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These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

**Preparer**

Pinchas Hack CA(SA),  
supervised by Stephen Lucas CA(SA)

**Published**

13 June 2017

# DECLARATION BY COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that the company has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required by a public company in terms of this Act and that all such returns appear to be true, correct and up to date.



HH-O Steyn CA(SA)  
Company Secretary  
12 June 2017

# DIRECTORS' RESPONSIBILITY STATEMENT

## for the year ended 31 March 2017

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Stor-Age Property REIT Limited, comprising the statements of financial position at 31 March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group and company financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of group and company annual financial statements

The group and company annual financial statements of Stor-Age Property REIT Limited, as identified in the first paragraph, were approved by the board of directors on 12 June 2017 and signed on their behalf by:



**PA Theodosiou**  
Chairman



**GM Lucas**  
Chief Executive Officer

# AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (the “audit committee”) takes pleasure in presenting its report for the year ended 31 March 2017.

## 1. Terms of reference

The audit committee is a formal committee of the board of the company and its subsidiaries and has adopted written terms of reference. These terms of reference include the statutory requirements of the Companies Act of South Africa (“the Act”), the recommendations of the King Code on Governance (“King III”) and certain responsibilities delegated by the board.

The main responsibilities of the audit committee include:

- Reviewing the ongoing effectiveness of the internal financial controls
- Reviewing the interim and preliminary results, the annual financial statements and other content in the integrated annual report, and making a formal recommendation to the board to adopt the same
- Ensuring compliance with IFRS and the relevant requirements of the Act and the Johannesburg Stock Exchange (“JSE”) with respect to financial reporting
- Overseeing the appointment and independence of the external auditors and reviewing their external audit reports
- Determining a policy for the provision of non-audit services by the external auditors
- Monitoring the risk management framework adopted by the company and its subsidiaries (“group”) and reviewing any risk management reports in this regard
- Reviewing management’s assessment of the group and company to continue as a going concern

The audit committee confirms that it has fulfilled all its statutory obligations as well as its terms of reference for the year under review.

## 2. Members of the committee, attendance of meetings and evaluation

The audit committee comprises the three independent non-executive directors as detailed in the corporate governance report and is chaired by Gareth Fox CA(SA). Meetings and attendance are also detailed in the corporate governance report. Certain executive directors as well as the external auditors attended audit committee meetings by invitation.

The terms of reference require an annual evaluation of the performance of the audit committee and its members as well as confirmation of the members’ independence in terms of King III and the Act. The evaluation performed covers the year ended 31 March 2017. The outcome of the evaluation performed on 9 June 2017 was satisfactory.

The JSE Listing Requirements application and implementation date of King IV<sup>TM</sup> is 1 October 2017. The terms of reference of the audit committee for the year ending 31 March 2018 will be evaluated in terms of King IV<sup>TM</sup>.

## 3. External auditors

The audit committee nominated KPMG Inc. as external auditors for the current year, having satisfied itself that they are independent of the group. The audit committee noted Gary Pickering as the designated auditor and confirmed that both he and KPMG Inc. are accredited with the JSE as required. The external auditors have unrestricted access to the audit committee.

The audit committee approved the terms of the auditors’ engagement letter, their audit plan and budgeted audit fees for the audit of the group and company annual financial statements for the year ended 31 March 2017.

The audit committee adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

**4. Internal audit**

The audit committee has satisfied itself that the size and complexity of the group does not warrant an internal audit function.

**5. Financial director**

In terms of JSE Listings Requirement paragraph 3.84 (h), the audit committee has considered the expertise and experience of the financial director, Stephen Lucas CA(SA), and is satisfied that they are appropriate for his role.

**6. Internal financial controls**

The audit committee reviewed the risk management and internal control framework presented by management and matters raised by the external auditors report as to the efficiency of the group's internal financial controls.

The audit committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

**7. Approval of annual financial statements**

The audit committee confirms that it formally recommended the adoption of the group and company annual financial statements to the board of directors.



**GBH Fox** CA(SA)  
Audit and risk committee Chairman  
12 June 2017

# DIRECTORS' REPORT

## for the year ended 31 March 2017

### TO THE SHAREHOLDERS OF STOR-AGE PROPERTY REIT LIMITED

We have pleasure in presenting the financial statements of the Stor-Age Property REIT Limited group and company for the year ended 31 March 2017.

#### Nature of business

Stor-Age Property REIT Limited is a fully integrated and internally managed real estate investment trust, which owns, operates and develops self storage facilities. The group and company operate in South Africa. The nature of business and operations are set out in detail in the year under review section in the integrated annual report.

#### Period of operations

The company was incorporated on 25 May 2015 and the group formed on the effective date of 16 November 2015. The company has traded for 12 months in the 2017 financial year. The comparative figures reflect 4.5 months of trading.

#### Financial results

The financial results for the year ended 31 March 2017 are set out in the accompanying financial statements and notes. The financial statements are prepared in terms of International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Stated capital

The company's authorised stated capital consists of 1 000 000 000 ordinary shares of no par value. The following shares were issued during the year:

1. 269 440 shares were issued on 31 August 2016 at R9.65 per share
2. 37 002 776 shares were issued on 20 February 2017 at R10.81 per share
3. 200 000 shares were issued on 28 February 2017 at R10.76 per share

As at 31 March 2017 there were 176 876 345 shares in issue.

Subsequent to 31 March 2017, the company issued 225 070 shares on 10 April 2017 and 173 347 shares on 19 May 2017. These shares are entitled to participate in the final dividend declared for the year ended 31 March 2017.

167 274 762 of the shares in issue rank for the dividend declared for the year ended 31 March 2017. Refer to note 11 for further information regarding the shares issued.

#### Dividend distribution

A dividend of 43.04 cents per share was declared by the directors for the interim period ended 30 September 2016. A further dividend of 45.01 cents per share was declared for the 6 month period ended 31 March 2017. The dividend for the full year amounts to 88.05 cents per share (2016: 30.07 cents per share).

The dividend has been declared from distributable earnings and meets the requirements of a REIT "qualifying distribution" for purposes of section 25BB of the Income Tax Act, No 58 of 1962 (as amended).

#### Borrowings

The group has an average borrowing cost of 9.36% (2016: 9.39%) at 31 March 2017. At 31 March 2017, 82% (2016: 84%) of borrowings were subject to fixed interest rates (on a net debt basis), with a weighted average fixed interest rate expiry of approximately 2.5 years (2016: 2.5 years). The group's borrowing capacity amounts to R1 025 million (2016: R685 million) and facilities utilised at year end amounted to R252.7 million (2016: R129 million). The group has undrawn facilities of R397.3 million (2016: R521 million) and a gearing ratio of 11.9% (2016: 8.7%). Details of the company's long-term borrowings are set out in note 13.

#### Subsidiaries

Details of the company's interest in its subsidiaries are set out in note 6.

## Directorate

At the date of this report the following directors held office:

	Appointment date
<i>Executive:</i>	
GM Lucas (Chief executive officer)	25 May 2015
SC Lucas (Financial director)*	25 May 2015
SJ Horton	25 May 2015
<i>Non-executive:</i>	
PA Theodosiou (Chairman)*#	2 September 2015
MS Moloko#	12 October 2015
GA Blackshaw	2 September 2015
GBH Fox#	2 September 2015

# *Independent*

\* *British citizen*

In terms of the Memorandum of Incorporation, the following directors retire at the forthcoming annual general meeting and are eligible for re-election: GBH Fox and MS Moloko.

Details regarding the directors' shareholding in the company and remuneration are set out in notes 25.3 and 25.4.

## Performance against forecast

The company's prospectus issued in October 2015 contained a forecast income statement for the year ending 31 March 2017 ("the Forecast"). The table included on page 28 of the Financial Review compares the Forecast with the actual results for the year ended 31 March 2017.

Variances of more than 10% are explained below:

- Other property income is ahead of the Forecast due to a reallocation of licence fee income from other revenue. If this reallocation had not been done, the variance for other property income would be less than 10%.
- Interest income is higher than the Forecast due to additional financial assistance provided for the issue of shares under the Share Purchase Scheme and improved cash management in the group.
- Interest expense is lower than the Forecast due to a result of less borrowings than assumed in the Forecast.
- Profit before non-cash adjustments and taxation is 22.7% higher than the Forecast mainly as a result of lower interest expense than assumed in the Forecast.

## Significant events

The group acquired Storage RSA Investments Proprietary Limited and Units 1–4 Somerset West Business Park Proprietary Limited during the year. The effective date of the transactions is 28 February 2017. Details of the transactions are set out in note 20.

## Subsequent events

Information on material events that occurred after 31 March 2017 is included in note 29.

## Going concern

The directors consider that the group and company 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 meet its foreseeable cash requirements.

## Secretary

The company secretary is HH-O Steyn CA(SA)  
Business address: 216 Main Road, Claremont, 7807  
Postal address: PO Box 53154, Kenilworth, 7745

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Stor-Age Property REIT Limited

### Report on the audit of the consolidated and separate financial statements

#### *Opinion*

We have audited the consolidated and separate financial statements of Stor-Age Property REIT Limited (the group and company) set out on pages 62 to 122, which comprise the consolidated and separate statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Stor-Age Property REIT Limited as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matters pertaining to both the consolidated and separate financial statements:

### 1. Valuation of Investment Properties

Investment properties – consolidated: R2 050.2 million and separate: R36.6 million

*Refer to the accounting policies note 1.6 and note 3 to the consolidated financial statements.*

Key audit matter	How the matter was addressed in our audit
<p>The valuation of investment properties is an area of judgement which could materially affect the financial statements given that the investment properties are measured at fair value.</p> <p>Independent valuations are obtained for one third of the number of properties each year such that all properties are independently valued every three years. The independent valuations were performed at 31 March 2017 by an external registered valuer. The remaining two-thirds of the number of properties were internally valued by management at 31 March 2017. All valuations were reviewed by the executive directors to assess the reasonability of the property valuations and approved by the board of directors. For all investment properties, their current use equates to the highest and best use.</p> <p>The fair value calculations are prepared by considering the discounted cash flow of the net operating income over a 10 year period and notional sale of the asset in year 10. The income capitalisation method is also applied to ensure that the discounted cash flow valuation is appropriate. The data used in the fair value calculations includes significant unobservable inputs including forecast net income, occupancy levels, discount rates, capitalisation rates, rental escalations and operating cost inflation.</p> <p>Our audit focused on the fair value measurement of investment properties due to its impact on the consolidated and separate financial statements and the significance of the judgements involved in the determination of the fair value.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the competence, capabilities and objectivity of the independent external valuer, and verified their qualifications.</li> <li>• We assessed the competence, capabilities and objectivity of executive directors reviewing the valuations and the board of directors who approve these.</li> <li>• We focused our audit work on testing the key assumptions used in the determination of the fair value, which included: <ul style="list-style-type: none"> <li>• Evaluating the valuation models prepared in March 2017 to ensure that the valuation methodology was appropriate.</li> <li>• Assessing the reasonableness of the following assumptions used in determining fair value with reference to available industry data for similar investment properties: <ul style="list-style-type: none"> <li>– Discount rates;</li> <li>– Capitalisation rates; and</li> <li>– Operating cost inflation.</li> </ul> </li> <li>• Assessing the reasonableness of the following assumptions used in determining fair value with reference to recent actual rental experience: <ul style="list-style-type: none"> <li>– Forecast net income; and</li> <li>– Rental escalation.</li> </ul> </li> </ul> </li> <li>• We assessed whether the disclosures in the financial statements were appropriate.</li> </ul>

# INDEPENDENT AUDITOR’S REPORT (continued)

We have identified the following key audit matters pertaining to the consolidated financial statements only:

## 1. Significant Business Combinations

*Refer to note 20 to the consolidated financial statements.*

Key audit matter	How the matter was addressed in our audit
<p>The group acquired Storage RSA Investments Proprietary Limited and Units 1–4 Somerset West Business Park Proprietary Limited which were considered significant business combinations.</p> <p>Our audit focused on the accounting for these transactions in terms of IFRS 3 <i>Business Combinations</i>, due to its impact on the financial statements and the significance of the judgements involved in the determination of the fair value of identifiable assets and liabilities arising from the acquisitions.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the treatment of each transaction to ensure the accounting was in line with the group accounting policies.</li> <li>• We agreed the transactional details and total purchase consideration to underlying legal agreements.</li> <li>• We assessed the fair value of the identifiable assets and liabilities arising from the acquisitions for reasonableness.</li> <li>• As the most significant identifiable asset, we compared the fair value of the investment property at acquisition date to the fair value audited in-line with the procedures above to determine if the movement was reasonable.</li> <li>• We assessed whether the disclosures in the financial statements were appropriate.</li> </ul>

## 2. Goodwill

Goodwill – R47.5 million

Refer to accounting policies note 1.9 and note 5 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>Goodwill arises from the acquisitions made by the group. Management performs an annual impairment test on the recoverability of the goodwill as required by IAS 36 Impairment of Assets, which is subjective in nature due to judgements having to be made of future performance.</p> <p>The fair value calculations are prepared by considering the discounted cash flow of the net operating income over a 10 year period. The income capitalisation method is also applied to ensure that the discounted cash flow valuation is appropriate. The data used in the fair value calculations includes significant unobservable inputs including forecast income, discount rates, exit capitalisation rates, growth rates and cost inflation.</p> <p>Our audit focused on the fair value measurement of goodwill due to its impact on the assessment for impairment and the significance of the judgements involved in the determination of the fair value</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• We focused our audit work on testing the key assumptions made by management in the determination of the fair value, which included: <ul style="list-style-type: none"> <li>• Evaluating the valuation models prepared to ensure that the valuation methodology was appropriate.</li> <li>• Assessing the reasonableness of the following assumptions used in determining fair value with reference to available industry data for similar investment property contracts: <ul style="list-style-type: none"> <li>– Discount rates;</li> <li>– Exit capitalisation rates; and</li> <li>– Cost inflation.</li> </ul> </li> <li>• Assessing the reasonableness of the following assumptions used in determining fair value with reference to recent actual experience: <ul style="list-style-type: none"> <li>– Forecast income; and</li> <li>– Growth rates.</li> </ul> </li> </ul> </li> <li>• We assessed whether the disclosures in the financial statements were appropriate.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee Report, and the Declaration by the Company Secretary as required by the Companies Act of South Africa, and the Directors' responsibility statement, Unaudited property portfolio information and Unaudited shareholder analysis, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT (continued)

## ***Responsibilities of the Directors for the consolidated and separate financial statements***

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

## ***Auditor's responsibilities for the audit of the consolidated and separate financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Report on other legal and regulatory requirements***

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Stor-Age Property REIT Limited for two years.



**KPMG Inc.**  
Per **GM Pickering**  
Chartered Accountant (SA)  
Registered Auditor  
Director  
13 June 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

Note	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Assets</b>				
<b>Non-current assets</b>				
	2 263 524	1 573 536	1 735 033	1 367 394
Investment properties	3	2 050 210	1 370 587	36 588
Property and equipment		2 070	1 209	554
Stor-Age share purchase scheme loans	4	125 480	119 628	125 480
Goodwill and intangible assets	5	83 670	81 760	81 760
Investment in subsidiaries	6	–	–	1 489 592
Deferred taxation	17	2 094	–	918
Derivative financial instruments	22.2	–	352	–
				1 155 810
				352
<b>Current assets</b>				
	20 593	19 798	408 610	212 241
Trade and other receivables	8	10 674	8 792	5 559
Inventories		1 888	1 148	396
Intercompany receivable	7	–	–	335 399
Cash and cash equivalents	9	8 031	9 858	3 336
Dividend receivable	10	–	–	63 920
				39 951
<b>Total assets</b>	<b>2 284 117</b>	<b>1 593 334</b>	<b>2 143 643</b>	<b>1 579 635</b>
<b>Equity and liabilities</b>				
<b>Shareholders' interest</b>				
	1 889 831	1 380 248	1 753 083	1 362 263
Stated capital	11	1 766 561	1 362 647	1 766 561
Non-distributable reserve	12	141 058	18 126	676
Accumulated loss		(17 788)	(525)	(14 154)
				(205)
<b>Non-current liabilities</b>				
	113 000	131 885	107 611	129 021
Bank borrowings	13	106 202	129 021	106 202
Derivative financial instruments	22.2	1 409	–	1 409
Finance lease obligation	26	5 389	2 864	–
				–
<b>Current liabilities</b>				
	281 286	81 201	282 949	88 351
Bank borrowings	13	146 470	–	146 470
Trade and other payables	14	38 573	25 704	45 439
Provisions	15	20 047	16 000	–
Finance lease obligation	26	906	591	–
Intercompany payable	7	–	–	15 750
Dividends payable		75 290	38 906	75 290
				38 906
<b>Total equity and liabilities</b>	<b>2 284 117</b>	<b>1 593 334</b>	<b>2 143 643</b>	<b>1 579 635</b>
Number of shares in issue (note 11)	176 876 345	139 404 129	176 876 345	139 404 129
Net asset value per share (cents)	1 068.45	990.11	991.13	977.20
Net tangible asset value per share (cents)	1 021.14	931.46	944.83	918.55



# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2017

Group	Stated capital (Note 11) R'000	Non-distributable reserve R'000	Accumulated loss R'000	Total R'000
<b>Total comprehensive income for the period</b>				
Profit for the period	–	–	56 507	56 507
<b>Transactions with shareholders, recognised directly in equity</b>				
Issue of 127 shares on 25 May 2015	–	–	–	–
Proceeds	–	–	–	–
Share issue costs	–	–	–	–
Issue of 139 404 002 shares in November 2015	1 362 647	–	–	1 362 647
Proceeds	1 371 440	–	–	1 371 440
Share issue costs	(8 793)	–	–	(8 793)
Transfer to non-distributable reserve	–	18 126	(18 126)	–
Dividends	–	–	(38 906)	(38 906)
<b>Total transactions with shareholders</b>	1 362 647	18 126	(57 032)	1 323 741
<b>Balance at 31 March 2016</b>	1 362 647	18 126	(525)	1 380 248
<b>Total comprehensive income for the year</b>	–	–	239 359	239 359
Profit for the year	–	–	240 725	240 725
Other comprehensive income	–	–	(1 366)	(1 366)
<b>Transactions with shareholders, recognised directly in equity</b>				
Issue of 269 440 shares in August 2016	2 599	–	–	2 599
Proceeds	2 599	–	–	2 599
Share issue costs	–	–	–	–
Issue of 37 002 776 shares in February 2017	399 163	–	–	399 163
Proceeds	400 000	–	–	400 000
Share issue costs	(837)	–	–	(837)
Issue of 200 000 shares in February 2017	2 152	–	–	2 152
Proceeds	2 152	–	–	2 152
Share issue costs	–	–	–	–
Transfer to non-distributable reserve	–	125 521	(125 521)	–
Transaction costs capitalised on acquisition of subsidiary	–	(2 589)	–	(2 589)
Dividends	–	–	(131 101)	(131 101)
<b>Total transactions with shareholders</b>	403 914	122 932	(256 622)	270 224
<b>Balance at 31 March 2017</b>	1 766 561	141 058	(17 788)	1 889 831

Company	Stated capital (Note 11) R'000	Non-distributable reserve R'000	Accumulated loss R'000	Total R'000
<b>Total comprehensive income for the period</b>				
Profit for the period	–	–	38 522	38 522
<b>Transactions with shareholders, recognised directly in equity</b>				
Issue of 127 shares on 25 May 2015	–	–	–	–
Proceeds	–	–	–	–
Share issue costs	–	–	–	–
Issue of 139 404 002 shares in November 2015	1 362 647	–	–	1 362 647
Proceeds	1 371 440	–	–	1 371 440
Share issue costs	(8 793)	–	–	(8 793)
Transfer to non-distributable reserve	–	(179)	179	–
Dividends	–	–	(38 906)	(38 906)
<b>Total transactions with shareholders</b>	1 362 647	(179)	(38 727)	1 323 741
<b>Balance at 31 March 2016</b>	1 362 647	(179)	(205)	1 362 263
<b>Total comprehensive income for the year</b>	–	–	118 007	118 007
Profit for the year	–	–	119 373	119 373
Other comprehensive income	–	–	(1 366)	(1 366)
<b>Transactions with shareholders, recognised directly in equity</b>				
Issue of 269 440 shares in August 2016	2 599	–	–	2 599
Proceeds	2 599	–	–	2 599
Share issue costs	–	–	–	–
Issue of 37 002 776 shares in February 2017	399 163	–	–	399 163
Proceeds	400 000	–	–	400 000
Share issue costs	(837)	–	–	(837)
Issue of 200 000 shares in February 2017	2 152	–	–	2 152
Proceeds	2 152	–	–	2 152
Share issue costs	–	–	–	–
Transfer to non-distributable reserve	–	855	(855)	–
Dividends	–	–	(131 101)	(131 101)
<b>Total transactions with shareholders</b>	403 914	855	(131 956)	272 813
<b>Balance at 31 March 2017</b>	1 766 561	676	(14 154)	1 753 083
			<b>31 March 2017 Cents</b>	<b>31 March 2016 Cents</b>
Dividend per share (note 21)			88.05	30.07

# STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

	Note	Group		Company	
		2017 12 months R'000	2016 4.5 months R'000	2017 12 months R'000	2016 4.5 months R'000
<b>Cash flows from operating activities</b>					
Cash generated/(utilised) from operations	19.1	118 589	71 548	43 242	(3 384)
Interest income	19.2	3 320	4 118	2 882	3 707
Interest paid	19.3	(15 769)	(4 996)	(14 340)	(4 479)
Dividends paid	19.4	(94 717)	–	(94 717)	–
Dividend received	19.5	–	–	93 669	–
<b>Net cash (outflow)/inflow from operating activities</b>		<b>11 423</b>	<b>70 670</b>	<b>30 736</b>	<b>(4 156)</b>
<b>Cash flows from investing activities</b>					
Acquisition of investment properties	3	(75 283)	(1 357 190)	(24 469)	(10 035)
Repayment/(advances) of Stor-Age share purchase scheme loans		8 605	(119 628)	8 605	(119 628)
Acquisition of property and equipment		(1 781)	(1 672)	(523)	(374)
Acquisition of intangible assets		(239)	(104 422)	(239)	(104 422)
Additional investment in subsidiary		–	–	(333 782)	–
Acquisition of subsidiaries, net of cash acquired and settlement of financial liabilities	20	(465 342)	4 452	–	(1 155 810)
<b>Net cash outflow from investing activities</b>		<b>(534 040)</b>	<b>(1 578 460)</b>	<b>(350 408)</b>	<b>(1 390 269)</b>
<b>Cash flows from financing activities</b>					
Advance of bank borrowings		123 651	129 021	123 651	129 021
(Repayment)/advance of loan from subsidiaries		–	–	(24 651)	40 401
Advances of loans to subsidiaries		–	–	(179 107)	(156 292)
Proceeds from the issue of shares		400 000	1 394 040	400 000	1 394 040
Share issue costs		(837)	(8 793)	(837)	(8 793)
(Cost)/raising of finance lease		(2 024)	3 380	–	–
<b>Net cash inflow from financing activities</b>		<b>520 790</b>	<b>1 517 648</b>	<b>319 056</b>	<b>1 398 377</b>
<b>Net cash (outflow)/inflow for the year</b>		<b>(1 827)</b>	<b>9 858</b>	<b>(616)</b>	<b>3 952</b>
Cash and cash equivalents at beginning of year		9 858	–	3 952	–
Cash and cash equivalents at end of year		8 031	9 858	3 336	3 952

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 March 2017

### 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 216 Main Road, Claremont, Cape Town.

The consolidated financial statements include the financial statements of Stor-Age Property REIT Limited and its subsidiary companies (together referred to as the 'group').

#### 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 12 June 2017.

#### 1.3 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties and derivative financial instruments 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 and company, unless otherwise stated.

##### **Functional and presentation currency**

These financial statements are presented in South African Rands, which is the company's functional currency. Amounts have been rounded to the nearest thousand, unless otherwise indicated.

##### **Standards and interpretations applicable to the Group not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017, and have not been applied in preparing these (group and company) financial statements.

The standards and interpretations that are relevant to the group, but which are not yet effective for the March 2017 financial period, are set out below. The group and company do not plan to adopt these standards early. All standards will be adopted at their effective date.

##### **IFRS 9 *Financial instruments***

IFRS 9 replaces IAS 39 pertaining to the following sections:

- The classification and measurement of financial assets
- The classification and measurement of financial liabilities
- The derecognition of financial assets and liabilities

The implementation of IFRS 9 is unlikely to have a material effect on the group and company's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## for the year ended 31 March 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.3 Basis of measurement (continued)

##### **Amendments to IAS 40 *Transfers of Investment property***

The IASB has amended the requirements in IAS 40 *Investment property* on when a company should transfer a property asset to, or from, investment property.

The amendment is unlikely to have a material impact on the group and company.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

##### **IFRS 15 *Revenue from contracts with customers***

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The implementation of IFRS15 will most likely not have a material impact on the group and company. However, the timing and recognition of revenue relating to the development fees and asset management fees, by the company, may be affected.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

##### **IFRS 16 *Leases***

IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The implementation of IFRS16 is unlikely to have a significant impact on the group and company's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

#### 1.4 Key judgements and sources of estimation uncertainty

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 24.

## 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 year 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## for the year ended 31 March 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.6 Investment properties (continued)

##### *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 26. 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.

All other borrowing costs are expensed in the period in which they are incurred.

#### 1.7 Property and 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 are:

Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	3 years
Computer equipment and software	3 years
Buildings	25 years

Depreciation methods, useful lives and residual values are reassessed annually. Subsequent expenditure relating to an item of property and 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.

Gains or losses on the disposal of property and equipment are recognised in profit or loss. The gain 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 and loans and receivables, as appropriate. The group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised on the trade date when the company becomes party to the contractual provisions of the instruments. 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 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.

##### *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 which approximates fair value.

##### *Loan receivable*

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## for the year ended 31 March 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.8 Financial instruments (continued)

##### 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.

##### *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 Goodwill and intangible assets

##### *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 bargain 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 increases the future economic benefits embodied in the specific asset to which it relates. 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

#### **1.10 Leases – lessee**

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

#### *Finance leases*

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.

#### **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 include the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition for sale.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## for the year ended 31 March 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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.

##### 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 of disposal. 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.

### 1.14 Revenue

#### Property revenue

Property revenue comprises rental income and other income from the sale of packaging materials and insurance 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.

#### Other revenue

Other revenue comprises management fees and dividends received from subsidiaries. Management fees include property management fees, asset management fees, licence 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. Dividends received from subsidiaries are recognised in profit or loss when the shareholder's right to receive payment has been established.

### 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 Interest expense

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

### 1.17 Interest income

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

### 1.18 Operating profit

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

### 1.19 Net property operating income

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## for the year ended 31 March 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.20 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 its 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.

#### 1.21 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.

## 1.22 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 company.

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.

## 1.23 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.

## 1.24 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. Transaction costs capitalised relating to business combinations that occur in subsidiary companies are recognised directly in a non-distributable reserve in the group. These transaction costs are not available for distribution.

## 1.25 Dividends declared

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.

## 1.26 Earnings and headline earnings per share

Earnings per share is calculated on the weighted average number of shares in issue, net of shares that are not entitled to receive dividends, in the current year and is based on the profit after tax for the period. Headline earnings per share are calculated in terms of the requirements set out in Circular 2/2015, issued by SAICA.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 2. FINANCIAL RISK MANAGEMENT

The group and company 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 and company, 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 and company'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 and company'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 and company limits its exposure to credit risk by only placing funds with reputable financial institutions for investing and cash handling purposes. The Moody's credit ratings for these financial institutions are as follows:

First National Bank	Baa2
Investec Bank	Baa2
Standard Bank	Baa2
Nedbank	Baa2

## 2.2 Liquidity risk

Liquidity risk is the risk that the group and company will not be able to meet its financial obligations as they fall due. The group's and company'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 and company 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 22.4.

## 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 and company'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 and company 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 and company has no exposure to currency risk.

#### *Price risk*

The group and company has no exposure to price risk.

## 2.4 Capital risk management

The group's and company'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 and company'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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
<b>3. INVESTMENT PROPERTIES</b>				
Historical cost	1 839 770	1 338 421	34 504	10 035
Cumulative subsequent expenditure capitalised	69 803	18 769	–	–
Accumulated fair value adjustment	140 637	13 397	2 084	(531)
<b>Carrying value at end of year</b>	<b>2 050 210</b>	<b>1 370 587</b>	<b>36 588</b>	<b>9 504</b>
<i>Movement in investment properties:</i>				
Carrying value at start of year	1 370 587	–	9 504	–
Acquisitions made through business combination	477 100	1 338 421	–	–
Additions to investment property	24 469	–	24 469	10 035
Transferred to property and equipment	(220)	–	–	–
Subsequent expenditure capitalised	51 034	18 769	–	–
Fair value adjustment	127 240	13 397	2 615	(531)
<b>Carrying value at end of year</b>	<b>2 050 210</b>	<b>1 370 587</b>	<b>36 588</b>	<b>9 504</b>

Investment properties comprise a number of self storage facilities. Rental agreements are entered into on a month-to-month basis. A register of investment properties is available for inspection at the 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 R62 000 000 (2016: R52 500 000).

A portion of Stor-Age Tokai is held under an operating lease with a term of 10 years (commencement date: October 2014). This section of the property has been classified as investment property.

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. In line with this policy, the board elected to have 10 of the 30 properties, with a fair value of R681.65 million, in the group valued by an independent external valuer for the year ended 31 March 2017.

### Measurement of fair value on investment properties

#### Details of valuation

Investment properties have been valued at 31 March 2017 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 applied 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 note 23.

### 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
<p>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.</p> <p>(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.</p> <p>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.</p> <p>(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.</p>	<p>(a) Financial information used to calculate forecast net income – e.g. stabilised occupancy levels, expected future growth in revenue and operating costs.</p> <p>(b) Discount rate – the percentage range of rates is between 15.5% and 18.5% (2016: between 17.0% and 18.5%)</p> <p>(c) The capitalisation rate for the notional sale of an asset in year 10 used is between 8.0% and 10.5% (2016: between 9.0% and 11.0%)</p> <p>(d) The rental escalation is between 5% and 15% (2016: between 8% and 15%)</p> <p>(e) The operating costs inflation assumption is 7.0% (2016: 7%)</p>	<p>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.</p> <p>Higher assumptions for stabilised occupancy, lease up rates and rental rates and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.</p>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2017

#### 4. STORAGE 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"). The rules of the Scheme were amended in the current year to increase the maximum number of shares which may be granted to the participants from 11 935 200 shares to 13 940 412 shares in the company at any time.

	2017 Number of shares	2016 Number of shares
Maximum number of shares available for the Scheme	13 940 412	11 935 200
<i>Shares issued to participants</i>		
At start of year	11 610 000	–
During the year	469 440	11 610 000
End of year	12 079 440	11 610 000
Shares available to the Scheme	1 860 972	325 200

	Interest rate	Number of shares	Date	Issue price R'000	Outstanding balance R'000	Fair value of shares R'000
<i>Issue 1</i>						
Directors						
– SC Lucas	8.00%	3 500 000	16 Nov 2015	35 000	36 390	38 500
– GM Lucas	8.00%	3 500 000	16 Nov 2015	35 000	36 390	38 500
– SJ Horton	8.00%	3 500 000	16 Nov 2015	35 000	36 390	38 500
Employees	8.00%	1 110 000	16 Nov 2015	11 100	11 533	12 210
		11 610 000		116 100	120 703	127 710
<i>Issue 2</i>						
Employees	8.31%	269 440	31 Aug 2017	2 599	2 610	2 964
		269 440		2 599	2 610	2 964
<i>Issue 3</i>						
Employees	8.00%	200 000	28 Feb 2017	2 152	2 167	2 200
		200 000		2 152	2 167	2 200
Shares issued to participants at 31 March 2017		12 079 440		120 851	125 480	132 874
Shares issued to participants at 31 March 2016		11 610 000		116 100	119 628	108 554

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<i>Loans to directors and employees</i>				
Directors				
– SC Lucas	36 390	36 063	36 390	36 063
– GM Lucas	36 390	36 063	36 390	36 063
– SJ Horton	36 390	36 063	36 390	36 063
Employees	16 310	11 439	16 310	11 439
	<b>125 480</b>	<b>119 628</b>	<b>125 480</b>	<b>119 628</b>

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

- The loans bear interest at a fixed interest rate 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.
- If at the maturity date of the loan, the fair value of the shares is less than the outstanding loan balance, the beneficiary will be liable for settling the difference.
- The loans are repayable in cash.

Dividends of R8.605 million declared during the current year have been applied against the interest on the loans of R9.706 million.

No impairment allowances were made on the outstanding loan balances as at the end of the year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

Group	Goodwill R'000	Stor-Age Management Agreement <sup>^</sup> R'000	Fernwood Management Agreement <sup>^</sup> R'000	Website R'000	Total R'000
<b>5. GOODWILL AND INTANGIBLE ASSETS</b>					
<b>2017</b>					
<b>Cost</b>	47 448	32 000	4 000	382	83 830
Opening balance	45 679	32 000	4 000	143	81 822
Additions during the year	–	–	–	239	239
Acquired through business combination	1 769	–	–	–	1 769
<b>Accumulated amortisation</b>	–	–	–	(160)	(160)
Opening balance	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(98)	(98)
<b>Carrying value at 31 March 2017</b>	<b>47 448</b>	<b>32 000</b>	<b>4 000</b>	<b>222</b>	<b>83 670</b>
<b>2016</b>					
<b>Cost</b>	45 679	32 000	4 000	143	81 822
Additions during the year	–	–	–	143	143
Acquisition of Stor-Age	45 679	–	–	–	45 679
Acquired through business combination	–	32 000	4 000	–	36 000
<b>Accumulated amortisation</b>	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(62)	(62)
<b>Carrying value at 31 March 2016</b>	<b>45 679</b>	<b>32 000</b>	<b>4 000</b>	<b>81</b>	<b>81 760</b>

<sup>^</sup> Management agreements relating to the amalgamation and merger that took place in the prior year relating to Stor-Age Self Storage Proprietary Limited and Fernwood Asset Management Proprietary Limited.

Company	Goodwill R'000	Stor-Age Management Agreement <sup>^</sup> R'000	Fernwood Management Agreement <sup>^</sup> R'000	Website R'000	Total R'000
<b>2017</b>					
<b>Cost</b>	279	77 400	4 000	382	82 061
Opening balance	279	77 400	4 000	143	81 822
Additions during the year	–	–	–	239	239
<b>Accumulated amortisation</b>	–	–	–	(160)	(160)
Opening balance	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(98)	(98)
<b>Carrying value at 31 March 2017</b>	<b>279</b>	<b>77 400</b>	<b>4 000</b>	<b>222</b>	<b>81 901</b>
<b>2016</b>					
<b>Cost</b>	279	77 400	4 000	143	81 822
Additions during the year – Website	–	–	–	143	143
Acquisition of Stor-Age	279	–	–	–	279
Acquired through business combinations	–	77 400	4 000	–	81 400
<b>Accumulated amortisation</b>	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(62)	(62)
<b>Carrying value at 31 March 2016</b>	<b>279</b>	<b>77 400</b>	<b>4 000</b>	<b>81</b>	<b>81 760</b>

<sup>^</sup> Management agreements relating to the amalgamation and merger that took place in the prior year relating to Stor-Age Self Storage Proprietary Limited and Fernwood Asset Management Proprietary Limited.

#### Goodwill acquired as part of the Stor-Age Self Storage business combination

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 combinations undertaken.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 5. GOODWILL AND INTANGIBLE ASSETS (continued)

#### Goodwill acquired as part of the Stor-Age Self Storage business combination (continued)

In the Company's separate financial statements the purchase consideration of R77.4 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 over a 10 year period on a standalone basis, using the following assumptions:

	2017	2016
Discount rate	17%	17%
Exit capitalisation rate	9.5%	9.5%
Growth rate	9%	9%
Cost inflation	6%	6%

There was no indication of impairment of the cash generating units at 31 March 2017.

#### Intangible assets

Intangible assets comprise:

- The property management agreement with 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 10 year period of continuing use of the property and asset management agreement using the following assumptions:

	2017	2016
Discount rate	14.5%	14.5%
Exit capitalisation rate	10%	10%
Growth rate	9%	9%
Cost inflation	7%	6%

There was no indication of impairment at 31 March 2017.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>8. TRADE AND OTHER RECEIVABLES</b>				
Tenant debtors net of provision for doubtful debts	1 981	928	–	–
Gross tenant debtors	3 205	1 451	–	–
Provision for doubtful debt	(1 224)	(523)	–	–
Prepayments	1 803	1 517	2 981	1 517
Staff loans	138	117	138	117
Related party receivables	2 558	3 163	2 273	8 486
Taxation receivable	402	325	–	–
Sundry receivables	3 792	2 742	167	1 567
	<b>10 674</b>	<b>8 792</b>	<b>5 559</b>	<b>11 687</b>

Information about the group and company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 22.3.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>9. CASH AND CASH EQUIVALENTS</b>				
Cash on call	617	346	617	346
Current account	7 414	9 512	2 719	3 606
	<b>8 031</b>	<b>9 858</b>	<b>3 336</b>	<b>3 952</b>
The effective interest rates are set out in note 22.2.1.				
<b>10. DIVIDEND RECEIVABLE FROM SUBSIDIARY</b>				
Roeland Street Investments Proprietary Limited			63 920	39 951
			<b>63 920</b>	<b>39 951</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>12. NON-DISTRIBUTABLE RESERVE</b>				
Fair value adjustment on investment properties	140 637	13 397	2 084	(531)
Fair value adjustment on derivative financial instruments	(1 408)	352	(1 408)	352
Transaction costs capitalised on acquisition of subsidiary	(2 589)	–	–	–
Gain on bargain purchase	4 418	4 377	–	–
	<b>141 058</b>	<b>18 126</b>	<b>676</b>	<b>(179)</b>
<i>Movements for the year</i>				
Balance at beginning of year	18 126	–	(179)	–
Adjustment to fair value reserve of investment properties	127 240	13 397	2 615	(531)
Adjustment to fair value reserve of derivative financial instruments	(1 760)	352	(1 760)	352
Transaction costs capitalised on acquisition of subsidiary	(2 589)	–	–	–
Gain on bargain purchase	41	4 377	–	–
<b>Balance at end of year</b>	<b>141 058</b>	<b>18 126</b>	<b>676</b>	<b>(179)</b>

The fair value adjustments and the gain on bargain purchase accounted for in profit or loss were transferred to the non-distributable reserve in the current year.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>13. BANK BORROWINGS</b>				
Current borrowings	146 470	129 021	146 470	129 021
– Long-term borrowings	150 000	142 154	150 000	142 154
– Surplus cash paid into loan facility	(3 530)	(13 133)	(3 530)	(13 133)
Non-current borrowings	106 202	–	106 202	–
Total bank borrowings	<b>252 672</b>	129 021	<b>252 672</b>	129 021

Bank borrowings comprise loan facilities with Nedbank as set out below:

	Facility expiry date	Term	Interest rate %	Company	
				12 months 2017 R'000	4.5 months 2016 R'000
Facility A	Nov 2017	2 years	prime less 1.75	150 000	150 000
Facility B	Nov 2018	3 years	prime less 1.50	150 000	150 000
Facility C	Nov 2020	5 years	prime less 1.40	350 000	350 000
				<b>650 000</b>	<b>650 000</b>

Neither the group nor the company has entered into new loan agreements in the current year. The terms of the loan agreements are consistent with the prior financial period for both the group and company.

#### 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 2017, loan Facility A and Facility B 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 R200 million have been entered into with Nedbank Limited. Further details are set out in note 22.2.1.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 13. 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 (Kempston 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 (Hennospark)
- 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 Grooifontein 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, valued at R1.45 billion at 31 March 2017, 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 year.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>14. TRADE AND OTHER PAYABLES</b>				
Trade creditors	2 504	1 057	572	560
Income received in advance	7 847	3 735	1 584	716
Security deposits	13 020	12 411	1 289	1 256
Other payables	8 750	4 012	2 176	5 141
Related party payables	1 406	–	37 690	–
Property accruals	2 702	2 316	1 775	1 192
Tenant deposits	571	494	–	–
VAT	1 773	1 679	353	179
	<b>38 573</b>	<b>25 704</b>	<b>45 439</b>	<b>9 044</b>
<b>15. PROVISIONS</b>				
Balance at beginning of year	16 000	–	–	–
Customs provision*	–	16 000	–	–
Change in estimate during the year	(453)	–	–	–
Municipal rates provision	4 500	–	–	–
Balance at end of year	<b>20 047</b>	<b>16 000</b>	<b>–</b>	<b>–</b>

\* Relates to a 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 subsequently expressed a view that the system is not pre-fabricated 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 both customs and legal advisors. The resolution of this matter has not yet reached finality. The amount provided represents the maximum exposure.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>16. PROFIT BEFORE TAXATION</b>				
<b>is stated after recognising:</b>				
Interest received	13 026	4 118	12 588	3 707
Increase/(decrease) in fair value of investment properties	127 240	13 397	2 615	(531)
Interest expense	(15 769)	(4 996)	(14 340)	(4 479)
– total interest expense for the year	(17 599)	(4 996)	(14 340)	(4 479)
– less: borrowing costs capitalised to investment property	1 830	–	–	–
Auditor's remuneration*	479	–	479	–
Depreciation and amortisation	(1 552)	(525)	(406)	(96)
Staff costs	(31 279)	(4 747)	(17 157)	(4 113)
Rates	(9 375)	(2 766)	(190)	–

\* An amount of R10 000 was paid to KPMG for non-audit services.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>17. TAXATION</b>				
<b>Normal taxation</b>				
Income tax charge for the year	–	–	–	–
<b>Deferred taxation</b>				
At beginning of the year	–	–	–	–
Revaluation of derivative instruments	394	–	394	–
Temporary timing differences	1 700	–	524	–
At end of year	2 094	–	918	–
The taxation charge is reconciled as follows:				
Profit before taxation	28.00%	–	28.00%	–
SARS penalties and interest	0.01%	–	0.00%	–
Assessed loss utilised previously not recognised	(0.46%)	–	0.00%	–
Fair value adjustments not taxable due to REIT status	(14.84%)	–	(0.62%)	–
Qualifying distribution	(12.99%)	–	(27.82%)	–
Effective taxation charge	(0.28%)	–	(0.44%)	–

The group has an assessed loss of R140.2 million (2016: R144.1 million). Management has decided, in light of the impact of the REIT legislation, not to recognise a deferred taxation asset relating to the assessed loss 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.

## 18. EARNINGS AND HEADLINE EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the weighted average number of shares in issue during the year and a profit of R240.7 million (2016: R56.5 million).

	Group 2017 R'000	Group 2016 R'000
<i>Reconciliation of basic earnings and headline earnings per share</i>		
Profit for the period	240 725	56 507
<b>Basic earnings</b>	<b>240 725</b>	<b>56 507</b>
Headline earnings adjustments*	(127 281)	(17 774)
Fair value adjustment to investment properties	(127 240)	(13 397)
Gain on bargain purchase	(41)	(4 377)
<b>Headline earnings attributable to shareholders</b>	<b>113 444</b>	<b>38 733</b>
Total shares in issue ('000)	176 876	139 404
Weighted average shares in issue ('000)	142 662	139 404
Shares in issue entitled to dividends ('000)	166 876	129 404
Weighted average shares in issue entitled to dividends ('000)	132 662	129 404
Basic and diluted earnings per shares (cents)	181.46	43.67
Basic and diluted headline earnings per share (cents)	85.51	29.93

*The group has no dilutive instruments in place.*

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>19. NOTES TO THE STATEMENTS OF CASH FLOWS</b>				
<b>19.1 Cash generated from operations</b>				
Profit before taxation	240 054	56 507	118 849	38 522
Adjusted for:				
Dividends received	–	–	(117 638)	(39 951)
Interest income	(13 026)	(4 118)	(12 588)	(3 707)
Interest expense	15 769	4 996	14 340	4 479
Change in provision estimate	(453)	–	–	–
Depreciation and amortisation	1 552	525	406	96
Gain on bargain purchase	(41)	(4 377)	–	–
Fair value adjustment to investment properties	(127 240)	(13 397)	(2 615)	531
Fair value adjustment to derivative financial instruments	–	(352)	–	(352)
	116 615	39 784	754	(382)
<i>Changes in working capital, net of assets acquired</i>	1 974	31 764	42 488	(3 002)
Decrease/(increase) in trade and other receivables	353	(8 792)	6 130	(11 687)
Increase in inventory	(319)	(1 148)	(37)	(359)
Increase) in trade and other payables	1 940	41 704	36 395	9 044
	118 589	71 548	43 242	(3 384)
<b>19.2 Interest income</b>				
Interest income per statement of profit or loss	13 026	4 118	12 588	3 707
Interest accrued on share purchase scheme loans	(9 706)	–	(9 706)	–
Interest income	3 320	4 118	2 882	3 707
<b>19.3 Interest paid</b>				
Interest charge per statement of profit or loss	15 769	4 996	14 340	4 479
Interest paid	15 769	4 996	14 340	4 479

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>19.4 Dividends paid</b>				
Balance payable at beginning of year	38 906	–	38 906	–
– Interim dividend declared	55 811	–	55 811	–
– Final dividend declared	75 290	38 906	75 290	38 906
Balance payable at end of year	(75 290)	(38 906)	(75 290)	(38 906)
Dividends paid	94 717	–	94 717	–
<b>19.5 Dividends received</b>				
Balance receivable at the beginning of year			39 951	–
Dividend income from subsidiary			117 638	39 951
Balance receivable at end of year			(63 920)	(39 951)
Dividend income			93 669	–

## 20. BUSINESS COMBINATIONS

On 28 February 2017 the company (through its wholly-owned subsidiary RSI 1) acquired Storage RSA Investments Proprietary Limited ("Storage RSA") and Units 1–4 Somerset West Business Park Proprietary Limited ("Somerset West").

The acquisitions are in line with our strategy of pursuing value-added acquisitions in a fragmented industry and strengthening our position as South Africa's leading self storage brand.

Storage RSA comprises five trading properties with 36 950 m<sup>2</sup> of GLA in aggregate, as well as a development opportunity in Bryanston of approximately 4 800 m<sup>2</sup> for which town planning approvals are in hand. Somerset West operated and traded under the Storage RSA brand and comprises one trading property of 4 900 m<sup>2</sup> of GLA.

### 20.1 Acquisition of Storage RSA

The details of the transactions are set out below:

On 28 February 2017 RSI 1 acquired 100% of the issued share capital of Storage RSA. Storage RSA is the holding company of four wholly-owned subsidiaries. The fair value of the interest in these wholly-owned subsidiaries was R295 million at the effective date of the transaction.

The total consideration for the acquisition was R280.3 million and was settled in cash to the vendors.

The acquired business contributed revenue of R3.3 million and net profit before tax and fair value adjustments of R2.1 million to the group from the effective date of 28 February 2017 to 31 March 2017. In the previous financial year, prior to the acquisition by RSI 1, the acquired business generated revenue of R35 million and a net profit before tax and fair value adjustments of R24.8 million.

Subsequent to the effective date of the transaction, the acquired business changed its year end from 28 February to 31 March in order to align its financial year with the group.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

		Group 2017 R'000
20.	<b>BUSINESS COMBINATIONS (continued)</b>	
20.1	<b>Acquisition of Storage RSA (continued)</b>	
	<i>The assets and liabilities as at 28 February 2017 arising from the acquisition are as follows:</i>	
	Investment properties*	437 100
	Cash and cash equivalents	7 261
	Property and equipment	448
	Trade and other receivables	1 085
	Tax receivable	148
	Deferred taxation	816
	Inventories	421
	Shareholder loans	(10 540)
	Financial liabilities	(139 337)
	Trade and other payables	(10 392)
	Provisions	(4 835)
	<b>Fair value of net assets</b>	282 175
	Goodwill	1 769
	<b>Total purchase consideration</b>	283 944
	Contingent consideration <sup>#</sup>	(3 617)
	Consideration financed by cash	(280 327)
	Cash and cash equivalents acquired	7 261
	<b>Net cash outflow on acquisition</b>	(273 066)

\* The valuation technique used to determine the fair value of the investment properties acquired is based on the group's accounting policy.

<sup>#</sup> The purchase consideration is based on the pre-closing accounts at the effective date of the transaction. Once the closing accounts have been finalised, the group may be required to settle any outstanding amounts.

RSI 1 incurred transaction costs of R2.589 million which were recognised in a non-distributable reserve in the statement of changes in equity.

## 20.2 Acquisition of Somerset West

On 28 February 2017 RSI 1 acquired 100% of the issued share capital of Somerset West. The total consideration for the acquisition was R37.4 million and was settled for in cash to the vendors.

The acquired business contributed revenue of R513 000 and net profit before tax and fair value adjustments of R383 000 to the group from the effective date of 28 February 2017 to 31 March 2017. In the previous financial year, prior to the acquisition by RSI 1, the acquired business earned revenue of R1.7 million and a net profit before tax and fair value adjustments of R447 000.

Subsequent to the effective date of the transaction, Somerset West changed its year end from 28 February to 31 March in order to align its financial year with the group.

	Group 2017 R'000
<i>The assets and liabilities as at 28 February 2017 arising from the acquisition are as follows:</i>	
Investment property*	40 000
Property and equipment	87
Trade and other receivables	271
Tax receivable	30
Cash and cash equivalents	280
Financial liabilities	(2 675)
Trade and other payables	(537)
<b>Fair value of net assets</b>	37 456
Gain on bargain purchase	(41)
<b>Total purchase consideration</b>	37 415
<b>Net cash outflow on acquisition</b>	(37 135)
Consideration financed by cash	(37 415)
Cash and cash equivalents acquired	280

\* The valuation technique used to determine the fair value of the investment property acquired is based on the group's accounting policy.

# The purchase price paid for Somerset West is based on the pre-closing accounts at the effective date of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 21. SEGMENTAL INFORMATION

Segmental information is based on the geographic location of each investment property. The group trades in five of the nine 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 properties, tenant debtors and inventories.

The chief executive officer reviews the segmental information on a quarterly basis.

#### Group: 12 months ended 31 March 2017

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu- Natal R'000	Eastern Cape R'000	Total R'000
<b>Revenue</b>						
– Rental income	65 425	79 334	3 537	4 126	6 379	158 801
– Other income	1 660	4 807	147	1 053	195	7 862
Direct property costs	(13 021)	(20 747)	(1 264)	(1 669)	(1 647)	(38 348)
<b>Operating profit</b>	54 064	63 394	2 420	3 510	4 927	128 315
Fair value adjustment to investment properties	75 670	38 628	1 332	9 530	2 080	127 240
<b>Total profit for the year</b>	129 734	102 022	3 752	13 040	7 007	255 555

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
<b>Property revenue</b>	166 663	166 663	–
– Rental income	158 801	158 801	–
– Other income	7 862	7 862	–
Direct property costs	(38 348)	(38 348)	–
<b>Net property operating income</b>	128 315	128 315	–
<b>Other revenue</b>	13 748	–	13 748
– Management fees	13 748	–	13 748
Administration costs	(24 995)	–	(24 995)
<b>Operating profit</b>	117 068	128 315	(11 247)
Gain on bargain purchase	41	–	41
Fair value adjustment to investment properties	127 240	127 240	–
Depreciation and amortisation	(1 552)	–	(1 552)
<b>Profit before interest and taxation</b>	242 797	255 555	(12 758)
Interest income	13 026	–	13 026
Interest expense	(15 769)	–	(15 769)
<b>Profit before taxation</b>	240 054	255 555	(15 501)
Taxation expense	671	–	671
<b>Profit for the year</b>	240 725	255 555	(14 830)
Fair value adjustment to derivative financial instruments	(1 760)	–	(1 760)
Deferred taxation	394	–	394
<b>Other comprehensive income for the year, net of taxation</b>	(1 366)	–	(1 366)
<b>Total comprehensive income for the year</b>	239 359	255 555	(16 196)

Segment assets

Group: as at 31 March 2017

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu- Natal R'000	Eastern Cape R'000	Total R'000
Investment properties	996 892	938 818	24 500	32 000	58 000	2 050 210
Tenant debtors	891	941	37	50	62	1 981
Inventories	977	773	43	43	52	1 888

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 21. SEGMENTAL INFORMATION (continued)

#### Segment assets, reserves and liabilities

Group: as at 31 March 2017

	Total R'000	Allocated R'000	Unallocated R'000
<b>Assets</b>			
<b>Non-current assets</b>	2 263 524	2 050 210	213 314
Investment properties	2 050 210	2 050 210	–
Property and equipment	2 070	–	2 070
Stor-Age share purchase scheme loans	125 480	–	125 480
Deferred taxation	2 094	–	2 094
Goodwill and intangible assets	83 670	–	83 670
<b>Current assets</b>	20 593	3 869	16 724
Trade and other receivables	10 674	1 981	8 693
Inventories	1 888	1 888	–
Cash and cash equivalents	8 031	–	8 031
<b>Total assets</b>	<b>2 284 117</b>	<b>2 054 079</b>	<b>230 038</b>
<b>Equity and liabilities</b>			
<b>Shareholders' interest</b>	1 889 831	–	1 889 831
Stated capital	1 766 561	–	1 766 561
Non-distributable reserve	141 058	–	141 058
Accumulated loss	(17 788)	–	(17 788)
<b>Non-current liabilities</b>	113 000	–	113 000
Bank borrowings	106 202	–	106 202
Derivative financial instruments	1 409	–	1 409
Finance lease obligation	5 389	–	5 389
<b>Current liabilities</b>	281 286	–	281 286
Bank borrowings	146 470	–	146 470
Trade and other payables	38 573	–	38 573
Provisions	20 047	–	20 047
Finance lease obligation	906	–	906
Dividends payable	75 290	–	75 290
<b>Total equity and liabilities</b>	<b>2 284 117</b>	<b>–</b>	<b>2 284 117</b>

Group: 4.5 months 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
<b>Revenue</b>						
– 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)
<b>Operating profit</b>	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
<b>Total profit for the period</b>	46 511	1 678	1 266	3 746	4 100	57 301

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
<b>Property revenue</b>	56 900	56 900	–
– Rental income	54 907	54 907	–
– Other income	1 993	1 993	–
Direct property costs	(12 996)	(12 996)	–
<b>Net property operating income</b>	43 904	43 904	–
<b>Other revenue</b>	4 946	–	4 946
– Management fees	4 946	–	4 946
Administration costs	(9 066)	–	(9 066)
<b>Operating profit</b>	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 derivative financial instruments	352	–	352
Depreciation and amortisation	(525)	–	(525)
<b>Profit before interest and taxation</b>	57 385	57 301	84
Interest income	4 118	–	4 118
Interest expense	(4 996)	–	(4 996)
<b>Profit before taxation</b>	56 507	57 301	(794)
Taxation expense	–	–	–
<b>Total profit for the period</b>	56 507	57 301	(794)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

### 21. SEGMENTAL INFORMATION (continued)

#### Segment assets

Group: as at 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
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

#### Segment assets, reserves and liabilities

Group: as at 31 March 2016

	Total R'000	Allocated R'000	Unallocated R'000
<b>Assets</b>			
<b>Non-current assets</b>	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
Goodwill and intangible assets	81 760	–	81 760
Derivative financial instruments	352	–	352
<b>Current assets</b>	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
<b>Total assets</b>	1 593 334	1 372 422	220 912
<b>Equity and liabilities</b>			
<b>Shareholders' interest</b>	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)
<b>Non-current liabilities</b>	131 885	–	131 885
Bank borrowings	129 021	–	129 021
Finance lease obligation	2 864	–	2 864
<b>Current liabilities</b>	81 201	–	81 201
Trade and other payables	25 704	–	25 704
Provisions	16 000	–	16 000
Finance lease obligation	591	–	591
Dividends payable	38 906	–	38 906
<b>Total equity and liabilities</b>	1 593 334	–	1 593 334

	Group	
	12 months 2017 R'000	4.5 months 2016 R'000
<b>Dividend reconciliation</b>		
<i>Reconciliation of headline earnings to distributable earnings per share</i>		
Headline earnings attributable to shareholders (note 18)	113 444	38 733
Distributable earnings adjustment	17 657	173
Amortisation and depreciation	1 552	525
Fair value adjustment to derivative financial instruments	–	(352)
Antecedent dividend on share issues	16 105	–
<b>Distributable earnings</b>	<b>131 101</b>	<b>38 906</b>
Dividend declared for the 6 months ending 30 September	55 811	–
Dividend declared for the 6 months ending 31 March	75 290	38 906
Total dividends for the year	131 101	38 906
Shares entitled to dividends September ('000)	129 674	–
Shares entitled to dividends March ('000)	167 275	129 404
Dividend per share September (cents)	43.04	–
Dividend per share March (cents)	45.01	30.07
Total dividend per share for the year (cents)	88.05	30.07

The interim dividend on 43.04 cents per share for the period ending 30 September 2016 was declared on 18 November 2016 and the final dividend of 45.01 cents per share for the period ending 31 March 2017 was declared on 28 March 2017.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2017

#### 22. 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.

#### 22.1 Financial risk management

The table below sets out the company and group's accounting classification of each class of financial asset and liability at their fair value at 31 March:

	At fair value		At amortised cost	
	Total R'000	Derivatives used for hedging	Loans and other receivables	Financial liabilities
<b>Group as at 31 March 2017</b>				
<i>Financial assets</i>				
Stor-Age share purchase scheme loans	125 480	–	125 480	–
Cash and cash equivalents	8 031	–	8 031	–
Trade and other receivables	10 674	–	10 674	–
<i>Financial liabilities</i>				
Bank borrowings at amortised cost	252 672	–	–	252 672
Derivative financial instruments	1 409	1 409	–	–
Finance lease obligation	6 295	–	–	6 295
Trade and other payables	38 573	–	–	38 573
Dividend payable	75 290	–	–	75 290
<b>Group as at 31 March 2016</b>				
<i>Financial assets</i>				
Stor-Age share purchase scheme loans	119 628	–	119 628	–
Cash and cash equivalents	9 858	–	9 858	–
Trade and other receivables	8 792	–	8 792	–
Derivative financial instruments	352	352	–	–
<i>Financial liabilities</i>				
Bank borrowings at amortised cost	129 021	–	–	129 021
Finance lease obligation	3 455	–	–	3 455
Trade and other payables	25 704	–	–	25 704
Dividend payable	38 906	–	–	38 906

	Total R'000	At fair value Derivatives used for hedging	At amortised cost Loans and other receivables	Financial liabilities
<b><u>Company as at 31 March 2017</u></b>				
<i>Financial assets</i>				
Stor-Age share purchase scheme loans	125 480	–	125 480	–
Cash and cash equivalents	3 336	–	3 336	–
Trade and other receivables	5 559	–	5 559	–
<i>Financial liabilities</i>				
Bank borrowings at amortised cost	252 672	–	–	252 672
Derivative financial instruments	1 409	1 409	–	–
Trade and other payables	45 439	–	–	45 439
Dividend payable	75 290	–	–	75 290
<b><u>Company as at 31 March 2016</u></b>				
<i>Financial assets</i>				
Stor-Age share purchase scheme loans	119 628	–	119 628	–
Cash and cash equivalents	3 952	–	3 952	–
Trade and other receivables	11 687	–	11 687	–
Derivative financial instruments	352	352	–	–
<i>Financial liabilities</i>				
Bank borrowings at amortised cost	129 021	–	–	129 021
Trade and other payables	9 044	–	–	9 044
Dividend payable	38 906	–	–	38 906

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2017

#### 22. FINANCIAL INSTRUMENTS (continued)

##### 22.2 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 2017 R'000	Fair value at 31 March 2016 R'000
<b>Nedbank facility A</b>						
– Swap A	75 000	20 Nov 2015	30 Nov 2018	9.52%	(503)	512
– Swap B	25 000	17 Mar 2016	30 Nov 2018	10.07%	(383)	(160)
	<u>100 000</u>				<u>(886)</u>	<u>352</u>
<b>Nedbank facility B</b>						
– Swap C	50 000	8 Nov 2016	8 Nov 2019	9.50%	(421)	–
– Swap D	25 000	16 Mar 2017	28 Sep 2018	9.19%	(37)	–
– Swap E	25 000	16 Mar 2017	31 Mar 2020	9.40%	(65)	–
	<u>100 000</u>				<u>(523)</u>	<u>–</u>
<b>Total</b>	<u>200 000</u>				<u>(1 409)</u>	<u>352</u>

\* The fair value on the interest rate swaps is applicable to the group and company.  
The interest rates on all of the above instruments have been fixed with Nedbank Limited.

### 22.2.1 Effective interest rates

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

2017	Note	Effective interest rate	Carrying amount R'000	0-12 months R'000	1-4 years R'000	More than 4 years R'000
<b><u>Cash and cash equivalents</u></b>						
- Cash on call	9	6.00%	617	617	-	-
- Current accounts	9	0.05%	7 414	7 414	-	-
<b><u>Stor-Age share purchase scheme loans</u></b>						
- Issue 1	4	8.00%	120 703	-	-	120 703
- Issue 2	4	8.31%	2 610	-	-	2 610
- Issue 3	4	8.00%	2 167	-	-	2 167
<b><u>Financial liabilities</u></b>						
<b><u>Nedbank facility A*</u></b>						
- Swap A	22.2	9.52%	(503)	-	(503)	-
- Swap B	22.2	10.07%	(383)	-	(383)	-
<b><u>Nedbank facility B*</u></b>						
- Swap C	22.2	9.50%	(421)	-	(421)	-
- Swap D	22.2	9.19%	(37)	-	(37)	-
- Swap E	22.2	9.40%	(65)	-	(65)	-
<b>2016</b>						
<b><u>Cash and cash equivalents</u></b>						
- Cash on call	9	5.40%	346	346	-	-
- Current accounts	9	0.05%	9 512	9 512	-	-
<b><u>Stor-Age share purchase scheme loans</u></b>						
- Issue 1	4	8.00%	119 628	-	-	119 628
<b><u>Financial liabilities</u></b>						
<b><u>Nedbank facility A*</u></b>						
- Swap A	22.2	9.52%	512	-	512	-
- Swap B	22.2	10.07%	(160)	-	(160)	-

The effective rates disclosed above are fixed except for cash and cash equivalents.

\* These facilities and interest rate swaps are in the name of the company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2017

#### 22. FINANCIAL INSTRUMENTS (continued)

##### 22.2.2 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 R562 000 (2016: R422 000). The analysis has been prepared on the assumption that all other variables remain constant.

#### 22.3 Credit risk

##### 22.3.1 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		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Stor-Age share purchase scheme loans	125 480	119 628	125 480	119 628
Trade and other receivables	6 174	3 995	167	1 567
Tenant and related receivables	1 981	928	–	–
Other receivables	4 193	3 067	167	1 567
Derivative financial instruments	–	352	–	352
Intercompany receivable	–	–	335 399	156 292
Related party receivables	2 558	3 163	2 273	8 486
Staff loans	138	117	138	117
Cash and cash equivalents	8 031	9 858	3 336	3 952
	<b>142 381</b>	<b>137 113</b>	<b>466 793</b>	<b>290 394</b>

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

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
The maximum exposure to credit risk for loans at the reporting date:				
Stor-Age share purchase scheme loans	125 480	119 628	125 480	119 628
Shares pledged as security	(132 874)	(108 554)	(132 874)	(108 554)
Net exposure	–	11 074	–	11 074

The group's exposure to credit risk pertaining to the Stor-Age share purchase scheme loans is zero as 31 March 2017 as the fair value of the shares are greater than the loan balances outstanding.

No participants to whom loans were granted were in breach of their obligations.

### 22.3.2 Impairment losses

The ageing of tenant and related receivables at the reporting date was:

	Gross carrying value Group		Impairment recognised Group	
	31 March 2017 R'000	31 March 2016 R'000	31 March 2017 R'000	31 March 2016 R'000
Not yet due	6	11	–	–
Past due 0–30 days	1 193	608	165	113
Past due 31–60 days	565	271	200	115
Past due 61–120 days	712	211	370	93
Past due >120 days	729	350	489	202
<b>Total</b>	<b>3 205</b>	<b>1 451</b>	<b>1 224</b>	<b>523</b>

There were no tenant and related receivables due to the company at 31 March 2017 (31 March 2016: nil).

The movement in the allowance for impairment in respect of tenant and related receivables during the period was as follows:

	Group	
	31 March 2017 R'000	31 March 2016 R'000
Carrying value at beginning of year	523	242
Impairment recognised	701	281
<b>Carrying value at end of year</b>	<b>1 224</b>	<b>523</b>

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. In terms of the rental agreements entered into with tenants, the group may under certain conditions dispose of the tenants goods to recover outstanding amounts.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### for the year ended 31 March 2017

#### 22. FINANCIAL INSTRUMENTS (continued)

##### 22.4 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
<b>Group 2017</b>					
<i>Non-derivative financial liabilities</i>					
Bank borrowings	252 672	146 470	106 202	–	–
Finance lease obligation	25 679	1 097	955	2 866	20 761
Trade and other payables	18 798	18 798	–	–	–
	<b>297 149</b>	<b>166 365</b>	<b>107 157</b>	<b>2 866</b>	<b>20 761</b>
<b>Group 2016</b>					
<i>Non-derivative financial liabilities</i>					
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	–	–	–
	<b>199 515</b>	<b>37 862</b>	<b>140 949</b>	<b>1 523</b>	<b>19 181</b>
<b>Company 2017</b>					
<i>Non-derivative financial liabilities</i>					
Bank borrowings	252 672	146 470	106 202	–	–
Trade and other payables	41 326	41 326	–	–	–
	<b>293 998</b>	<b>187 796</b>	<b>106 202</b>	<b>–</b>	<b>–</b>
<b>Company 2016</b>					
<i>Non-derivative financial liabilities</i>					
Bank borrowings	151 863	11 421	140 442	–	–
Trade and other payables	9 044	9 044	–	–	–
	<b>160 907</b>	<b>20 465</b>	<b>140 442</b>	<b>–</b>	<b>–</b>

	Group 2017 R'000	Group 2016 R'000
Net debt	244 641	119 163
Bank borrowings	252 672	129 021
Cash and cash equivalents	(8 031)	(9 858)
Property assets (refer note 3)	2 050 210	1 370 587
Gearing ratio	11.9%	8.7%

The group's gearing ratio of 11.9% is lower than the maximum gearing ratio of 50% permitted by SA REIT guidelines.

The group's current liabilities exceed its current assets at 31 March 2017 as a result of the group's policy on tenant security deposits and the expiry of Nedbank Facility A in November 2017 (as set out in note 13) which has been classified under current liabilities. In terms of the tenant security deposits policy, certain 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 2017 tenant security deposits were R13.0 million (2016: 12.4 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 deposits prior to using their allocated storage unit. Excluding tenant security deposits, the effect of the Nedbank Facility A, provisions (see note 15) and the dividend payable, current assets exceed current liabilities. 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 13).

The group is expected to refinance Nedbank Facility A prior to its expiry on 16 November 2017.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 23. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

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 and company 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 and company 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.

The table below analyses financial assets and liabilities carried at fair value, by valuation method, and investment properties where the fair value approximates the carrying value:

		Level 1 R'000	Level 2 R'000	Level 3 R'000	Carrying value at 31 March R'000
<b>Group</b>					
<b>2017</b>					
<i>Assets</i>					
Investment properties	3	–	–	2 050 210	2 050 210
<i>Liabilities</i>					
Derivative financial instruments	22.2	–	1 409	–	1 409
<b>2016</b>					
<i>Assets</i>					
Investment properties	3	–	352	1 370 587	1 370 939
Derivative financial instruments	22.2	–	352	–	352
<b>Company</b>					
<b>2017</b>					
<i>Assets</i>					
Investment properties	3	–	–	36 588	36 588
<i>Liabilities</i>					
Derivative financial instruments	22.2	–	1 409	–	1 409
<b>2016</b>					
<i>Assets</i>					
Investment properties	3	–	352	9 504	9 856
Derivative financial instruments	22.2	–	352	–	352

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

### 23. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY (continued)

#### 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.

#### 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
Investment properties	Refer to note 3	Refer to note 3	Refer to note 3

	Opening balance R'000	Gain/(loss) in profit for the year R'000	Accrued interest R'000	Acquired R'000	Closing balance R'000
<b>Level 3 reconciliation</b>					
<b>Group</b>					
<b>2017</b>					
Investment properties	1 370 587	127 240	–	552 383	2 050 210
<b>2016</b>					
Investment properties	–	13 397	–	1 357 190	1 370 587
<b>Company</b>					
<b>2017</b>					
Investment properties	9 504	2 615	–	24 469	36 588
<b>2016</b>					
Investment properties	–	(531)	–	10 035	9 504

## 24. 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.

Significant 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.
- In determining goodwill and intangible asset impairment:  
The discounted cash flow of net operating income valuation method is used which assumes the net operating income for the next 10 years, taking into account the properties under management and the estimated growth in asset and property management fee and operating costs. The discount rate is also adjusted for only projected market, business and financial volatility.

## 25. 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.

### 25.1 Identity of the related parties with whom material transactions have occurred

Subsidiaries

- Roeland Street Investments Proprietary Limited
- Wimbledonway Investments Proprietary Limited
- N14 Self Storage Proprietary Limited
- Storage RSA Investments Proprietary Limited
- Units 1–4 Somerset West Business Park Proprietary Limited

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
- Roeland Street Investments 3 Proprietary Limited
- Stor-Age Property Holdings Proprietary Limited
- Stor-Age Property Holdings Trust
- Castle Rock Capital Trust
- Fairstore Trust

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

		Group		Company	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
25.	RELATED PARTY TRANSACTIONS				
	(continued)				
25.2	Material related party transactions and balances				
	<b>Related party balances</b>				
	<b>Intercompany payables</b>				
	Roeland Street Investments Proprietary Limited	–	–	–	29 593
	Wimbledonway Investments Proprietary Limited	–	–	15 750	10 808
	<b>Intercompany receivables</b>				
	Roeland Street Investments Proprietary Limited	–	–	168 954	140 502
	N14 Self Storage Proprietary Limited	–	–	29 561	15 790
	Storage RSA Trading Proprietary Limited	–	–	136 884	–
	<b>Amounts – owing to related parties</b>				
	– 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
	– Castle Rock Capital Trust	–	–	11	–
	<b>Amounts – owing by related parties</b>				
	– Stor-Age Property Holdings Proprietary Limited	221	486	221	–
	– Stor-Age Property Holdings Trust	–	260	–	253
	– Castle Rock Capital Trust	982	3 209	–	1
	– Roeland Street Investments 2 Proprietary Limited	97	–	97	–
	– Madison Square Holdings Close Corporation	814	–	1 163	–
	<b>Working capital – owing by related parties</b>				
	– Roeland Street Investments Proprietary Limited	–	–	327	–
	– Roeland Street Investments 2 Proprietary Limited	444	–	444	–
	– Units 1–4 Somerset West Business Park Proprietary Limited	–	–	21	–
	<b>Working capital – owing to related parties</b>				
	– Roeland Street Investments Proprietary Limited	–	–	36 273	–
	– Roeland Street Investments 2 Proprietary Limited	1 406	–	1 406	–

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>Dividend income</b>				
Roeland Street Investments Proprietary Limited	–	–	114 812	39 951
Wimbledonway Investments Proprietary Limited	–	–	2 414	–
N14 Self Storage Proprietary Limited	–	–	411	–
<b>Interest received on Stor-Age share purchase scheme loans</b>				
Directors and key management personnel	9 706	3 528	9 706	3 528
<b>Development fees paid (to)/by related parties</b>				
Madison Square Holdings Close Corporation	(39 225)	(5 162)	–	–
Roeland Street Investments 2 Proprietary Limited	1 718	763	1 718	763
Roeland Street Investments 3 Proprietary Limited	635	–	635	–
<b>Asset management fees received from related party</b>				
Roeland Street Investments 2 Proprietary Limited	6 130	1 727	6 130	1 727
<b>Property management fees received from related party</b>				
Roeland Street Investments 2 Proprietary Limited	3 393	1 065	3 393	1 065
<b>Acquisition fees received from related party</b>				
Roeland Street Investments 2 Proprietary Limited	490	565	490	565
Roeland Street Investments 3 Proprietary Limited	336	–	336	–
<b>Office rental paid to related party</b>				
Stor-Age Property Holdings Proprietary Limited*	741	295	741	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 25.3 and 25.4. Apart from their salaries and their participation in the Stor-Age share purchase scheme loans, the group provides no non-cash benefits to directors.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2017

	Direct beneficial	Indirect	Total	Percentage
<b>25. RELATED PARTY TRANSACTIONS</b>				
(continued)				
<b>25.3 Directors' and company secretary's shareholdings</b>				
<b>31 March 2017</b>				
GM Lucas	3 500 000	6 911 955	10 411 955	5.89%
SJ Horton	3 500 000	3 048 334	6 548 334	3.70%
SC Lucas	3 500 000	6 911 955	10 411 955	5.89%
MS Moloko	60 000	–	60 000	0.03%
GA Blackshaw	–	1 725 000	1 725 000	0.98%
GBH Fox	–	–	–	–
PA Theodosiou	550 000	–	550 000	0.31%
HH-O Steyn (company secretary)	–	120 000	120 000	0.07%
	<b>11 110 000</b>	<b>18 717 244</b>	<b>29 827 244</b>	<b>16.87%</b>
<b>31 March 2016</b>				
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%
	<b>11 110 000</b>	<b>18 717 244</b>	<b>29 827 244</b>	<b>21.40%</b>

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

	2017 R'000	2016 R'000
<b>25.4 Directors' remuneration</b>		
Fees paid to non-executive directors for meeting attendance were as follows:		
PA Theodosiou (Audit and Risk Committee, Remuneration Committee and Investment Committee)	230	86
MS Moloko (Social and Ethics Committee and Audit and Risk Committee)	230	86
GBH Fox (Audit and Risk Committee and Remuneration Committee)	230	86
GA Blackshaw (Social and Ethics Committee and Investment Committee)	190	71
	<b>880</b>	<b>329</b>

Fees paid to executive directors were as follows:

The executive directors' remuneration is paid by Stor-Age Property REIT Limited:

	2017 R'000	2017 R'000	2016 R'000	2016 R'000
	Basic salary	Total	Basic salary	Total
GM Lucas	1 200	1 200	285	285
SJ Horton	1 200	1 200	285	285
SC Lucas	1 200	1 200	285	285
	<b>3 600</b>	<b>3 600</b>	<b>855</b>	<b>855</b>

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

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
<b>26. FINANCE LEASE OBLIGATION</b>				
Minimum lease payments due:				
Within one year	1 097	737	–	–
In second to fifth year inclusive	3 821	2 030	–	–
Later than five years	20 761	19 181	–	–
	<b>25 679</b>	<b>21 948</b>	<b>–</b>	<b>–</b>
Less: Future finance charges	(19 384)	(18 493)	–	–
	<b>6 295</b>	<b>3 455</b>	<b>–</b>	<b>–</b>
Present value of minimum lease payments due:				
Within one year	906	591	–	–
In second to fifth year inclusive	2 445	1 285	–	–
Later than five years	2 944	1 579	–	–
	<b>6 295</b>	<b>3 455</b>	<b>–</b>	<b>–</b>

The finance lease obligation refers to the operating lease in respect of Stor-Age Constantia Kloof, Stor-Age Tokai 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.

A portion of Stor-Age Tokai is held under an operating lease with a term of 10 years (commencement date: October 2014). The average effective borrowing rate is 9% and 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2017

	Group 2017 R'000	Group 2016 R'000
<b>27. CAPITAL COMMITMENTS AUTHORISED</b>		
Contracted for	–	–
Authorised but not contracted for	20 000	44 693
	20 000	44 693

The capital commitments relates to improvements in investment properties and will be funded from the group's borrowing facilities (see note 13). Details of the security held over certain properties are set out in note 13.

### 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 meet their foreseeable cash requirements (see note 13).

### 29. EVENTS AFTER REPORTING DATE

The company issued additional shares after the reporting date. This is non-adjusting event that is not recognised in the current year's financial statements. The shares issued are as follows:

1. 225 070 shares were issued on 10 April 2017
2. 173 347 shares were issued on 19 May 2017

The additional shares issued are entitled to participate in the final dividend declared for the March 2017 year.

On 9 May 2017, the group acquired 100% of the shares in Unit Self Storage Proprietary Limited owning the Unit Self Storage property in Ottery, Cape Town for a purchase consideration of R42.080 million. The acquisition represents an opportunity to acquire a well-constructed self-storage property in a complementary location to the existing portfolio. The property offers 5 300 m<sup>2</sup> self storage space across two levels, consisting of 460 self storage units ranging from 4.5 m<sup>2</sup> to 36 m<sup>2</sup> in size and an average rental rate of R84 per m<sup>2</sup>.

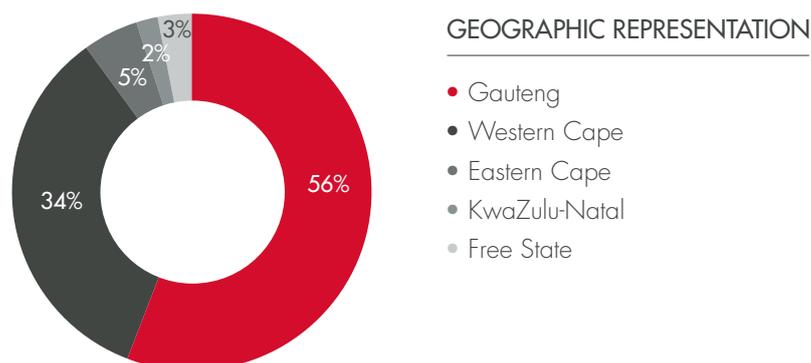
On 8 June 2017, the group announced that it had entered into a Memorandum of Understanding with the shareholders of Dancor Properties Proprietary Limited ("Dancor") to acquire 100% of the shares in Dancor. Dancor currently trades from four locations under the name StarTown situated in the Durban CBD and Durban North with total GLA of c.22 000 m<sup>2</sup>. The acquisition is in line with Stor-Age's stated strategy of pursuing value added acquisitions in a fragmented industry.

The board is not aware of any other events, other than those disclosed above, that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

# UNAUDITED PROPERTY PORTFOLIO INFORMATION

as at 31 March 2017

- The customer base of Stor-Age is large and diverse with over 15 000 tenants (2016: 11 650). 76% (2016: 77%) of the customers are classified as residential and the remaining 24% (2016: 23%) are commercial users.
- Geographical representation of the properties by region is set out in the following pie chart:



- Geographical representation of portfolio by Gross Lettable Area (GLA) and revenue:

Region	GLA (m <sup>2</sup> )	Revenue (%)
Gauteng	126 508	46.9%
Western Cape	78 095	46.1%
Eastern Cape	11 016	3.3%
KwaZulu-Natal	5 516	1.9%
Free State	6 679	1.8%
<b>Total</b>	<b>227 814</b>	<b>100%</b>

- The weighted average rental per square metre (m<sup>2</sup>) of occupied space at 31 March 2017, is R86.0 m<sup>2</sup> (2016: R76.3 m<sup>2</sup>). The weighted average rental per m<sup>2</sup> for each region as at 31 March 2017 is set out in the following table:

Region	Rental/m <sup>2</sup>
Gauteng	72.9
Western Cape	115.7
Eastern Cape	59.6
KwaZulu-Natal	67.2
Free State	51.7
<b>Total</b>	<b>86.0</b>

## UNAUDITED PROPERTY PORTFOLIO INFORMATION (continued) as at 31 March 2017

5. The occupancy profile by GLA of the portfolio as at 31 March 2017 is disclosed in the following table:

Region	GLA (m <sup>2</sup> )	% Occupied	Vacancy m <sup>2</sup>	% Vacant
Gauteng	126 508	86.5	17 089	13.5
Western Cape	78 095	82.0	14 080	18.0
Eastern Cape	11 016	84.1	1 752	15.9
KwaZulu-Natal	5 516	97.8	122	2.2
Free State	6 679	81.6	1 230	18.4
<b>Total</b>	<b>227 814</b>	<b>85.0</b>	<b>34 273</b>	<b>15.0</b>

6. The existing leases for the current tenant base, the majority of which are concluded with individuals, do not contain contractual escalations. For properties in the Storage RSA portfolio, rentals are escalated annually (at a rate determined by the company) on 1 February each year. For other properties in the group portfolio, the company has the contractual rights to increase rentals at its discretion, provided 30 days' notice is given to the respective tenants. The following table sets out the annual percentage increases in the average rentals per m<sup>2</sup> for the past three financial years.

Year	% Increase in rental per m <sup>2</sup>
2015	17%
2016	9%
2017	9%

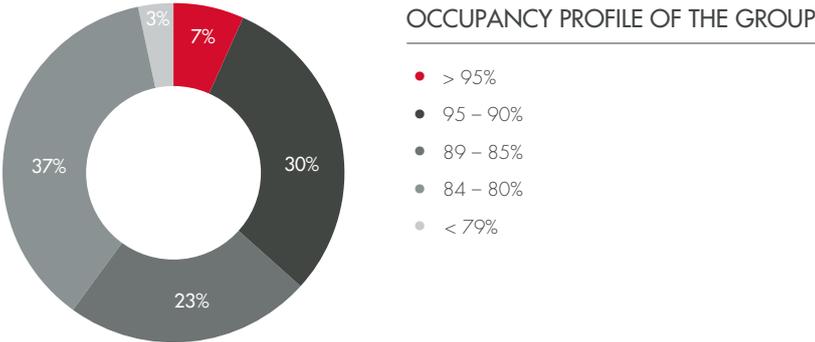
7. The weighted average annualised property yield in respect of the properties is 7.93 % on year one actual cash flow and 8.34% on mature cash flow.

8. The tenant base of Stor-Age is large and diverse. All leases continue indefinitely unless terminated at the end of a calendar month on two weeks' notice. As at 31 March 2017, 70% of existing tenants had occupied a self storage unit for a period greater than six months. Set out below is an analysis of the historical occupancy profile for the group.

Tenancy	2017	2016	2015	2014
< 6 months	30%	31%	33%	34%
Between 6 and 12 months	17%	19%	21%	23%
Between 1 and 2 years	21%	23%	22%	19%
Between 2 and 3 years	12%	12%	9%	8%
> 3 years	20%	15%	15%	16%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

2017 includes the Storage RSA portfolio. 2014 – 2016 excludes the Storage RSA Portfolio.

9. The occupancy profile of the group as at 31 March 2017 is set out in the following pie chart below.



## UNAUDITED SCHEDULE OF PROPERTIES

as at 31 March 2017

Store name	Address	Province	2017			2016	
			Purchase price R'000	Valuation R'000	GLA m <sup>2</sup>	Valuation R'000	GLA m <sup>2</sup>
Stor-Age Gardens	121 Roeland Street, Gardens, Cape Town	Western Cape	140 000	206 900	9 235	155 000	8 867
Stor-Age Table View	121 Koeberg Road, Corner of Koeberg and Blaauwberg Road, Table View, Cape Town	Western Cape	104 000	115 000	10 087	111 000	10 087
Stor-Age Durbanville	Corner of Pinehurst Drive and Okavango Road, Pinehurst, Cape Town	Western Cape	72 700	103 000	9 722	76 500	8 684
Stor-Age Tokai	64-74 White Road, Retreat, Cape Town	Western Cape	94 300	92 000	8 129	91 000	8 129
Storage RSA Somerset West – Mall	24 Ou Paardevlei, Cape Town	Western Cape	90 000	89 000	7 608	–	–
Storage RSA Durbanville	2-8 Plein Street, Durbanville, Cape Town	Western Cape	88 000	86 300	7 804	–	–
Storage RSA Stellenbosch	7 George Blake and 6 Stoffel Smit, Stellenbosch	Western Cape	65 000	67 000	6 063	–	–
Stor-Age Bellville	Cnr of Peter Barlow and Kasselsvlei Road, Bellville, Cape Town	Western Cape	46 000	60 900	5 874	50 600	5 874
Stor-Age Edgemoed	1 Southdale Road Edgemoed, Cape Town	Western Cape	48 950	60 300	4 833	50 600	4 548
Stor-Age Sea Point	67 Regent Road, Sea Point, Cape Town	Western Cape	41 000	56 600	2 756	43 800	2 757
Storage RSA Heritage Park	42 Delson Circle, Heritage Park, Somerset West, Cape Town	Western Cape	40 000	45 000	4 891	–	–
Stor-Age City Vault	255 Voortrekker Road, Maitland, Cape Town	Western Cape	13 500	17 000	1 093	13 250	939
			<b>843 450</b>	<b>999 000</b>	<b>78 095</b>	<b>591 750</b>	<b>49 885</b>

Store name	Address	Province	2017			2016	
			Purchase price R'000	Valuation R'000	GLA m <sup>2</sup>	Valuation R'000	GLA m <sup>2</sup>
Stor-Age Lytleton	1250 Theron Street, Pierre van Rhyneveld	Gauteng	115 000	121 000	20 941	115 000	20 938
Storage RSA Constantia Kloof	17 JG Strijdom Road, Weltevredenpark	Gauteng	94 700	100 000	7 928	–	–
Storage RSA Midrand	65 Freight Road, Louwlaridia, Midrand	Gauteng	83 000	82 500	7 548	–	–
Stor-Age Hennospark	Jakaranda Street, Hennospark	Gauteng	60 500	68 050	9 385	62 000	9 378
Stor-Age Boksburg	37 View Point Road, Bartlett, Boksburg	Gauteng	74 000	65 000	7 229	74 700	7 230
Stor-Age Kempton Park	Cnr of Cheetah and Klipspringer Street, Kempton Park	Gauteng	71 000	67 500	9 214	63 400	9 214
Stor-Age Constantia Kloof	Cnr of Hendrik Potgieter and 14th Avenue, Constantia Kloof, Gauteng	Gauteng	48 000	77 604	5 375	68 104	5 375
Stor-Age Zwartkop	70 Migmatite Street, Zwartkop ext 13	Gauteng	46 000	56 000	9 340	46 100	8 241
Stor-Age Samrand	29 Rietspruit Rd, Samrand, Pretoria	Gauteng	55 650	52 600	7 978	53 500	7 981
Stor-Age Jhb City	32 Rosettenville Road, Village Main, Jhb City	Gauteng	43 100	51 500	7 848	43 400	7 866
Stor-Age Midrand	492 Komondor Road, Glen Austin X3, Midrand	Gauteng	45 500	48 500	7 248	42 700	7 022
Stor-Age Garsfontein	Plot 13 Garsfontein Road, Grootfontein	Gauteng	43 600	40 000	9 711	39 300	9 711
Stor-Age Mnandi	39 Tulip Avenue, Raslow	Gauteng	41 500	38 800	8 259	41 100	8 275
Stor-Age West Rand	Portion 610, St Antonios Road, Muldersdrift	Gauteng	22 600	28 500	4 343	19 300	3 069
Stor-Age Pretoria West	1384 Malie Street, Pretoria West	Gauteng	10 500	9 800	4 161	8 500	4 161
			<b>854 650</b>	<b>907 354</b>	<b>126 508</b>	<b>677 104</b>	<b>108 461</b>
Stor-Age Bloemfontein	Sand Du Plessis Avenue, Estoire, Bloemfontein	Free State	22 500	24 500	6 679	23 000	6 679
Stor-Age Greenbushes	Plot 136 Old Cape Road, Port Elizabeth	Eastern Cape	53 800	58 000	11 016	55 800	11 016
Stor-Age Springfield	166 Inersite Avenue, Umgeni Business Park	KwaZulu-Natal	17 100	32 000	5 516	20 500	5 301