tested annually for impairment based on a discounted cash flow valuation over a ten year period of continuing use of the property and asset management agreement using the following assumptions:
Discount rate – 14.5%
Exit capitalisation rate – 10%.
Growth rate – 9%
Cost inflation – 6%

There was no indication of impairment at 31 March 2016.

7. INVESTMENT IN SUBSIDIARIES

	Percentage holding 2016
Subsidiaries+	
Roeland Street Investments Proprietary Limited	100%
Wimbledonway Investments Proprietary Limited	100%
N14 Self Storage Proprietary Limited	100%

\+ *Details regarding the business combinations is set out in note 21.*

Direct investment in subsidiaries	Investment 2016 R'000	Amount owing by 2016 R'000	Amount owing (to) 2016 R'000
Roeland Street Investments Proprietary Limited	1 094 310	140 502	(29 593)
Wimbledonway Investments Proprietary Limited	48 985	–	(10 808)
N14 Self Storage Proprietary Limited	12 515	15 790	–
	1 155 810	156 292	(40 401)

No interest is charged on intercompany balances. The intercompany receivable/(payable) is repayable on demand.

8. TRADE AND OTHER RECEIVABLES

	Group 2016 R'000	Company 2016 R'000
Tenant debtors net of provision for doubtful debts	928	–
Gross tenant debtors	1 451	–
Provision for doubtful debt	(523)	–
Prepayments	1 517	1 517
Staff loans	117	117
Related party receivables	3 163	8 486
Taxation receivable	325	–
Sundry receivables	2 742	1 567
	8 792	11 687

Information about the group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 24.2.

		Group 2016 R'000	Company 2016 R'000
9.	INVENTORIES		
	Stock on hand	1 148	359
		1 148	359
10.	CASH AND CASH EQUIVALENTS		
	Cash on call	346	346
	Current account	9 512	3 606
		9 858	3 952
	The effective interest rates are set out in note 24.1.1.		
11.	DIVIDENDS RECEIVABLE		
	Amount receivable from subsidiary	–	39 951
		–	39 951
12.	STATED CAPITAL		
	Authorised		
	1 000 000 000 Ordinary shares of no par value		
	Issued		
	127 Ordinary shares issued at R1 per share	–	–
	10 000 000 Ordinary shares recognised at R7.74 per share*	77 400	77 400
	129 404 002 Ordinary shares issued at R10 per share	1 294 040	1 294 040
	Costs capitalised on listing	(8 793)	(8 793)
		1 362 647	1 362 647

* *The fair value of the consideration shares issued to Stor-Age Self Storage Proprietary Limited is R7.74 per share (R10 less dividends foregone of R2.26). 15% of the unissued shares are under the control of the directors until the next annual general meeting.*

\# *Refer to shareholder analysis for further information regarding significant shareholders.*

		Group 2016 R'000	Company 2016 R'000
13.	NON-DISTRIBUTABLE RESERVE		
	Fair value adjustment reserve		
	– Investment properties	13 397	(531)
	– Derivative financial instruments	352	352
	Movement in non-distributable reserves		
	Adjustment to fair value reserve of investment properties	13 397	(531)
	Adjustment to fair value reserve of derivative financial instruments	352	352
	Gain on bargain purchase*	4 377	–
	Closing balance at end of period	18 126	(179)

* *Relates to the acquisition of RSI 1*

				Group 2016 R'000	Company 2016 R'000
14. BANK BORROWINGS					
Non-current borrowings				(129 021)	(129 021)
– Long-term borrowings				(142 154)	(142 154)
– Surplus cash paid into loan facility				13 133	13 133
Non-current borrowings comprise loan facilities with Nedbank as set out below:					
	Facility expiry date	Term	Interest rate %		
Facility A	Nov-17	2 years	prime less 1.75	150 000	150 000
Facility B	Nov-18	3 years	prime less 1.50	150 000	150 000
Facility C	Nov-20	5 years	prime less 1.40	350 000	350 000
				650 000	650 000

Nedbank facility A

Facility A bears interest at the prime overdraft rate as applicable in South Africa less 1.75%. Interest is payable monthly, with a final repayment of the capital together with any outstanding amounts due on 16 November 2017.

Nedbank facility B

Facility B bears interest at the prime overdraft rate as applicable in South Africa less 1.50%. Interest is payable monthly, with a final repayment of the capital together with any outstanding amounts due on 16 November 2018.

Nedbank facility C

Facility C bears interest at the prime overdraft rate as applicable in South Africa less 1.40%. Interest is payable monthly, with a final repayment of the capital together with any outstanding amounts due on 16 November 2020.

As at 31 March 2016, only loan Facility A was utilised. All surplus cash is placed in the loan facility. The surplus cash paid into the loan facility earns interest at the prime overdraft rate as applicable in South Africa less 2.75%. There are no restrictions on the availability of the cash placed in the facility.

Interest rate swaps to the value of R75 million and R25 million have been entered into with Nedbank Limited. Further details are set out in note 24.1.

14. BANK BORROWINGS (continued)

Facilities A, B and C are secured as follows:

- Section numbers 4, 5 and 6 in the sectional title scheme know as Trafalgar Place (Sea Point)
- Remainder Erf 15331 Milnerton (Table View)
- Erf 136 Greenbushes (Greenbushes)
- Remainder Erf 6042 Cape Town (Gardens)
- Remainder of Plot 63 Estoire Settlement, Bloemfontein (Bloemfontein)
- Erf 2026 Esther Park Extension 31 Township and Erf 2027 Esther Park Extension 32 Township (Kempton Park)
- Portion 159 (a Portion of Portion 4) of the Farm Allandale No 10 (Midrand)
- Erf 134 Village Main Township, Gauteng (JHB City)
- Erf 900 Kosmosdal Extension 12 Township, Gauteng (Samrand)
- Portion 853 (a Portion of Portion 175) of Klipfontein No. 83, Gauteng (Boksburg)
- Erf 39208 Bellville, Western Cape (Bellville)
- Erf 17299 Durbanville, Western Cape (Durbanville)
- Portion 63 (a Portion of Portion 2) of the Farm Brakfontein No. 399, Gauteng (Hennopspark)
- Portion 871 of the Farm Knopjeslaagte No. 385, Gauteng (Mnandi)
- Remaining Extent of Portion 55 (a Portion of Portion 5) of the Farm Doornkloof No. 391, Gauteng (Lyttelton)
- Portion 337 (a Portion of Portion 194) of the Farm Zwartkop No. 356, Gauteng (Zwartkop)
- Section number 2 in the sectional title scheme known as Flip Du Toit Industrial Park, Gauteng (Pretoria West)
- Remaining Extent of Portion 13 (Portion of Portion 1) of the Farm Grootfontein No. 394, Gauteng (Garsfontein)
- Lease over Erven 412, 413, 414, 415 and 416 Springfield (Springfield)
- Erf 177012 (a Portion of Erf 127260) Cape Town (Tokai)
- Sectional plan number 128/2007, Cape Town in the sectional title scheme known as Edgemead Self Storage Park (Edgemead)
- Sectional plan number 566/2008, Maitland in the sectional title scheme known as City Vault (Maitland)
- Sectional plan number 342/2010, West Rand (West Rand)

The above properties are pledged as security for loan facilities A, B and C.

Covenants relating to the loans:

- At all times total debt shall not exceed 50% of total assets
- Interest cover is to remain at a level of at least 1.8 to 1 times

No covenants were breached during the period.

15. TRADE AND OTHER PAYABLES

	Group 2016 R'000	Company 2016 R'000
Trade creditors	1 057	560
Income received in advance	3 735	716
Security deposits	12 411	1 256
Other payables	4 012	5 141
Property accruals	2 316	1 192
Tenant deposits	494	–
VAT	1 679	179
	25 704	9 044

16. PROVISIONS

	Group 2016 R'000	Company 2016 R'000
Customs provision*	16 000	–
	16 000	–

* *Customs provision recognised on acquisition of RSI 1, refer to note 21.1.*

17. PROFIT BEFORE TAXATION

is stated after recognising:	Group 2016 R'000	Company 2016 R'000
Interest received	4 118	3 707
Increase/(decrease) in fair value of investment properties	13 397	(531)
Interest paid	(4 996)	(4 479)
Depreciation and amortisation	(525)	(96)
Salaries	(4 747)	(4 113)
Rates	(2 766)	–
Bad debts written off	281	–

18. TAXATION

	Group 2016 R'000	Company 2016 R'000
Income tax charge for the period	–	–

On listing, the company became a REIT with an effective date of 16 November 2015. With the application of section 25BB of the Income Tax Act of South Africa, the company's income tax charge for the current period is zero.

The group has an assessed loss of R144.1 million. Management has decided, in light of the impact of the REIT legislation, not to recognised a deferred taxation asset as it is not probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

19. EARNINGS AND HEADLINE EARNINGS PER SHARE

	Group 2016 R'000
Reconciliation of basic earnings and headline earnings per share	
Profit for the period	56 507
Basic earnings	56 507
Headline earnings adjustments*	(17 774)
Fair value adjustment of investment properties	(13 397)
Gain on bargain purchase	(4 377)
Headline earnings attributable to shareholders	38 733
Total shares in issue ('000)	139 404
Weighted average shares in issue ('000)	139 404
Share entitled to dividends in issue ('000)	129 404
Basic and diluted earnings per shares (cents)	43.67
Basic and diluted headline earnings per share (cents)	29.93

The group has no dilutive instruments in place.

* *There are no tax effects or non-controlling interests*

20. NOTES TO THE STATEMENTS OF CASH FLOWS

		Group 2016 R'000	Company 2016 R'000
20.1	**Cash generated from operations**		
	Profit before taxation	56 507	38 522
	Adjusted for:		
	Dividends received	–	(39 951)
	Interest income	(4 118)	(3 707)
	Interest expense	4 996	4 479
	Depreciation and amortisation	525	96
	Bargain purchase gain	(4 377)	–
	Fair value adjustment to investment properties	(13 397)	531
	Fair value adjustment to derivative financial instruments	(352)	(352)
		39 784	(382)
	Changes in working capital, net of assets acquired	31 764	(3 002)
	Increase in trade and other receivables	(8 792)	(11 687)
	Increase in inventory	(1 148)	(359)
	Increase in trade and other payables	25 704	9 044
	Increase in provisions	16 000	–
		71 548	(3 384)
20.2	**Interest income**		
	Interest income per statement of profit or loss	4 118	3 707
	Balance receivable at end of period	–	–
	Interest income	4 118	3 707
20.3	**Interest paid**		
	Interest charge per statement of profit or loss	(4 996)	(4 479)
	Balance payable at end of period	–	–
	Interest paid	(4 996)	(4 479)

21. BUSINESS COMBINATIONS

21.1 Roeland Street Investments Proprietary Limited ("RSI 1")

On 16 November 2015 the company acquired 100% of the issued share capital of RSI 1. The total consideration for the acquisition was R201 million. The consideration was paid for by issuing 20.1 million ordinary shares in the company at R10 per share to the sellers.

The acquired business contributed revenue of R52 million and net profit after tax of R38 million to the group from the effective date of 16 November 2015 to 31 March 2016.

The assets and liabilities as at 16 November 2015 arising from the acquisition are as follows:

	Group 2016 R'000
Investment properties*	1 261 956
Cash and cash equivalents	693
Trade and other receivables	1 245
Inventories	1 453
Financial liabilities	(1 024 277)
Finance lease obligation	(2 644)
Trade and other payables	(17 049)
Contingent liability assumed#	(16 000)
Fair value of net assets	205 377
Gain on bargain purchase	(4 377)
Total purchase consideration	201 000
Consideration financed by the issue of shares	201 000
Cash and cash equivalents acquired	693
Net cash inflow on acquisition	693

* *The valuations techniques used for measuring fair value are consistent with the group's policy.*

\# *Relating to customs tax code dispute with the South African Revenue Service ("SARS"). The Company imports an internal hallway system used to partition all individual self storage units in multi-level self storage developments. Since 2009, the system has, without contention, been imported as pre-fabricated buildings due to its nature in terms of the relevant customs code. SARS has now subsequently expressed their view that the system is not prefabricated buildings as defined and therefore are not covered by Chapter Note 4 of Chapter 94 of the Customs and Excise Act, 91 of 1964. The Company has contested this view through the appointment of customs and legal advisors. The resolution of this matter has not yet reached finality. The amount provided represents the maximum exposure.*

21. BUSINESS COMBINATIONS (continued)

21.2 Acquisition of Wimbledonway Investments Proprietary Limited ("WWI")

On 16 November 2015 the company acquired 100% of the issued share capital of WWI. The total consideration for the acquisition was R48.9 million. The consideration was paid for by issuing 5.4 million ordinary shares in the company at R10 per share to the sellers and an amount of R5 million was repaid to the company as per the sale and purchase agreement.

The acquired business contributed revenue of R2 million and net profit after tax of R1.4 million to the group from the effective date of 16 November 2015 to 31 March 2016.

	Group 2016 R'000
The assets and liabilities as at 16 November 2015 arising from the acquisition are as follows:	
Investment properties*	57 599
Equipment	190
Cash and cash equivalents	3 757
Financial liabilities	(12 540)
Trade and other payables	(7)
Fair value of net assets	48 999
Goodwill	–
Total purchase consideration	48 999
Consideration financed by the issue of shares	54 000
Redeemable by previous shareholders of WWI	(5 001)
Cash and cash equivalents acquired	3 757
Net cash inflow on acquisition	3 757

* *The valuations techniques used for measuring fair value are consistent with the group's policy.*

21. BUSINESS COMBINATIONS (continued)

21.3 Acquisition of N14 Self Storage Proprietary Limited ("N14")

On 16 November 2015 the company acquired 100% of the issued share capital of N14. The total consideration for the acquisition was R12.5 million. The consideration was paid for by issuing 7.15 million ordinary shares in the company at R10 per share to the sellers and an amount of R5.4 million was paid to the seller as per the sale and purchase agreement. The acquired business contributed revenue of R780 000 and net profit after tax of R354 000 to the group from the effective date of 16 November 2015 to 31 March 2016.

The assets and liabilities as at 16 November 2015 arising from the acquisition are as follows:

	Group 2016 R'000
Investment properties*	18 972
Equipment	836
Cash and cash equivalents	2
Trade and other receivables	23
Financial assets	6 044
Trade and other payables	(13 317)
Fair value of net assets	12 560
Goodwill	–
Total purchase consideration	12 560
Consideration financed by the issue of shares	7 155
Payable to previous shareholders of N14	5 405
Cash and cash equivalents acquired	2
Net cash inflow on acquisition	2

* *The valuation techniques used for measuring fair value are consistent with the group's policy.*

21. BUSINESS COMBINATIONS (continued)

	Group 2016 R'000
21.4 Fernwood Asset Management Proprietary Limited ("FAM") amalgamation and merger	
The company entered into an amalgamation and merger agreement with FAM, in terms whereof the company acquired all the assets owned by FAM and used in connection with the business of FAM, as a going concern in terms of section 44 of the Income Tax Act. The total consideration for the acquisition was R4 million. The consideration was paid for issuing 400 000 shares in the company at R10 per share.	
The agreement acquired as part of the business combination has an indefinite useful life, as set out in note 6.	
The assets and liabilities arising from the amalgamation and merger are as follows:	
Trade and other receivables	9 855
Trade and other payables	(9 855)
Asset management agreement	4 000
Fair value of net assets	4 000
Total purchase consideration	4 000
21.5 Stor-Age Self Storage Proprietary Limited ("the Operator") amalgamation and merger	
The company entered into an amalgamation and merger agreement in terms whereof the company acquired all the assets owned by the Operator and used in connection with the business of the Operator, as a going concern in terms of section 44 of the Income Tax Act. The total consideration for the acquisition was R77.7 million. The consideration was paid for issuing 10 million shares in the company at a fair value of R7.74 per share (refer to note 6 for fair value adjustment).	
The agreement acquired as part of the business combination has an indefinite useful life, as set out in note 6.	
Property management agreement	32 000
Fair value of net assets	32 000
Total purchase consideration	77 700
Goodwill	45 700

Had the business combinations and related capital restructuring occurred on 25 May 2015 (inception date) or for an annual period, the most appropriate method for calculating the effect on revenue would be to pro-rate revenue of R55.3 million by grossing it up for the annual or related reporting period. The profit attributable to the company would be done in a similar manner. This is management's best estimate of the prior period profit, as the actual profit earned pre-listing was substantially different due to the significantly different capital structure and trading nature of the underlying entities and would therefore not be an appropriate basis for comparison.

22. CAPITAL COMMITMENTS AUTHORISED

	Group 2016 R'000
Contracted for	–
Authorised but not contracted for	44 693
	44 693

The capital commitments will be funded by long-term interest bearing borrowings through the draw down of the company's unutilised facilities. Details of the security held over certain properties are set out in note 14.

23. SEGMENTAL INFORMATION

Segmental information is based on the geographic location of each investment property. The group trades in 5 of the 9 provinces in South Africa. The group is managed on a consolidated basis and inter-segmental transactions have been eliminated. The segmental information is limited to:

- On the statement of profit or loss and other comprehensive income: Rental income, other income, fair value adjustment to investment properties and direct property costs.
- On the statement of financial position: Investment property, tenant debtors and inventories

Group: period ended 31 March 2016

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total R'000
Revenue						
– Rental income	21 872	27 993	1 228	1 341	2 473	54 907
– Other income	660	1 056	84	12	181	1 993
Direct property costs	(5 638)	(5 804)	(469)	(729)	(356)	(12 996)
Operating profit	16 894	23 245	843	624	2 298	43 904
Fair value adjustment to investment properties	29 617	(21 567)	423	3 122	1 802	13 397
Total profit for the period	46 511	1 678	1 266	3 746	4 100	57 301

23. SEGMENTAL INFORMATION (continued)

Reconciliation of segmental results to profit for the period in the statement of profit or loss and other comprehensive income

	Total R'000	Allocated R'000	Unallocated R'000
Property revenue			
– Rental income	54 907	54 907	–
– Other income	1 993	1 993	–
Direct property costs	(12 996)	(12 996)	–
Net property operating income	43 904	43 904	–
Management and development fee income	4 946	–	4 946
Administration costs	(9 066)	–	(9 066)
Operating profit	39 784	43 904	(4 120)
Gain on bargain purchase	4 377	–	4 377
Fair value adjustment to investment properties	13 397	13 397	–
Fair value adjustment to financial instruments	352	–	352
Depreciation and amortisation	(525)	–	(525)
Profit before interest and taxation	57 385	57 301	84
Interest income	4 118	–	4 118
Interest expense	(4 996)	–	(4 996)
Profit before taxation	56 507	57 301	(794)
Taxation expense	–	–	–
Total profit for the period	56 507	57 301	(794)

Segment assets, reserves and liabilities

Group: period ended 31 March 2016

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total R'000
Segment assets						
Investment properties	592 242	679 045	23 000	20 500	55 800	1 370 587
Tenant debtors	184	650	36	15	43	928
Inventories	400	407	25	32	43	907

23. SEGMENTAL INFORMATION (continued)

Segment assets, reserves and liabilities

Group: period ended 31 March 2016

	Total R'000	Allocated R'000	Unallocated R'000
Assets			
Non-current assets	1 573 536	1 370 587	202 949
Investment properties	1 370 587	1 370 587	–
Equipment	1 209	–	1 209
Stor-Age share purchase scheme loans	119 628	–	119 628
Intangible assets and goodwill	81 760	–	81 760
Derivative financial instruments	352	–	352
Current assets	19 798	1 835	17 963
Trade and other receivables	8 792	928	7 864
Inventories	1 148	907	241
Cash and cash equivalents	9 858	–	9 858
Total assets	1 593 334	1 372 422	220 912
Shareholders' interest	1 380 248	–	1 380 248
Stated capital	1 362 647	–	1 362 647
Non-distributable reserve	18 126	–	18 126
Accumulated loss	(525)	–	(525)
Non-current liabilities	131 885	–	131 885
Bank borrowings	129 021	–	129 021
Finance lease obligation	2 864	–	2 864
Current liabilities	81 201	–	81 201
Trade and other payables	25 704	–	25 704
Provisions	16 000	–	16 000
Finance lease obligation	591	–	591
Shareholders' distribution	38 906	–	38 906
Total equity and liabilities	1 593 334	–	1 593 334

	Group 2016 R'000
Reconciliation of headline earnings to distributable earnings per share	
Headline earnings attributable to shareholders	38 733
Distributable earnings adjustment	173
Amortisation and deprecation	525
Fair value adjustment to derivative financial instruments	(352)
Distributable earnings	38 906
Shares entitled to dividends in issue ('000)	129 404
Distribution per share for the period (cents)	30.07

24. FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, liquidity and market risks arise in the normal course of the group's business. Derivative financial instruments are used as and when required to hedge exposure to fluctuations in interest rates.

24.1 Interest rate risk

The group adopts a policy of ensuring that an appropriate amount of its exposure to changes in interest rates on borrowings is on a fixed basis. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The interest rate swaps qualify for hedge accounting and the group thus classifies them as cash flow hedges and states them at fair value based on broker quotes. At the reporting date, the group had entered into the following interest rate swaps and with respect to the following facilities:

	Notional amount R'000	Effective date	Maturity date	Fixed rate	Fair value at 31 March 2016 R'000
Nedbank facility A					
– Swap A	75 000	20 November 2015	30 November 2018	9.52%	512
– Swap B	25 000	17 March 2016	30 November 2018	10.07%	(160)
Total	100 000				352

* *The fair value on the interest rate swaps is applicable to the group and company*

The interest rate on all of the above instruments have been fixed with Nedbank Limited.

24.1.1 Effective interest rates and repricing

At the reporting date the group's interest rate repricing profile was:

2016	Note	Effective interest rate	Carrying amount R'000	0–12 months R'000	1–4 years R'000	More than 4 years R'000
Cash and cash equivalents						
– Cash on call	10	5.40%	346	346	–	–
– Current accounts	10	0.05%	9 512	9 512	–	–
Stor-Age share purchase scheme loans						
– Issue 1	5	8.00%	119 628	–	–	119 628
Financial liabilities						
Nedbank facility A*	24.1					
– Swap A*		9.52%	512	–	512	–
– Swap B*		10.07%	(160)	–	(160)	–

* *These facilities are in the name of the company.*

24. FINANCIAL INSTRUMENTS (continued)

24.1 Interest rate risk (continued)

24.1.2 Fair value of loans

As at 31 March 2016, the loans were valued as follows:

	Interest rate	Expiry date of interest	Group 2016 Carrying value R'000	Company 2016 Fair value R'000
Variable rate loans				
Nedbank	Refer note 14	Refer note 14	142 154	142 154
			142 154	142 154

The loan has been categorised under level 2 on the fair value hierarchy. Details are set out in note 24.4.

24.1.3 Sensitivity analysis

The group has a mixture of fixed and floating interest bearing financial liabilities. The effect on the profit or loss of a 1% increase/decrease in the interest rates on the floating rate interest bearing financial liabilities balances outstanding at the reporting date would result in a corresponding increase/decrease in the interest expense of R422 000. The analysis has been prepared on the assumption that all other variables remain constant.

24.2 Credit risk

24.2.1 Credit exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2016 R'000	Company 2016 R'000
Stor-Age share purchase scheme loans	119 628	119 628
Trade and other receivables	3 995	1 567
Tenant and related receivables	928	–
Other receivables	3 067	1 567
Loans receivable	3 280	8 603
Derivative financial instruments	352	352
Cash and cash equivalents	9 858	3 952
	137 113	134 102

The directors are of the opinion that these financial assets have a low credit risk.

	Group 2016 R'000	Company 2016 R'000
24. FINANCIAL INSTRUMENTS (continued)		
24.2 Credit risk (continued)		
24.2.1 Credit exposure (continued)		
The maximum exposure to credit risk for loans at the reporting date:		
Stor-Age share purchase scheme loans	119 628	119 628
Shares pledged as security	(108 554)	(108 554)
Net exposure	11 074	11 074
No participants to whom loans were granted were in breach of their obligations.		
The maximum exposure to credit risk for tenants and related receivables at the reporting date by operating segment was:		
Western Cape	183	
Gauteng	650	
Free State	36	
KwaZulu-Natal	15	
Eastern Cape	43	
	927	
Tenant deposits	(494)	
Net exposure	433	

	Gross carrying value		Impairment recognised	
	Group 2016 R'000	Company 2016 R'000	Group 2016 R'000	Company 2016 R'000
24.2.2 Impairment losses				
The ageing of tenant and related receivables at the reporting date was:				
Not yet due	11	–	–	–
Past due 0–30 days	608	–	113	–
Past due 31–60 days	271	–	115	–
Past due 61–120 days	211	–	93	–
Past due >120 days	350	–	202	–
Total	1 451	–	523	–

	Group 2016 R'000
The movement in the allowance for impairment in respect of tenant and related receivables during the period was as follows:	
Carrying value at 16 November 2015	242
Impairment recognised	281
Carrying value at end of period	523

Impairment losses are recognised on a regular basis after comprehensively assessing the individual circumstances and credit risk of the tenant. Once the group is satisfied that no recovery of the amount owing is possible the amount is considered irrecoverable and, net of deposits held, is written off directly against the financial asset.

Management have assessed the quality of debtors neither past due nor impaired as low risk as the group's credit policy includes holding of rental deposits. Tenants are also required to pledge the items being stored as security for any amounts due under the rental agreement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the period ended 31 March 2016

24. FINANCIAL INSTRUMENTS (continued)

24.3 Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payable on borrowings. The table has been drawn up based on the contractual, undiscounted cash flows of the financial liabilities based on the earliest date the group can be required to pay.

	Carrying value R'000	1–12 months R'000	1–2 years R'000	2–5 years R'000	More than 5 years R'000
Group 2016					
Non-derivative financial liabilities					
Bank borrowings	151 863	11 421	140 442	–	–
Finance lease obligation	21 948	737	507	1 523	19 181
Trade and other payables	25 704	25 704	–	–	–
Shareholders' distribution	38 906	38 906	–	–	–
	238 421	76 768	140 949	1 523	19 181

	Carrying value R'000	1–12 months R'000	1–2 years R'000	2–5 years R'000	More than 5 years R'000
Company 2016					
Non-derivative financial liabilities					
Bank borrowings	151 863	11 421	140 442	–	–
Trade and other payables	9 044	9 044	–	–	–
Shareholders' distribution	38 906	38 906	–	–	–
	199 813	59 371	140 442	–	–

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

	Group 2016 R'000
Net debt	119 163
Bank borrowings	129 021
Cash and cash equivalents	(9 858)
Property assets (refer note 3)	1 370 587
Gearing ratio	8.7%

The group's current liabilities exceed its current assets at 31 March 2016 as a result of the group's policy on tenant deposits. In terms of this policy, tenants are required to pay a deposit equivalent to one month's rental on entering into the rental agreement. The deposit is repaid on termination of the agreement once management is satisfied that the tenant has complied with all obligations in terms of the agreement and there are no outstanding amounts due. At 31 March 2016 tenant deposits were R12.4 million. The average churn (the number of tenants moving out each month) is approximately 5 – 6% across the portfolio per month. As tenants move out and are repaid their deposit, they are generally replaced by new tenants who will pay a deposit prior to using their allocated storage units. Excluding tenant deposits, the provisions raised for customs dispute and the dividend payable, current assets exceed current liabilities. However, as indicated in note 28, the directors are satisfied that the company and its subsidiaries have access to sufficient facilities to meet the foreseeable cash requirements (see note 14).

24. FINANCIAL INSTRUMENTS (continued)

24.4 Fair value of financial instruments

The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

Fair value hierarchy

The group and company measure fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

24. FINANCIAL INSTRUMENTS (continued)

24.4 Fair value of financial instruments (continued)

The table below analyses financial instruments carried at fair value, by valuation method:

Group	Note	Level 1	Level 2	Level 3	Total
2016					
Financial assets		–	352	119 628	119 980
Derivative financial instruments	24.1	–	352	–	352
Stor-Age share purchase scheme loans	5	–	–	119 628	119 628
Financial liability		–	129 021	–	129 021
Bank borrowings	14	–	129 021	–	129 021
Company					
2016					
Financial assets		–	352	119 628	119 980
Derivative financial instruments	24.1	–	352	–	352
Stor-Age share purchase scheme loans	5	–	–	119 628	119 628
Financial liability		–	129 021	–	129 021
Bank borrowings	14	–	129 021	–	129 021

Level 2 fair values

The following table shows the valuation techniques used in measuring level 2 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Derivative financial instruments	Fair valued monthly by Nedbank Capital using mark-to-market mid market values. This involves, inter alia, discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract	Not applicable.	Not applicable.
Bank borrowings	Fair valued by discounting future cash flows using the floating rate applicable to these loans.	Not applicable.	Not applicable.

Level 3 fair values

The following table shows the valuation techniques used in measuring level 3 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Stor-Age share purchase scheme loans	Fair valued by discounting future cash flows using the fixed rate applicable to these loans.	Not applicable.	Not applicable.

25. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates.

Critical judgements are made in applying the group's accounting policies:

- In the valuation of the investment properties to fair value:

  The discounted cash flow of net operating income valuation method is used which assumes the net operating income for the next 10 years until the notional sale of the asset, taking into account the occupancy levels, estimated growth in revenue and operating costs. The discount rate is also adjusted for any projected market, business and financial volatility.

  The income capitalisation method is also applied as a check to the discounted cash flow methodology. The method assumes stabilised mature occupancy and market related rental rates in the calculation of net operating income. A market related capitalisation rate is applied to the annualised net operating income to derive a valuation.

- In determining the allowance for impairment of tenant and related receivables:

  Judgement is used to determine the recoverability of tenant and related receivables based on security held, experience with similar tenants, the period the amount is overdue and knowledge of the tenant's circumstances.

26. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The shares of Stor-Age Property REIT are widely held.

26.1 Identity of the related parties with whom material transactions have occurred

Subsidiaries (see note 7)

Directors as listed in the directors' report

Key management personnel

Related through common shareholding/directorships or affiliation with related parties

- Madison Square Holdings Close Corporation
- Roeland Street Investments 2 Proprietary Limited
- Stor-Age Property Holdings Proprietary Limited
- Stor-Age Property Holdings Trust
- Castle Rock Capital Trust
- Fairstore Trust

26. RELATED PARTY TRANSACTIONS (continued)

	Group 2016 R'000	Company 2016 R'000
26.2 Material related party transactions and balances		
Related party balances		
Intercompany payables		
Roeland Street Investments Proprietary Limited	–	29 593
Wimbledonway Investments Proprietary Limited	–	10 808
Intercompany receivables		
Roeland Street Investments Proprietary Limited	–	140 502
N14 Self Storage Proprietary Limited	–	15 790
Loan accounts - owing to related parties		
– Roeland Street Investments Proprietary Limited	–	9 380
– Roeland Street Investments 2 Proprietary Limited	989	989
– Madison Square Holdings Close Corporation	566	588
– Fairstore Trust	1 216	1 216
– Stor-Age Property Holdings Proprietary Limited	–	511
Loan accounts - owing by related parties		
– Stor-Age Property Holdings Proprietary Limited	486	–
– Stor-Age Property Holdings Trust	260	253
– Castle Rock Capital Trust	3 209	1
Related party transactions		
Dividend income		
Roeland Street Investments Proprietary Limited	–	39 951
Interest received on Stor-Age share purchase scheme loans		
Directors and key management personnel	3 528	3 528
Development fees paid to related parties		
Madison Square Holdings Close Corporation	5 162	–
Roeland Street Investments 2 Proprietary Limited	763	763
Asset management fees received from related party		
Roeland Street Investments 2 Proprietary Limited	1 727	1 727
Property management fees received from related party		
Roeland Street Investments 2 Proprietary Limited	1 065	1 065
Acquisition fees received from related party		
Roeland Street Investments 2 Proprietary Limited	565	565
Office rental paid to related party		
Stor-Age Property Holdings Proprietary Limited*	295	295

* *The group leases certain premises at an arm's length.*

The directors' and company secretary's direct and indirect shareholding in the company and their remuneration is reflected in notes 26.3 and 26.4. Apart from their salaries and their participation in the Stor-Age share purchase scheme loans, the group provides no non-cash benefits to directors.

26. RELATED PARTY TRANSACTIONS (continued)

26.3 Directors' and company secretary's shareholdings

31 March 2016	Direct beneficial	Indirect	Total	Percentage
GM Lucas	3 500 000	6 911 955	10 411 955	7.47%
SJ Horton	3 500 000	3 048 334	6 548 334	4.70%
SC Lucas	3 500 000	6 911 955	10 411 955	7.47%
MS Moloko	60 000	–	60 000	0.04%
GA Blackshaw	–	1 725 000	1 725 000	1.24%
GBH Fox	–	–	–	–
PA Theodosiou	550 000	–	550 000	0.39%
HH-O Steyn (company secretary)	–	120 000	120 000	0.09%
	11 110 000	18 717 244	29 827 244	21.40%

There has been no change in directors' and company secretary's shareholding since the period end and up to the date of the approval of the financial statements.

	2016 R'000
26.4 Directors' remuneration	
Fees paid to non-executive directors for meeting attendance were as follows:	
PA Theodosiou (Audit and Risk Committee, Remuneration Committee and Investment Committee)	86
MS Moloko (Social and Ethics Committee, Audit and Risk Committee and Remuneration Committee)	86
GBH Fox (Audit and Risk Committee and Remuneration Committee)	86
GA Blackshaw (Social and Ethics Committee and Investment Committee)	71
	329

Fees paid to executive directors were as follows:
The executive directors' remuneration is paid by Stor-Age Property REIT Limited:

	2016 R'000 Basic Salary	2016 R'000 Total
GM Lucas	285	285
SJ Horton	285	285
SC Lucas	285	285
	855	855

No other remuneration or benefits were paid to the executive directors during the period.

27. FINANCE LEASE OBLIGATION

	Group 2016 R'000	Company 2016 R'000
Minimum lease payments due:		
Within one year	737	–
In second to fifth year inclusive	2 030	–
Later than five years	19 181	–
	21 948	–
Less: Future finance charges	(18 493)	–
	3 455	–
Present value of minimum lease payments due:		
Within one year	591	–
In second to fifth year inclusive	1 285	–
Later than five years	1 579	–
	3 455	–

The finance lease obligation refers to the operating lease in respect of Stor-Age Constantia Kloof and the motor vehicles leased through Investec Bank Limited.

The lease term for Stor-Age Constantia Kloof is 40 years (commencement date: December 2012) and the average effective borrowing rate is 15%. The interest rate is fixed at the contract date. The lease has fixed repayments and no arrangements have been entered into for contingent rent.

The vehicles are leased at the prime lending rate through Investec Bank Limited for an average term of 60 months.

During the period, R178 229 was recognised as an expense in the group's statement of profit or loss and comprehensive income in respect of finance leases.

28. GOING CONCERN

The directors consider that the company and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group and company financial statements. The company has reasonably satisfied the liquidity and solvency test as required by the Companies Act of South Africa and the directors have satisfied themselves that the company and its subsidiaries are in a sound financial position and that it has access to sufficient facilities to meets its foreseeable cash requirements (see note 14).

29. EVENTS AFTER REPORTING DATE

As a result of sustained high levels of occupancy and strong customer demand at Stor-Age Gardens and Stor-Age Durbanville, both properties will undergo further development with the addition of 5 500 m^2 and 2 500 m^2 of gross building area at each property respectively. Project development costs for the expansion of Stor-Age Gardens and Stor-Age Durbanville is expected to amount to R32 million and R12 million respectively. The expansion is expected to add circa 5 500 m^2 of GLA to the portfolio and is expected to be completed by January 2017.