STOR-AGE PROPERTY REIT LIMITED

INTEGRATED ANNUAL REPORT 2017

Stor-Age Property REIT Limited is the leading and largest self storage property fund and brand in South Africa. We have successfully developed, acquired and managed self storage properties across South Africa for more than a decade.

Stor-Age is a local market pioneer that introduced high-profile Big Box self storage properties in high-visibility, easily accessible prime suburban locations in South Africa's major cities.

Stor-Age listed on the JSE on 16 November 2015 and now services more than 18 500 tenants. Our 43-property portfolio covers 300 000 m² of gross lettable area, which is strategically concentrated in South Africa's largest cities.

CONTENTS

Corporate information
Registration number: 2015/168454/06
ISIN: ZAE000208963
Share code: SSS
Approved as a REIT by the JSE Limited.

Shares in issue: 176 876 345 (31 March 2017)

SCOPE AND BOUNDARY

This is our second integrated annual report and our first for a full 12-month trading period. Our previous report covers the period from our listing on the 'Speciality REIT' sector of the JSE Main Board on 16 November 2015 to the year ended 31 March 2016.

This report explains our strategy, the key opportunities and risks in our markets, our financial and non-financial performance and our expectations for the year ahead.

We focus on material sustainability matters.

We determine these matters through board discussions, market research, stakeholder engagement, continual risk assessments, and reviews of prevailing trends in our industry and the global economy. This report does not discuss sustainability matters which we do not consider material.

SCOPE OF THIS REPORT

This report presents the financial results and the economic, environmental, social and governance performance of the group for the financial year ended 31 March 2017. Its content encompasses all divisions and subsidiaries of the group, across all regions of operation in South Africa.

REPORTING APPROACH

The report is targeted primarily at current stakeholders and potential investors in the group.

We compiled this report according to:

- international and South African guidelines for reporting and best practice;
- South African legislation, including the Companies Act, 71 of 2008, as amended (Companies Act), and the Johannesburg Stock Exchange Ltd (JSE) Listings Requirements;
- International Financial Reporting Standards (IFRS);
- The South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee;
- The King III Report on Governance for South Africa, 2009 (King III); and
- The International Integrated Reporting Council's (IIRC) Integrated Reporting (IR) Framework, issued in December 2013.

ASSURANCE

The company's external auditors, KPMG Inc., have independently audited the annual financial statements for the year ended 31 March 2017. Their unqualified audit report is set out on pages 56 to 61. The scope of their audit is limited to the information set out in the annual financial statements on pages 62 to 122.

CORPORATE INFORMATION

The current executive directors are Gavin Lucas (chief executive officer), Stephen Lucas (financial director) and Steven Horton, and they can be contacted at the registered office of the company. The company's contact details are disclosed on the inside back cover.

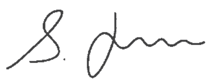
FORWARD-LOOKING STATEMENTS

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the group's expectations as at 31 March 2017. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation. The group's external auditors have not reported on or reviewed these statements.

RESPONSIBILITY STATEMENT AND REVIEW

The Audit and Risk Committee and the board acknowledge their responsibility to ensure the integrity of this report. It has been reviewed by the Audit and Risk Committee, the board, company secretary, sponsor and investor relations consultants. The annual financial statements included in this integrated annual report have been audited by the external auditors.

Gavin Lucas
Chief Executive Officer



Stephen Lucas
Financial Director

Gareth Fox
Chairman Audit and Risk Committee

INTRODUCING STOR-AGE

ABOUT STOR-AGE

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa with a portfolio worth more than R2.95 billion. We are the first and only self storage Real Estate Investment Trust (REIT) listed on any emerging market exchange. Our highly specialised business focuses on the fast growing self storage sector – a niche sub-sector of the broader commercial property market.

Stor-Age develops, acquires and manages high-quality self storage properties. Through these, we penetrate the market deeply, benefit from economies of scale and produce favourable operating margins.

Our activities encompass the entire value chain across acquisition, development, ownership and management.

Our portfolio comprises 43 self storage properties across South Africa. Stor-Age owns and operates 31 of these properties, covering 233 000 m² GLA and R2.1 billion in value (Listed Portfolio). The balance covers 67 000 m² GLA and makes up the unlisted portfolio (Managed Portfolio) from which Stor-Age receives property and asset management fees. Stor-Age manages over 18 500 individual leases.

The REIT is managed internally.

THE SOUTH AFRICAN SELF STORAGE LEADER

Leading and largest self storage property fund in South Africa

High-quality self storage properties

Outstanding locations with high barriers to entry

High-visibility buildings with easy access from arterial roads

Business model based on global best practice

Development capability and innovation

Market-leading operations and digital platform

Decade-long track record of developing, tenanting and operating self storage assets

	Listed Portfolio	Managed Portfolio	Trading Portfolio	Pipeline Portfolio
Number of properties	31	12	43	6
GLA	233 000 m²	67 000 m²	300 000 m²	39 000 m²
Value	R2.1bn	c. R860m	R2.96bn	c. R465m

INTRODUCING STOR-AGE (continued)

OUR INVESTMENT CASE

- Sector specialist allowing for focused attention
- Track record of growing investor returns
- Recession-resilient sector
- Attractive forecast distribution growth in medium term
- Secured pipeline of development assets
- Strong cash flow
- Attractive earnings growth
- Healthy balance sheet and conservative gearing
- Low bad debt record (< 0.5% of revenue)
- Low obsolescence and ongoing maintenance capex

is underpinned by

OUR SUCCESS DRIVERS

- Diversified tenant risk (18 500+ tenants)
- Presence in South Africa's main metropolitan centres – Johannesburg, Pretoria, Cape Town and Durban
- High barriers to entry
- Market-leading brand
- Committed and passionate teams
- Average length of stay – 21 months (properties older than five years – 24 months)
- Favourable operating margins
- 53% of customers storing for more than 1 year
- Growing demand and awareness
- Economies of scale
- Niche asset class uncorrelated to traditional property drivers
- Sector consolidation opportunities
- Proven ability to identify, close and integrate value-add acquisition opportunities
- Sophisticated operating platform

and

OUR VISION

To be the best self storage business in the world.
Not necessarily the biggest but certainly the best.

OUR MISSION

To rent space.
We are experts at renting space.

HIGHLIGHTS

88.05 cents | Up 10%*
Total dividend

R86 per m² | Up 12.7%, including 9.4% like-for-like
Closing average rental rate

193 400 m² – 85% of GLA | Up 37 700 m², including 4 000 m² like-for-like
Listed Portfolio occupancy (31 properties)

R2.1 billion | Up R680 million
Investment property (including major strategic acquisition – Storage RSA (R475 million), and expansion of Gardens and Durbanville)

11.9% | 82% hedged on a net-debt basis
Loan to value (LTV)

300 000 m² GLA | Up 64 000 m²
Trading Portfolio size (43 properties)

18 500+ | Trading Portfolio
Total number of tenants

R1.3 billion+ | 18 properties
Pipeline and Managed Portfolio

3 new properties opened | 24 450 m² GLA on full fit-out
Managed Portfolio

* *Compared to pro forma dividend for the year ended 31 March 2016 of 80 cents, annualised from the 30.07 cents per share total dividend for the four-and-a-half month reporting period from listing to 31 March 2016*

'Big Box' self storage properties!

Our Big Box self storage properties are developed in prime locations. Each one is modern, purpose-built and multi-storey. Our properties are light, bright, safe and secure! Being the leading developer of these properties, we capitalise on market requirements more efficiently than our competitors.

CHAIRMAN'S LETTER

This, our second integrated annual report and first for a full 12-month trading period, reflects the company's continued excellent financial performance since its listing. We achieved this despite a contracting domestic economy.

Stor-Age was the first self storage REIT to list on the JSE or, for that matter, in any emerging market. As a specialist asset class in the early stages of development, self storage offers unique growth prospects which the management team continues harnessing to deliver strong and sustainable growth in returns.

A TRACK RECORD OF DELIVERY

Stor-Age has a clear vision and well-articulated strategy that aims to deliver attractive and sustainable investment returns, increase the scale of the business and ensure that the company remains the self storage market leader.

During the year, on all fronts – acquisitions, new store development, existing property expansions and portfolio management – management executed their mandate with discipline and focus and within the scope of the vision and growth strategy.

The executive team has built a track record of delivery since the business' founding more than 10 years ago. The business model is based on global best practice and strong networks with leading first-world market peers, which is evidenced by more than a decade of successfully acquiring, developing, leasing and operating self storage assets.

“The business model is based on global best practice and strong networks with leading first-world market peers.”

TIMELINE

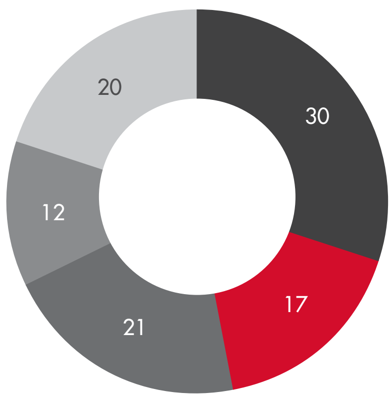
- **2006** – Stor-Age forms and first property opened
- **2007** – International market research begins
- **2009** – Four properties trading in Cape Town
- **2010** – JV formed with Acucap and Faircape
- **2012** – Portfolio grows to 15 properties in four cities
- **2014** – Portfolio grows to 38 properties in six cities
- **2015** – Listing of Stor-Age on JSE
- **2017** – Acquisition of Storage RSA and portfolio grows to 49 properties

The self storage sector's resilient investment theme is evidenced by more than 50% of our tenants having stored with us for more than a year at 31 March 2017.

CREATING VALUE

Customer demand and the general economic cycle have low correlation. Residential and commercial customers' self storage needs are relatively consistent in both strong and weak markets, and Stor-Age has delivered a strong set of results for the year. The 88.05 cents dividend per share for the full year, representing 10% annualised growth from the prior period, came in 3.5% above the listing forecast in the prospectus.

The self storage sector's resilient investment theme is evidenced by more than 50% of our tenants having stored with us for more than a year as at 31 March 2017. For customers who ended their leases during the year, the average length of stay was 14 months; for existing customers it is 21 months. For properties open more than five years, the average length of stay is 24 months.

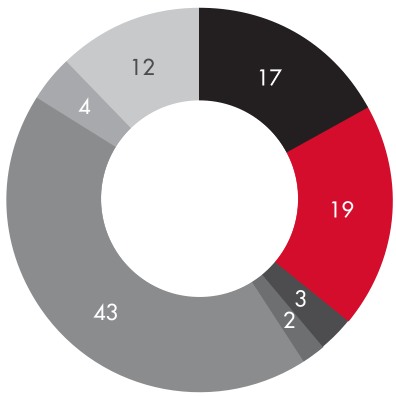


AVERAGE LENGTH OF STAY

- < 6 months
- 6 – 12 months
- > 12 months
- 2 – 3 years
- > 3 years

DEMAND PROFILE

Demand is driven by two significant user groups – those needing the product for short stays due to 'life changing events' (< 6 months: 30%) and those requiring the product for longer term space requirements (≥1 year: 53%).



REASON FOR STORING

- Business needs
- Excess stuff
- Lifestyle choice
- Marriage/divorce
- Moving
- Renovating
- Other

SELF STORAGE – A 'NEEDS' DRIVEN PRODUCT

Self storage is a 'needs' driven product. All tenants initially use our product due to a tangible 'need'. This makes the business case cyclically resilient.

Our investment property portfolio grew by R680 million to R2.050 billion, underpinned by a 46 500 m² increase in GLA. The growth in GLA was supported by the key strategic acquisition of Storage RSA (41 800 m² GLA) and the build-out in the existing portfolio by a further 4 700 m² GLA.

Stor-Age benefits from a conservative balance sheet structure, with bank debt of R253 million in place at year end, with net debt of R244.6 million representing 11.9% of gross property assets. Of this debt, an average of 82% is fixed for a further two-and-a- half-year period, and, as debt levels grow with future acquisitions, the company will maintain this conservative hedging profile.

Given the economic environment, maintaining a strong balance sheet remains a key strategic pillar of the business. To this end, in February 2017 we were pleased to raise R400 million of equity capital to fund the Storage RSA acquisition and reduce associated debt.

GLOBAL MARKETS

Self storage has an established track record in certain first-world markets, particularly in the US, but there are other developed countries where the industry is less mature. As management seeks to grow the fund, its opportunities are not limited to South Africa or even emerging markets. The same social and built-environment trends that are propelling self storage in South Africa are also at play in the UK, Europe and Australia, and the board continues encouraging management to deepen its networks in these markets where many of the self storage businesses are still privately owned.

OUTLOOK AND THANKS

I'd like to congratulate the management team and senior employees on successful results for the company's first full 12-month reporting period. Management has built a high-quality business with an excellent portfolio, a robust and sophisticated operational platform and a pipeline of exciting acquisition opportunities.

Thanks also to my fellow non-executive directors for their invaluable contributions. Each of them continues to bring their formidable experience to bear on the strategic direction and governance of the company.

Stor-Age has had an excellent second financial year, and the board remains committed to growing the company in a sustainable manner and delivering value to shareholders.

Paul Theodosiou
Chairman
13 June 2017

"As management seeks to grow the fund, its opportunities are not limited to South Africa or even emerging markets."

MEET MATTHEWS

… My decision to join Stor-Age was purely grounded in the success of the company and the prospect of its exponential growth. I was inspired when seeing how the executive team had managed to clearly communicate the mission statement and how they involved a like-minded workforce in ensuring its fruition.

For me, this has been the key aspect of being a part of Stor-Age, especially being exposed to an environment where an entrepreneurial mindset is encouraged in the interest of furthering the collective agenda …

Matthews joined Stor-Age as an Assistant Operations Manager. Within a year, his strong performance at a number of properties provided the platform for him to become a Store Operations Manager. He has since been appointed as a Central Sales Specialist at head office where his efforts are directed at making a meaningful contribution to the Stor-Age customer experience.

Matthews Mogale
Central Sales Specialist

PIONEERING THE DEVELOPMENT OF BIG BOX SELF STORAGE PROPERTIES IN SOUTH AFRICA

Brooklyn – PTA

Claremont – CPT

Table View – CPT

Mount Edgecombe – DBN

Tokai – CPT

JHB City – JHB

Silver Lakes – PTA

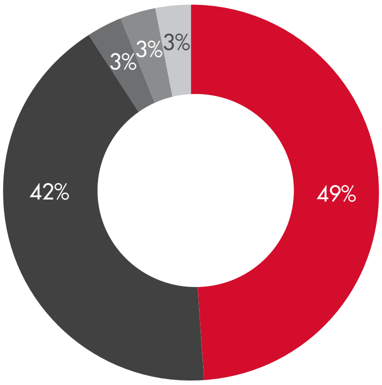
Constantia Kloof – JHB

Gardens – CPT

Sunninghill – JHB

Gillooly's – JHB

Berea – DBN



GEOGRAPHIC REPRESENTATION*

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

GEOGRAPHIC FOCUS

Primary focus = high profile locations in Johannesburg, Pretoria, Cape Town and Durban

* *trading portfolio*

OUR BUSINESS

WHAT WE DO

GROWTH STRATEGY

OUR BUSINESS

WHAT WE DO

Our Trading Portfolio comprises 43 self storage properties across South Africa.

Stor-Age owns and operates 31 of these properties, covering 233 000 m² GLA – our Listed Portfolio. Stor-Age's other 12 properties cover 67 000 m² GLA, and make up our Managed Portfolio from which we receive property and asset management fees. Stor-Age holds a pre-emptive right to acquire all properties in the Managed Portfolio, representing a significant growth pipeline. We manage over 18 500 individual leases with a churn rate of 5 – 6% per month and over 1 100 new tenants moving in each month.

We continue improving our operating platform and infrastructure to maximise revenue, reduce costs and ultimately deliver enhanced returns. At a property level, our people and the high-quality, secure and convenient space attract and retain a diverse customer base.

STOR-AGE AT OUR CORE

Put simply, Stor-Age exists because we solve people's and business' space problems.

We aim to actualise within a number of dimensions simultaneously for maximum value creation. Stor-Age aims for purpose and profit; continuity and change; freedom to innovate; and responsibility. We strive to respect our colleagues, our customers, ourselves and the organisation, which is greater than the sum of its parts.

Our four Core Values guide and inspire every single thought, action and decision: Excellence, Sustainability, Relevance and Integrity.

SOPHISTICATED OPERATIONS PLATFORM

We have invested significantly in developing a sophisticated and scalable management platform to provide centralised services and support across the portfolio. This offers economies of scale and cost efficiencies.

Our web-based tenant management system provides real-time information on the operating and financial performance of each property. The system also has a unique built-in client relationship management (CRM) tool which allows all enquiries to be logged and tracked (until closed) and management to remotely monitor employees' efforts in this process. Every month, more than 4 400 enquiries are recorded and followed up on.

Pricing is dynamic and varies according to unit size, demand, the stage of lease-up, and location. In Stor-Age's Big Box properties, the internal space can be reconfigured to produce variations of unit sizes in order to meet the demand profile and optimise the revenue streams from the property.

Operationally, Stor-Age consists of two elements: systems and people. Our approach to each is summarised below.

1

Systems including processes, controls and responsibilities

- Defined in operating standards across the business to ensure consistency
- Increasing use of technology and automation for continuous improvement

2

People

- Strategic focus from inception
- Significant emphasis on recruiting the right people and training, developing and managing them to achieve their highest potential
- New e-learning platform rolled out across business
- Incentivise out-performance

WHAT WE DO (continued)

BRAND STRENGTH

Developing Stor-Age into the leading South African self storage brand has been a key strategic objective since inception. Our focus on the location, visibility and quality of our properties, underpinned by excellent customer service and a leading online platform, has successfully achieved this.

Our brand is firmly positioned at the quality end of the market, and is well defined and differentiated.

Our brand strategy is founded on big branding at properties in high-visibility locations on key arterials in densely populated residential suburbs with adjacent commercial and business corridors. Stor-Age's Big Box properties are especially impactful in this regard.

Our effective and innovative internet technology and digital marketing have enhanced our brand reach and raised the barrier to entry to competition, given the innate complexity and cost of online sales.

SALES, MARKETING AND E-COMMERCE

We have embraced the digital age and regard our online platform (management and tenant) as a key competitive differentiator.

We see digital as enabling a cohesive, previously unavailable, brand experience by creating unique and specific touch points based on where the customer is located and which specific online search term is used.

Our search engine optimisation (SEO) results maintain our leading ranking for the most popular and searched terms by using both paid for and organic listings.

In January 2017, we launched our new interactive website, which is gaining traction and encouraging web prospects to enter our 'digital sales funnel' and convert into a sale. More than 40% of total web enquiries originate

from smartphones and tablets. Taking this into account, our new website is designed to be simple and uncluttered.

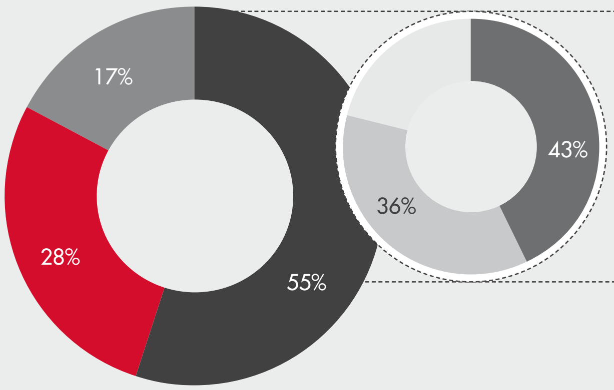
Our e-commerce platform encompasses an online reservation system and real-time pricing model which allow our online customers to seamlessly transition from obtaining a quote to moving in. This has improved the user experience and reduced move-in time for improved productivity.

With regards to marketing, we continued executing our IDEA campaign in the year. This is predicated on simple ideas about storage space in order to educate consumers on the convenience and benefits of the product. The ongoing roll-out across all marketing mediums is supported by a number of larger regional and store based activations.

Social media remains a key marketing and CRM medium for the group. We are mainly active on Facebook (66 000+ followers, ranking us as the third highest followed self storage business in the world) and Twitter, but also on Instagram, Pinterest, LinkedIn, Google Plus and YouTube. Through specific Call-To-Action buttons, we are able to engage with our customers in real time. Our well-established, active, online brand personality and presence plays a crucial role in maintaining Stor-Age as the top of mind choice for a space solution.

We further use our social media presence to support community projects, such as The Color Run South Africa and the Santa Shoebox Project. Refer to the social sustainability section on pages 44 to 45 for more detail on our corporate social investment.

The Stor-Age website – whether accessed by desktop, tablet or smartphone – accounts for 55% of all enquiries. The telephone accounts for 28% of enquiries as the first point of contact and walk-in enquiries, where we have had no previous contact with a customer, accounts for 17%.



Smartphones and tablets account for 43% of all web visits with smartphones alone accounting for 36% of all visits.

STOR-AGE ENQUIRIES

• WEBSITE • TELEPHONE • WALK-IN • SMARTPHONES AND TABLETS • SMARTPHONES

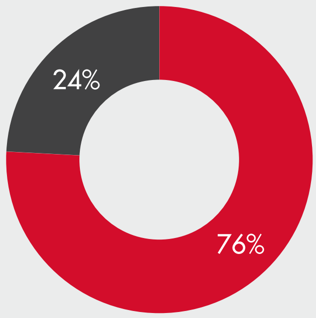
WHAT WE DO (continued)

We measure customer service standards through a programme of mystery shoppers and customer satisfaction surveys using our in-house 'My Experience Surveys' portal.

SURVEY LEVELS SINCE INCEPTION as at March 2017

	WELCOME SURVEY (point of move-in)	EXIT SURVEY (point of move-out)
9 541 SURVEYS	8% RESPONSE RATE	23% RESPONSE RATE
96% AVERAGE SATISFACTION	99% SATISFACTION LEVEL	94% SATISFACTION LEVEL

CUSTOMERS BY NUMBER



- RESIDENTIAL
- COMMERCIAL

OUR PEOPLE

Stor-Age has a flat operational structure that recognises that our operations employees are pivotal to achieving our strategic objectives, including driving occupancy, revenue and cash flow growth in the portfolio.

To foster a partnership culture within the business, management spends significant time at each property and is accessible to all employees. Our learning, development and training programme delivered both online and in person, develops both core and soft skills to promote individual advancement, and our performance management system supports this through regular appraisals and feedback sessions.

OUR PROPERTY

Our portfolio is predominantly purpose built with a national footprint. The 49 properties are split between 43 trading properties and six new developments in our pipeline. Our 43 trading properties will offer an estimated 320 000 m^2 GLA once fully fitted-out, and provide for a further 20 000 m^2 of approved development bulk. Our pipeline of six new properties offers further developable GLA of 39 000 m^2 on full build-out.

In defining our property strategy in South Africa, we identified the four main cities on which to focus and then the specific suburbs (including arterial routes) where we would like to establish a presence. This is not a restrictive or instructive strategy, but rather a guide that supports our full business growth strategy.

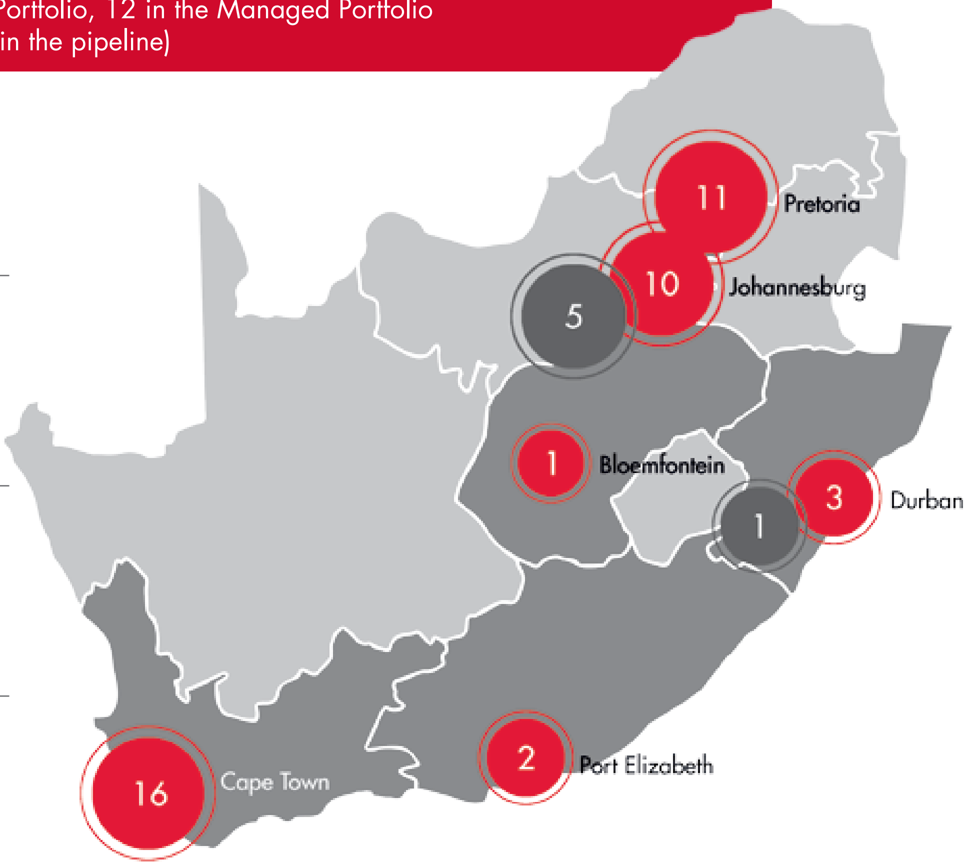
49 Our portfolio comprises 49 properties (31 in the Listed Portfolio, 12 in the Managed Portfolio and 6 in the pipeline)

TRADING PORTFOLIO:
43 properties
R2.96bn
300 000 m²
18 500+ tenants

LISTED PORTFOLIO:
31 properties
R2.1bn
233 000 m²
15 000+ tenants

MANAGED PORTFOLIO:
12 properties
c. R860m
67 000 m²
3 500+ tenants

PIPELINE:
6 properties
c. R465m
39 000 m²



MAINTAINING OUR PROPERTIES

As a customer-facing real estate business, it is paramount to maintain the quality of our assets by investing in a rolling programme of preventative maintenance, store cleaning and the repair and replacement of essential equipment.

We have a dedicated intranet for operational employees to log maintenance requests. Our national facilities manager manages property maintenance with the assistance of facilities management teams in each city in conjunction with store operations and area managers.

CYBER SECURITY

We have noted the global increase of ransomware and other cyber security attacks. During the year a number of enhancements have been made to the layered network security systems in order to strengthen defences.

We have chosen reputable, specialist service providers as business partners to ensure continued cyber security measures are maintained at the highest level. Together with a cloud based approach for essential services, our Information Communication and Technology (ICT) objectives of avoiding redundancy, enhancing security and ensuring continuity, remain strategic priorities.

Users (both internal and external) are continuously monitored to ensure the most effective use of resources and to limit the opportunity to breach the company's cyber defences.

Our strategy, suppliers and network design are reviewed on a regular basis in order to stay abreast of leading best practice and remain relevant in the use of technology.

GROWTH STRATEGY

We conduct our strategic growth planning in five-year cycles. We are in the second year of our cycle ending 2020. We intend to grow the portfolio and enhance performance and investor returns by:

---

extracting organic growth through active revenue management, developing additional GLA and optimising the unit mix at the properties

---

leveraging our tenant management software platform to unlock value, drive cost efficiencies and entrench our competitive advantage

---

pursuing acquisitions in a fragmented industry, and consolidating our position as the leading and largest self storage brand in the South African market

---

actively managing and growing licensing, asset management and operator fee income from the development and ongoing management of the Managed Portfolio and pipeline

---

managing financial risk through prudent capital management policies

---

The strategy seeks to entrench Stor-Age as the market leader and largest self storage property fund and brand in South Africa:

- Largest store footprint
- Quality stores – high-profile locations, urban, urban-edge, and suburban
- Visible, convenient and accessible
- The benchmark for modern urban self storage development

To inform and optimise our strategy, we undertook four major research projects in 2015 focused on: supply levels; anticipated demand; customer profiling; and consumer demographics – the latter specifically to understand the emergence of the black middle class and its positive impact on the consumer profile.

Based on our research, we believe there is sufficient demand to develop a 60+ property portfolio across South Africa's major cities, subject to there being no further significant deterioration in the economic outlook over the medium term.

DEVELOPING AND ACQUIRING PROPERTIES

DEVELOPMENTS

Stor-Age develops investment-grade self storage properties in visible, convenient and accessible locations where there are favourable demographics and where suitable acquisitions are not available. The decision is based on the cost of development versus the cost of acquisition, the demographic market analysis and the existence of barriers to entry. Our model for rolling out new properties and expanding existing ones is well developed with clearly defined key success criteria.

The expansion of our existing Gardens and Durbanville properties in the year will add approximately 5 500 m² GLA on full fit-out.

During the year, we opened three new high-profile Big Box self storage properties in the Managed Portfolio. The new properties, in Sunninghill and Essexwold (Gillooly's Interchange) in Johannesburg and Berea (Durban) offer a combined 24 500 m² GLA on full fit-out.

ACQUISITIONS OF EXISTING SELF STORAGE PROPERTIES

As reflected by our successful acquisitions since listing, Stor-Age is well positioned to take advantage of value-add acquisition opportunities. Our ability to close transactions and integrate trading stores seamlessly onto the Stor-Age operating platform was demonstrated during the year by our acquisition of Storage RSA, the third largest self storage operator in the country, followed just after year end by the acquisition of single-property operator, Unit Self Storage, in Cape Town.

The R475 million Storage RSA acquisition in February 2017 brought six trading stores on board, offering over 41 800 m² GLA across the Western Cape and Johannesburg. The portfolio also included a development opportunity of 4 800 m² GLA in Bryanston for which we have town planning approvals.

Unit Self Storage was added in May 2017 with its single property offering 5 300 m² GLA over two levels.

In June 2017, the group announced that it had entered into a memorandum of understanding to acquire the Durban-based multi-store operator, StorTown. StorTown trades from four locations and offers c. 22 000 m² GLA.

BARRIERS TO ENTRY AND DEFENSIVE NATURE

The barriers to new supply in key target nodes are significant. Because the industry historically centred in industrial or urban-edge areas, there is limited premium grade self storage assets in prime urban and suburban nodes, where population density and average household income are key.

Town planning presents a major challenge with long lead times required to gain planning consents. This in addition to the long lease-up period required to reach stabilised occupancy at new stores is a significant barrier to entry and contributes to the defensive nature of the portfolio.

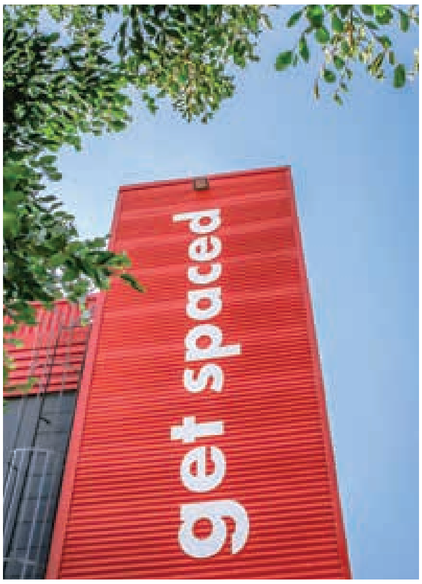
MEET BERNICE

… Being part of a company that lives out its values has been my inspiration for contributing to the growth and success of Stor-Age. Values drive us in all aspects of our lives, they define us as people, not only as a business. In my experience as an employee of Stor-Age, our values have provided the foundation which has underpinned the success of our company and its people …

Bernice joined Stor-Age as a Store Operations Manager in Boksburg and within a year was appointed as a Senior Operations Manager. Currently managing one of Stor-Age's recently opened Big Box properties in Sunninghill, her responsibilities also include training new store based employees and providing support to the Learning, Development and Training team based at head office.

Bernice Human
Senior Operations Manager

Our brand has been positioned at the quality end of the market and is well defined, distinctive and differentiated...



OUR PERFORMANCE

OUR PERFORMANCE

CEO'S REPORT

31 March 2017 marks the first full year for Stor-Age trading publicly as a JSE-listed REIT following the previous decade of trading privately. Stor-Age's listing brought a low-risk, income paying specialist REIT to market.

We are pleased to report another set of attractive results reflecting our disciplined execution of the strategy and the ongoing management of our portfolio.

We added to our track record of developing new properties and acquiring and integrating trading stores seamlessly into our portfolio this year by expanding our Gardens and Durbanville properties; acquiring Storage RSA; and opening three new high-profile Big Box properties in our Managed Portfolio.

Since opening our first property in 2006, our entrepreneurial management team with its in-depth understanding of the property and self storage markets has proven an ability to manage and grow the business in different markets and varying economic cycles.

OUR PERFORMANCE

Our total shareholder distribution of R131.1 million translated into a distribution per share of 88.05 cents, representing 10% annualised growth compared to the prior period's 30.07 cents (four-and-a-half-month trading period to March 2016). The distribution growth was supported by the12.7% closing rental rate growth to R86 per m^2, and an increase in occupied space of 37 700 m^2.

The business remains highly resilient, driven by self storage sector fundamentals. Need will motivate demand whether in a healthy economic environment or the current constrained one. People continue going through life-changing events and businesses still require space on a flexible basis, whether for upscaling or downscaling.

We remain at the forefront of the sector in South Africa as the top self storage operator by lettable area, number of properties, number of tenants, value, and an exceptional geographic footprint.

"The business remains highly resilient, driven by self storage sector fundamentals."

"We remain at the forefront of the sector in South Africa as the top self storage operator by lettable area, number of properties, number of tenants, value, and an exceptional geographic footprint."

Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets.

GROWING OUR PROPERTY PORTFOLIO

Self storage is the built environment's response to society's needs, and is an exciting growth sector, not just in South Africa and similar emerging markets, but across first-world markets such as the US, Australia and the UK.

SOUTH AFRICA

Stor-Age seeks investment opportunities where we can achieve strong market penetration, leverage and further benefit from our economies of scale, enjoy limited competition and produce high operating margins. Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets. We believe that, in focusing on assembling a portfolio at the quality end of the spectrum, we will not compromise the sustainability of our business by chasing short-term growth targets.

Our plan sees us growing through a combination of acquisitions of existing self storage properties from third parties (directly into Stor-Age) and developing new self storage properties.

Driven by the acquisition of Storage RSA, our investment property increased by R680 million to R2.050 billion this year. The location and quality of the Storage RSA properties, coupled with a strong employee complement and attractive brand, presented an opportunity to both grow and strengthen the Stor-Age business immeasurably and represented a rare acquisition opportunity in the South African self storage market.

The R475 million portfolio comprised six trading stores with excellent property fundamentals, including prime locations and with high-quality buildings, and one development site in Bryanston with town planning approvals. The Storage RSA acquisition has enlarged our high-quality and defensive portfolio of prime self storage assets and will contribute significantly to our strategy of creating attractive and sustainable long-term returns for our shareholders.

The Storage RSA acquisition will contribute significantly to our strategy of creating attractive and sustainable long-term returns for our shareholders.

While our growth in the medium to long term will continue to come through both acquisitions and developments; in the short term, we envisage continuing to grow the portfolio with high-quality complementary asset acquisitions.

Given the limited supply of prime self storage properties in our primary urban and suburban target nodes, we will continue to focus our efforts on developing new self storage properties in the medium to long term.

INTERNATIONAL

Since 2007, we have spent time in the more developed self storage markets in the US, Australia and the UK. These markets help inform our South African business plan. Our insight is strengthened by our extensive peer networks of medium to large scale self storage operators in these markets.

As self storage is a young market, even in these first world countries, we are confident that an opportunity to enter one or more of these markets may arise in the short to medium term.

OUR PEOPLE

Our strong performance for the year was in large part attributable to the efforts of our loyal, dedicated and high-calibre employees. Our people are critical to our strategic objectives. Our distinct non-hierarchical structure, with fully accessible management, endeavours to reward everyone for their contribution to our success.

Our people and our sophisticated, decentralised platform are two key drivers of our long-term success. During the year, we rolled out a new e-Learning program which will streamline communication between our head office and store-based employees to continue knowledge transfer and business and service development.

We are fortunate to have an exceptional team of highly committed and passionate individuals who work to build on the legacy of the family business that lies at the heart of our company.

OUTLOOK

Our current five-year growth plan, now in its second year, sets broad targets to 2020 but, more importantly, details the strategic plan of 'how' and 'where' we intend on executing high-quality acquisitions and new developments in order to continue to strengthen and grow our asset base.

With the benefit of a core product that continues displaying its recession-resilience, and a healthy, conservatively geared and hedged balance sheet, Stor-Age is well positioned to continue withstanding the tough economic trading conditions prevailing in South Africa.

Delivering our second set of attractive results in a sector which continues to grow, Stor-Age is well positioned to move forward in a sustainable manner. We remain excited about the future of Stor-Age and believe in the sustainable growth potential of our business.

Gavin Lucas
CEO
13 June 2017

"Stor-Age is well positioned to continue withstanding the tough economic trading conditions prevailing in South Africa."


get spaced

MEET SCHALK

… Stor-Age had a clear vision and direction from day one. Its current growth has therefore been anticipated and catered for in the design of its systems. This foresight, and the fact that Stor-Age embraces the use of technology, ensures that the systems that support the company's strategy remain relevant and sustainable …

Schalk joined Stor-Age in 2009 as a financial controller in the finance team and also took on the responsibility of coordinating the IT function. In 2014 he was promoted to ICT Manager, leading the team responsible for maintaining and developing IT infrastructure systems and technology solutions.

Schalk Lesch
ICT Manager

FINANCIAL REVIEW

These results represent the group's first full 12-month reporting period since listing. The previous report covered the four-and-a-half month period between listing and the 2016 financial year end. The trading results of Storage RSA are included in the group results for the one-month period from the effective date of acquisition to year end.

A self storage unit is rented to a customer on a month-to-month basis with a minimum one-month term. The rental agreement continues indefinitely until the customer provides notice of termination.

Self storage is a dynamic business – in any month, customers move in and out, resulting in changes in occupancy and the average rental rate. The churn rate – the percentage of customers moving out each month – is approximately 5 – 6% and although this may vary between properties, it is generally consistent across the portfolio.

FINANCIAL RESULTS

Revenue and headline earnings for the year amounted to R180.4 million and R113.4 million respectively. The table below summarises Stor-Age's underlying results of operations for the 12-month period compared to the forecast set out in the prospectus.

Property revenue comprises rental income and other income.

Rental income is a function of occupancy – the amount of space let to individual customers – and the rental rate charged for each unit. Rental income for the year amounted to R158.8 million. Excluding the Storage RSA portfolio, rental income was R155.1 million.

The total GLA in the Listed Portfolio at year end was 227 800 m² (2016: 181 300 m²). The 46 500 m² growth in GLA relates to the Storage RSA acquisition (41 800 m²) and the build-out GLA in the existing portfolio of 4 700 m².

Total occupancy grew by 37 700 m² over the year acquisitively (Storage RSA: 33 700 m²) and organically (like-for-like portfolio 4 000 m²) to close at 193 400 m² (85%) at year end (2016: 155 700 m² (86%)). All properties in the Storage RSA portfolio are trading at mature occupancy levels save for Durbanville, a newly opened lease-up property of 7 800 m² GLA which began trading in July 2016. Durbanville is performing in line with expectation and, at year end, was 35% occupied.

	Actual Year end 31 March 2017 R'000	Forecast Year end 31 March 2017 R'000
Property revenue	**166 663**	**159 437**
Rental income	158 801	155 691
Other property income	7 862	3 746
Direct property costs	(38 348)	(36 834)
Net property operating income	**128 315**	**122 603**
Other revenue	13 748	16 617
Administration expenses	(24 995)	(25 540)
Operating profit	**117 068**	**113 680**
Interest income	13 026	9 509
Interest expense	(15 769)	(30 025)
Profit before non-cash adjustments*	**114 325**	**93 164**
Dividend per share (cents)	88.05	84.88

* *Excludes fair value adjustments, gain on bargain purchase, depreciation, amortisation, interest and taxation.*

We take a balanced approach to revenue management, and our occupancy growth was accompanied by an increase in our closing rental rate of 12.7% to R86 per m^2 and like-for-like growth in our achieved average rental rate throughout the period of 9.4%.

Other property income comprises licence fees relating to the opening of new stores in the Managed Portfolio (R3 million) and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income.

Other revenue comprises property management and asset management fees charged on the Managed Portfolio; and acquisition and development fees charged on the development of new self storage properties. These fees for the year were in line with expectations and the underlying performance of the Managed Portfolio.

Direct property costs comprise mainly store-based employee salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level. The cost-to-income ratio (direct operating costs as a percentage of property revenue) is 23.4%.

Administrative expenses relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration. These costs are broadly in line with forecast expenditure. We remain focused on managing our cost base tightly to enable revenue growth that translates into earnings growth.

The Company has adopted DPS (dividend per share) as its measure for trading statements.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow the company to expand the portfolio and achieve our strategic growth objectives. The group has term loan facilities of R650 million available with Nedbank. The respective maturities of the various facilities range from November 2017 to November 2020 and accrue interest at an average margin of 1.5% below prime. Further details are set out in note 13 of the annual financial statements.

At 31 March 2017 the group's total gross borrowings amounted to R252.7 million (2016: R129 million) with 79% (2016: 78%) subject to fixed rates as set out above, and total undrawn borrowing facilities of R397.3 million (2016: R521 million). On a net-debt basis, 82% (2016: 84%) of the group's borrowings were subject to fixed rates.

The board's policy is to fix approximately 80% of borrowings. The effective interest rate at year end was 9.36% (2016: 9.39%).

In February 2017, Stor-Age raised R400 million through an accelerated book build by placing 37 million ordinary shares at R10.81 per share. At this level, the book build was oversubscribed, and the proceeds were used to fund the Storage RSA acquisition and reduce associated debt. The development costs for the expansion of our existing Gardens and Durbanville properties of R41 million, as well the acquisition of the Bryanston vacant land of R17.4 million, were funded from our debt facilities.

We maintain a conservative capital structure with net debt at R244.6 million at 31 March 2017 (2016: R119.2 million) and a gearing ratio of 11.9% (2016: 8.7%).

Net asset value per share was R10.68 (2016: R9.90) and net tangible asset value per share was R10.21 (2016: R9.31).

INVESTMENT PROPERTIES

Investment property increased from R1.371 billion at 31 March 2016 to R2.050 billion at year end. The increase related mainly to acquisition of Storage RSA (R475 million), the expansion at Gardens and Durbanville (R41 million) and the acquisition of the Bryanston development opportunity (R17 million). The fair value adjustment to investment properties was R127 million.

The group's policy is to annually have one-third of its properties valued by an independent, external valuer and the remaining properties valued by the board, using the same methodology as the external valuer. In line with this policy, 10 of the 30 properties in the group were valued by Mills Fitchet Magnus Penny (a registered valuer) at 31 March 2017. Further details of the basis of valuation are set out in note 3 of the annual financial statements and a summary of the portfolio is set out on pages 123 to 127.

ACCOUNTABILITY AND SUSTAINABILITY

RISK MANAGEMENT REPORT

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT

SOCIAL AND ETHICS COMMITTEE REPORT

ACTING SUSTAINABLY

ACCOUNTABILITY AND SUSTAINABILITY

RISK MANAGEMENT REPORT

Risk management is integral to our strategic management. We proactively manage risk to remain a competitive and sustainable business, enhancing our operational effectiveness and continuing to create value for the benefit of our employees, shareholders and other stakeholders in line with our growth strategy. The group's risk management framework is overseen by the audit and risk committee, which has an ongoing responsibility to monitor risk management processes by:

Identifying risk factors that may have a material impact on the business;	Formulating a mitigating response for each area of impact;	Monitoring progress; and	Reviewing identified risks on an ongoing basis and revising responses accordingly.

KEY RISKS AND EFFECTIVE MITIGATORS

1. Weak/negative economic growth

Risk: Macro-economic weaknesses could inhibit the self storage market's growth in line with our projections, resulting in reduced demand and lower income.

Mitigators:

- A 'needs' driven product for life-changing events which prevails in all economic cycles.
- A prime portfolio of properties.
- Focus on large economically resilient metropolitan cities where growth drivers are strongest and barriers to competition at their highest.
- Strong operational management and platform.
- Continuing innovation to deliver high levels of customer service.
- Strong cash flow generation, high operating margins, low gearing and conservative hedging policies.
- 18 500+ tenants spread across a geographically diversified footprint.
- Tested strategy development processes drawing on internal analyses, independent research and global trends and best practice.

2. Treasury risk

Risk: Adverse interest rate movements could result in the cost of debt increasing.

Mitigators:

- The group's policy is to fix approximately 80% of total borrowings, and we use swap instruments to hedge our interest rate exposure. At 31 March 2017, 82% of net borrowings were fixed for two-and-a-half years.
- Gearing remains low at 11.9% on a net-debt basis as at 31 March 2017. Our total undrawn borrowing facilities amount to R397 million.
- Executive management reviews our current and forecast projections of cash flow, borrowings, interest cover and covenants monthly.
- We are highly cash generative, and debt is serviced by our strong operational cash flows.

RISK MANAGEMENT REPORT (continued)

3. Property investment and development

Risk: An inability to acquire or develop new self storage properties which meet management's criteria may impact the growth of the portfolio.

Mitigators:

- The group has an acquisition pipeline through the Managed Portfolio.
- We have a pre-emptive right of acquisition over properties in the Managed Portfolio.
- We already earn management fees from 12 trading properties in the Managed Portfolio.
- Six additional development opportunities have been secured in the pipeline.
- The fragmented South African self storage market potentially provides acquisition opportunities.

4. Valuation risk

Risk: External market factors or poor performance may lower our properties' values.

Mitigators:

- Independent valuations are conducted by experienced independent, professionally qualified valuers.
- A diversified portfolio is let to a large number of tenants across a broad national footprint.
- Low levels of gearing provide enhanced headroom on valuations and significantly reduce the likelihood of covenant breach.

5. HR risk

Risk: Our people are critical to our success. Failure to recruit and retain employees with appropriate skills may lead to high employee turnover and loss of key personnel and, consequently, lower performance.

Mitigators:

- Competitive remuneration packages and financial rewards.
- Learning and development programme with performance reviews to develop employees to the highest potential.
- A culture where management is accessible at all levels and employees are encouraged to improve and challenge the status quo
- Ongoing communication to ensure an engaged workforce.
- A succession planning strategy including talent retention.

6. Utility costs

Risk: Significant increases in utility costs, particularly property taxes and electricity, may put pressure on operating margins.

Mitigators:

- Electricity and water usage is monitored monthly.
- We use external professionals to assist with monitoring and objecting to valuation revisions where necessary.
- We make use of energy efficient lighting, solar power and collect and re-use rain water for irrigation.

7. Credit risk

Risk: The group is exposed to tenants' credit risk which may result in a loss of income.

Mitigators:

- Customers are required to pay a deposit on move-in.
- Our diversified tenant base of 18 500+ tenants minimises any reasonably expectable material exposure risk.
- 70% of our current customers pay by debit order (certain commercial customers are permitted to pay monthly in advance by EFT, and a segment of the customer base was inherited in previous acquisitions where payment by debit order was not required).
- Clearly defined policies and procedures are in place to collect arrear rentals.
- A central team of collection specialists assists each store with arrears.

8. Compliance risk

Risk: The volume and increasing complexity of new and amended legislation often requires the reallocation of financial and human resources. Non-compliance may result in penalties, sanctions or reputational damage.

Mitigators:

- We engage with external specialists with appropriate skills where necessary.
- We hire suitably skilled and experienced employees.
- Finance and HR employees attend relevant training on a regular basis.

CORPORATE GOVERNANCE

Stor-Age is committed to sound ethical standards and the principles of corporate governance recommended in King III. The board is ultimately responsible for the group's governance and recognises the responsibility to conduct business according to the company's foundation principles of integrity, transparency, and accountability. It does this within an appropriate framework of governance and oversight to ensure stakeholder interests are safeguarded.

In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, always acting in the best interests of the company, while at the same time ensuring the sustainability of its business operations.

The company has therefore fully applied the recommendations of King III. As required by the JSE, the application of King III is set out in the annexures on pages 130 to 137, and it is also available on our website – **www.stor-age.co.za.**

GOVERNANCE STRUCTURE

BOARD

Gavin Lucas (CEO)
Stephen Lucas (FD)
Steven Horton
Paul Theodosiou** (Chairman)
Gareth Fox**
Sello Moloko**
Graham Blackshaw*

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE	INVESTMENT COMMITTEE
See full report on pages 52 to 53	See full report on page 40	See full report on page 41	
MEMBERS Gareth Fox** (Chair) Sello Moloko** Paul Theodosiou**	**MEMBERS** Gareth Fox** (Chair) Stephen Lucas Paul Theodosiou**	**MEMBERS** Graham Blackshaw* (Chair) Gavin Lucas Sello Moloko**	**MEMBERS** Paul Theodosiou** (Chair) Graham Blackshaw* Steven Horton Gavin Lucas
By invitation Gavin Lucas Stephen Lucas Representatives of the external auditors	**By invitation** Gavin Lucas	**By invitation** Stephen Lucas	**By invitation** Stephen Lucas

RESPONSIBILITIES

Assists in overseeing integrated annual reporting and ensuring the financial integrity of the annual financial statements and other financial reports	Ensures adoption of fair and transparent remuneration policy	Monitors compliance with the company's social and ethical responsibilities	Assists with decision-making regarding the acquisition, development or disposal of property assets

INDEPENDENT NON-EXECUTIVE DIRECTORS

3/3	2/3	1/3	1/4

** Non-executive director | ** Independent non-executive directors*

CORPORATE GOVERNANCE (continued)

DIRECTORS

EXECUTIVE DIRECTORS

Gavin Lucas
Chief executive officer (CEO) – CA(SA)

An entrepreneurial property developer backed by an experienced management team of professionals with a range of skills including investment banking, finance, property and construction, Gavin founded the Stor-Age Group in 2005.

Leading the organisation by providing a common vision and mission, Gavin is responsible for the strategic direction of the group, coordinating plans to meet strategic goals, overseeing the overall operations and stakeholder engagement.

Stephen Lucas
Financial director – CA(SA); CFA

Stephen is one of the founding shareholders of Stor-Age and has worked alongside Gavin and Steven in developing the Stor-Age business since its inception.

Stephen focuses on the group's financial and operational management, human resources and developing and executing the operations strategy. He also has previous advisory experience in corporate finance and transaction support.

Steven Horton
CA(SA)

Steven is head of property, overseeing the procurement of all opportunities and the development planning, development and property management of the portfolio.

Steven conducted a significant amount of research in the US, UK and Australian self storage markets and spearheaded the completion of the first ever national research study on the South African self storage market in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Paul Theodosiou

Chairman – CA(SA), MBA (UCT)

Partnering with NIB in the promotion and subsequent listing of Acucap Properties Limited on the JSE, Paul successfully led Acucap as CEO for close on 15 years prior to its merger with Growthpoint in 2015. He is a former partner of KPMG.

Gareth Fox

CA(SA)

Gareth is chief operating officer of Western National Insurance Company Limited. He originally completed his articles in financial services at PwC and thereafter headed up the regulatory reporting and tax teams at Santam. He has sat on the South African Insurance Association taxation subcommittee and the Financial Services Board's SAM discussion group.

Sello Moloko

BSc Hons, PGCE (Leicester), AMP (Wharton)

Sello is the co-founder and executive chairman of Thesele Group and has more than 24 years' experience in financial services. He is the former CEO of Old Mutual Asset Managers and former deputy CEO of Capital Alliance Asset Managers.

He is currently the non-executive chairman of Alexander Forbes Group Holdings Limited and Sibanye Gold Limited, and a non-executive director of General Reinsurance Africa. He is also a former director of the Industrial Development Corporation and listed companies Gold Fields, Makalani Holdings, Acucap Properties and Sycom Property Fund.

NON-EXECUTIVE DIRECTOR

Graham Blackshaw

BA LLB

A former lead development partner in the Faircape group of companies, Graham played an integral role in driving the formation of the Stor-Age joint venture between Acucap, Faircape and Stor-Age Property Holdings in 2010.

A qualified attorney, Graham practiced law at Herold Gie and Broadhead before joining the Cape of Good Hope Bank, where he went on to head up the Property Lending Division.

CORPORATE GOVERNANCE (continued)

THE BOARD

The board is ultimately fully responsible for the strategic direction, control and management of the company. To assist it in fulfilling these responsibilities, the board has appointed subcommittees, as set out in the governance structure on page 33. The board exercises control through a governance framework which includes the review and implementation of detailed reports presented to it and its subcommittees, and the implementation of a continuously updated risk management programme. The board is supported by appropriate internal governance practices and procedures that promote an efficient, objective and independent decision-making culture considering the interests of all stakeholders.

The terms of reference of the board and its committees deal with such matters as corporate governance, directors' dealings in securities, declarations of conflicts of interest, board meeting documentation and procedures for the nomination, appointment, induction, training and evaluation of the directors.

The board consists of an appropriate mix of individuals to ensure that there is an adequate level of knowledge, skills and expertise which enables them to contribute meaningfully to the management of the company. It comprises seven directors; three are executive and four are non-executive directors, of whom three are independent.

At board level, there is a clear division of responsibilities and an appropriate balance of power and authority, so that no individual has unfettered powers of decision-making or dominates the board's deliberations and decisions. The board regularly reviews the decision-making authority given to management as well as those matters reserved for decision-making by the board.

The role and responsibilities of the chairman and the CEO are clearly defined and are distinct:

- The CEO is fully responsible and accountable for the overall operations of the group and implementation of the strategy and objectives adopted by the board.
- The independent chairman is responsible for ensuring proper governance of the board and its committees, ensuring that the interests of all stakeholders are protected and facilitating constructive relations between the executive and the board. The chairman is not the chairman of any other listed company.

Top (left to right): Graham Blackshaw, Sello Moloko, Gareth Fox, Paul Theodosiou
Bottom (left to right): Steven Horton, Gavin Lucas, Stephen Lucas

BOARD PROCESSES

Directors disclose their personal financial interests at the start of every board or committee meeting and are asked to recuse themselves from any discussions and decisions where they have a material financial interest. Quarterly board meetings consider strategic issues and key operational matters, approve financial results and budgets, monitor the delegated responsibilities and set risk parameters. At these meetings, the executives and the various committees provide feedback on key performance indicators, progress on strategic objectives and various other reports.

A written company policy on share dealings is in place, and formal notification is sent to all employees and directors upon commencement of a closed period.

The board has begun a self-evaluation which is anticipated to be completed by August 2017.

Directors are encouraged to take independent advice at the cost of the company for the proper execution of their duties and responsibilities. The board has unrestricted access to the external auditors, professional advisors, the services of the company secretary, the executives and the employees of the company at any given time.

Directors and committee members receive comprehensive information that allows them to properly discharge their responsibilities. The sponsor is responsible for ongoing director development.

The board functions as a nomination committee and, therefore, selects, appoints and approves new directors formally, transparently, and free from any dominance by any particular shareholder. New appointees are required to possess the necessary skills to contribute meaningfully to the board's deliberations and to enhance the board's composition in accordance with recommendations, legislation, regulations and best practice. An induction programme is provided for new directors by the company's sponsor.

A third of the non-executive directors must resign and stand for re-election at each annual general meeting. Details of directors making themselves available for re-election at the forthcoming annual general meeting are set out on page 55 of this report.

CORPORATE GOVERNANCE (continued)

BOARD AND COMMITTEE MEETINGS

The table below sets out the board and committee meetings held during the reporting period and the attendance at each:

Director	Status	Sub-committees	Meetings attended	Meetings eligible	% attendance	Board	Audit and Risk Committee	Social and Ethics Committee	Investment Committee	Remuneration Committee
Paul Theodosiou** (Chairman)	N-E	ARC; RC; IC	13	13	100%	4	3	n/a	5	1
Graham Blackshaw*	N-E	IC; SEC	11	11	100%	4	n/a	2	5	n/a
Gareth Fox**	N-E	ARC; RC	8	8	100%	4	3	n/a	n/a	1
Sello Moloko**	N-E	ARC; SEC	9	9	100%	4	3	2	n/a	n/a
Gavin Lucas	Ex	IC; SEC	10	11	91%	4	n/a	2	4	n/a
Stephen Lucas	Ex	RC	5	5	100%	4	n/a	n/a	n/a	1
Steven Horton	Ex	IC	9	9	100%	4	n/a	n/a	5	n/a
Actual attendance			65			28	9	6	19	3
Eligible attendance				66		28	9	6	20	3
% attendance					98%	100%	100%	100%	95%	100%

* *non-executive director*
** *independent non-executive director*

COMPANY SECRETARY

The board is assisted by a suitably qualified company secretary, Henry Steyn, CA(SA) who has adequate experience, is not a director of the company and who has been empowered to fulfil his duties. The company secretary advises the board on appropriate procedures for managing meetings and ensures the corporate governance framework is maintained.

The directors have unlimited professional access to the company secretary. Nothing has come to the attention of the board that indicates non-compliance by the company with applicable laws and regulations.

Given that the company secretary is not a director or an associate of a director of Stor-Age, the board is satisfied that an arm's length relationship is maintained between the board and company secretary.

The board will satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary.

During the year, the board considered Mr Steyn's qualifications, experience and performance, and the board confirms that it is satisfied as to the competence, qualifications and experience of Mr Steyn as company secretary.

IT GOVERNANCE

The board believes that the IT governance policy is appropriate. It employs external specialists when considered necessary.

AUDIT COMMITTEE

The Audit and Risk committee's report can be found on pages 52 to 53 of this report. The committee has considered the JSE proactive monitoring report and this report was tabled at the meetings. Where appropriate the committee applied these recommendations.

MEET BUSI

… I am amazed and humbled by how I have grown as a person at Stor-Age, especially for someone who didn't know what storage was when I joined the business. Working for Stor-Age has been a rewarding experience, the skills training offered continues to be a major contributing factor to my growth in the business. Stor-Age is not just a company, it's an extended family …

Busi joined Stor-Age in 2014 as an Assistant Operations Manager at one of our flagship property's in Brooklyn, Pretoria. She later joined the team at Stor-Age Lyttelton ensuring continued success and has recently been promoted to Store Operations Manager at Stor-Age Garsfontein.

Busi Maswanganye
Store Operations Manager

REMUNERATION COMMITTEE REPORT

In line with best practice set out in King III, the board has appointed a remuneration committee. The committee has delegated authority to review and make decisions regarding the company's remuneration policies and the implementation thereof. The remuneration committee is mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors. In addition, the committee recommends directors' fees payable to non-executive directors and members of board subcommittees.

The terms of reference were formally adopted by the board, and the committee is responsible, among other things for:

- Overseeing the board's formulation, review and approval of the remuneration policy for employees and executives in line with the company's strategic goals;
- Assisting the board in ensuring the directors are fairly and responsibly remunerated;
- Recommending the proposed allocations in terms of the company's Share Purchase and Option Scheme to the board;
- Recommending the advisory adoption of the company's remuneration policy and non-executive directors' remuneration to shareholders;
- Approving executive directors' guaranteed pay and increases; and
- Approving non-executive directors' emoluments and increases for the next reporting period.

The committee members are set out on page 33 and their meeting attendance is set out on page 38. Other members of the board and external consultants may attend the meetings by invitation.

REMUNERATION POLICY

The company's remuneration policy seeks to attract and retain high-calibre, appropriately skilled employees and executives.

The company's Share Purchase and Option Scheme serves as a long-term incentive, and is designed to retain and reward both senior executives and employees at various levels of management in the organisation.

It allows selected individuals the opportunity to share in the success of the company and be incentivised to deliver Stor-Age's strategy over the long-term as well as create alignment between key employees.

Details of the awards made during the year are set out in note 25.4 to the annual financial statements and page 141 of this report.

NON-EXECUTIVE DIRECTORS

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. The fees paid to executive directors in the reporting period are detailed in note 25.4 to the annual financial statements.

The proposed fees for the non-executive directors for the current financial year and the ensuing financial year are as follows:

	Proposed annual remuneration (Rand)	
	April 2016 to April 2017	April 2017 to April 2018
Board member	175 100	185 600
Audit and risk committee member	41 200	43 675
Social and ethics committee member	20 600	21 835
Remuneration committee member	20 600	21 835

Based on the current planned meeting schedule, the above fees total R1 million for the coming reporting period. The proposed fees will be tabled for approval by shareholders as required by the Companies Act at the upcoming annual general meeting.

Gareth Fox

Remuneration Committee Chairman

13 June 2017

SOCIAL AND ETHICS COMMITTEE REPORT

In line with the requirements relating to social and ethics committees as set out in the Companies Act, King III and the criteria of the JSE's Socially Responsible Investing Index, the group has established a social and ethics committee. The committee acts on behalf of the board and is responsible for evaluating social and ethical responsibilities and making recommendations to the board thereon. The committee has all the functions and responsibilities provided for in the Companies Act. The committee members are set out on page 33, and attendance at meetings is set out on page 38.

TERMS OF REFERENCE

The duties and responsibilities of the committee are set out in a formal terms of reference which have been approved by the committee and the board of directors.

The main duties of the committee include:

1. Social and economic development including Stor-Age's standing in terms of the goals and purposes of the:
   - 10 principles set out in the United Nations Global Compact Principles;
   - Organization for Economic Cooperation and Development's recommendations regarding corruption;
   - Employment Equity Act;
   - Broad-Based Black Economic Empowerment Act;
   - Property Sector Charter; and
   - Department of Trade and Industry Codes of good practice.
2. Good corporate citizenship, including:
   - Promotion of equality, prevention of unfair discrimination, and elimination of corruption;
   - Contribution to development of the communities in the company's activities are predominantly conducted or within which its products or services are predominantly marketed;
   - Record-keeping of sponsorship, donations and charitable giving;
   - Values and ethics;
   - Adherence to the code of conduct; and
   - Overseeing the monitoring, assessment and measurement of the above.
3. The environment, health and public safety, including the impact of Stor-Age's activities and services, monitoring of and implementing recycling practices, reducing Stor-Age's carbon footprint, consumption of electricity, consumption of water and disposal of waste:
   - Overseeing the monitoring, assessment and measurement of the company's activities relating to the environment and health and public safety
4. Customer relationships, including Stor-Age's public relations and compliance with consumer protection laws:
   - Overseeing the monitoring, assessment and measurement of the company's consumer relationships, including advertising and public relations
5. Labour and employment, including:
   - Stor-Age's standing in terms of the International Labour Organization standards on decent work and working conditions;
   - Stor-Age's employment relationships, and its contribution toward the educational development of its employees; and
   - Overseeing the monitoring of labour and employment practices.

The committee is further tasked with:

- Reviewing the adequacy and effectiveness of the company's engagement and interaction with its stakeholders;
- Considering substantive national and international regulatory developments as well as best practice in the fields of social and ethics management;
- Reviewing and approving the company's CSI policy; and
- Determining clearly articulated ethical standards (the Code of Ethics) and ensuring that the company takes measures to adhere to them in all aspects of the business, thus achieving a sustainable corporate culture in the group.

The committee's focus areas are reported on, on pages 42 to 47.

Mechanisms to encourage ethical behaviour such as the Code of Ethics and corporate citizenship policies were confirmed as adequate by the committee in the period under review.

Graham Blackshaw
Social and Ethics Committee Chairman
13 June 2017

Driven by our Core Value of Sustainability, we believe that every single decision or action that we take today, has a direct impact on all decisions or actions which can be taken tomorrow.

It means not always taking the shortest route and not always being focused on a short-term time horizon. Rather, it means that we acknowledge that what we do today, will have a direct influence on what we can do tomorrow.

We encourage the sharing of new ideas. We believe in preparing for tomorrow, today. We know that to remain the market leader in South Africa we have to continue to nurture and encourage a culture of innovation from within and find more efficient ways to do things.

We aim to build an organisation that is resilient, which can endure and adapt through multiple generations of leadership as well as multiple product life cycles.

A sustainable organisation is bigger than the sum of its parts.

ACTING SUSTAINABLY

ENVIRONMENTAL SUSTAINABILITY

The most important space at Stor-Age is the environment that surrounds us and that is why we continue to address sustainable practices in the areas of energy efficiency, renewable energy generation and storm water management and conservation. We strive to improve these aspects of our properties both as a commercial property owner and self storage operator in line with the changing environmental legislation and our own commercial objectives.

OPERATIONAL STORE ENERGY CONSUMPTION

Our properties' predominant energy consumption is grid electricity for lighting, elevators, general power, heating, cooling and ventilation. These cause 'indirect' off-site power station carbon emissions.

The following initiatives have reduced our properties' electricity consumption:

- We install motion-sensitive lighting in all properties. We fit these at optimum distances to reduce the number of fittings and the energy consumed.
- We install LED light fittings inside and outside of all new properties, and retrofit them onto existing ones. LED light fittings save up to 60% of consumption versus standard fittings.
- We install solar panelled hot water cylinders to heat water in both the retail stores and security offices at many properties.
- Each month, we prepare and review a detailed analysis to assess energy consumption across the portfolio, with exceptions timeously dealt with through active management.

Photovoltaic (solar) systems:

Stor-Age was the first self storage property owner in South Africa to install solar technology for three-phase power. Stor-Age Durbanville is one of the first to enrol in Cape Town's net metering programme.

Net metering allows consumers to generate more power than they need and put the excess back into the grid. Net metering effectively rolls over a net kilowatt to be used at night, at times of low self-generation or in the following month (due to the system having no storage capacity).

Following the success of the installation at Stor-Age Durbanville (which went live in 2013 and reduces consumption by almost 80% compared to other stores in the portfolio on a like-for-like basis), we integrated the system at Stor-Age Tokai in March 2017. We are assessing the effectiveness of the installation at this property, being our first Big Box store to be fitted with the technology. Subject to the confirmation of our projected savings profile, we will more actively integrate the system across the balance of the portfolio.

STORM WATER MANAGEMENT AND CONSERVATION

We have incorporated permeable paving into our external civil engineering design at a number of our recently developed properties.

Permeable paving is qualitatively different from traditional paving methods in that water is treated on-site before being discharged into both the natural groundwater table and storm water system.

ACTING SUSTAINABLY (continued)

SOCIAL SUSTAINABILITY

At Stor-Age, we strive to make a sustainable difference. Recognising our role as a responsible member of the broader community, and in line with our Relevance Core Value, we aim to improve our tenants' and employees' lives as well as our community.

Our medium-term objective is to continue focusing our resources on fewer but larger projects. We recognise the importance of being an active member of our local communities, and we encourage our employees at the property level to develop close links with charities, schools, sports clubs and local interest groups.

In the year, we contributed more than R500 000 to support social initiatives.

Highlights of these initiatives include:

SANTA SHOEBOX PROJECT

The Santa Shoebox Project is an annual charitable initiative that collects 100 000 shoeboxes to fill with gifts for underprivileged children. We have steadily grown our partnership with them, and are now one of their main sponsors. This year, we provided drop-and-go points for donors and more than 12 000 shoeboxes, to be filled with gifts, to the public (up from 11 000 last year). Stor-Age has become a fundamental contributor by providing convenient locations for donors countrywide, complementary shoeboxes, storage space, labour and transportation solutions as well as supporting the social media efforts of the Santa Shoebox Project.

Stor-Age also provides year-round storage space to volunteers to collect, store and organise the large-scale national event. Employees enjoy the partnership and taken the project to heart by volunteering their time for the main collection days.

THE KIDZ2KIDZ TRUST

The custodian of the Santa Shoebox Project houses their operation at Stor-Age Claremont in Cape Town. This year, Stor-Age donated space worth approximately R50 000 for the trust's operational requirements, which include the Kidz2Kidzprojects and the Santa Shoebox Project. The NPO is registered as a Public Benefit Organisation with the South African Revenue Service and is a level 4 B-BBEE contributor.

For an African charity to be sustainable, it needs to be robust and committed. For six years, Stor-Age has played a pivotal role in collecting and storing clothing before being transported to townships. The staff are always willing to help, and we feel they are part of the It's Your Turn team.

Ryan Scott
It's Your Turn

DISASTER RELIEF

Our social initiatives support three of our four Core Values – Relevance, Integrity and Sustainability. Due to the nature of the product, we are in the unique position to assist communities in their time of need. Recently we aided disaster relief after the Cape Town storm, and the Knysna, Hout Bay and Deer Park (Table Mountain) fires. We provided storage units for people who lost their homes, resourced firefighters and disaster relief managers, and acted as a drop off point for donations which we then transported to the relevant areas.

With the Knysna Fire Support Initiative, we encouraged over 150 000 people on social media to assist with the donations. We partnered with Uber, gaining traditional and online media traction. Uber couriered donations from people's homes to the closest Stor-Age properties, free of charge. Stor-Age delivered 15 four-tonne trucks to the relevant causes.

SCHOOL SPORTS SPONSORSHIPS

Stor-Age strives towards meaningful interaction with our communities, and as such, we provide sports sponsorships to various schools. During the year, we continued sports sponsorships at Laerskool Raslouw, Hoërskool Oos-Moot and Laerskool Doringkloof.

By sponsoring sporting equipment, Stor-Age is directly involved in the development of young sportsmen and sportswomen – we facilitate a richer sporting experience.

IT'S YOUR TURN

It's Your Turn, a charitable organisation focusing on the redistribution of clothing to underprivileged areas, have continued to partner with Stor-Age in the 2017 financial year. The organisation also looks to collect, and sell, matric dance dresses of which the proceeds are used to purchase school shoes for those in need. Stor-Age have assisted It's Your Turn for over six years and continue to play an integral role in the logistics of this, and many other, charitable organisations.

ACTING SUSTAINABLY (continued)

HUMAN SUSTAINABILITY

"We believe that Stor-Age is a person: It has its own energy, thoughts, feelings and a personality. It reacts to certain things in certain ways, just as you and I do. We believe that every single one of our people contributes to the 'person' that is Stor-Age. We believe that all our people play a part in shaping its collective persona through our own thoughts and actions."

Gavin Lucas
CEO

Stor-Age is committed to developing its employees through effective learning, development and training opportunities. Our Learning and Development framework identifies 10 areas for intervention, for both head office and operations employees.

Stor-Age has developed a range of training courses. These training courses are delivered in various modes; our e-Learning platform, Edu-Space, enables our employees to receive training and assessment simultaneously online across all our locations; we offer face-to-face workshops and refresher courses at our purpose-built training venues at our head office as well as Sunninghill and Lyttelton; where appropriate, specific and individual training intervention is also offered to employees. Our core training programme is complemented by management and leadership development programmes which are delivered both in-house and by external service providers.

Comprehensive job descriptions clearly set out each person's role within the business, the key performance areas (KPAs), the activities and responsibilities within each KPA and the competencies required to deliver value in their role. Our Annual Performance Review and Personal Development Plan process provides a clearly defined platform for facilitating formal assessment and feedback to all employees by their immediate line managers, with a key outcome being the individuals' primary training, learning and development needs in order to perform their primary function effectively.

Stor-Age has a formal Employment Equity Plan to reduce both gender and race related under-representation by 2020. The board acknowledges this situation and is planning to address the over-representation of male directors by 2020. The first five-year plan stretches from 1 December 2015 to 30 September 2020; the second report against progress towards delivering on this plan will be delivered in January 2018. We provide fully funded life, disability and funeral assistance cover through an insurance policy to all our store-based employees, while our internally facilitated Medical Aid Scheme (Momentum Health) and our Group Retirement Annuity (Allan Gray) has steadily grown in participation.

In addition, a year end review provides an ideal opportunity for developing and enhancing the business culture. By bringing together all employees from across the country, everyone is able to truly experience and share the collective experience of Stor-Age as a business in a relaxed and informal setting. Coupled with fostering new partnerships and sharing best practices, the year end review continues being a key contributor to the ethos and personality of the business as a whole.

Customer surveys are an integral contributor to the sustainability of the social and ethical aspects of business practices. During the year, over 3 800 surveys were completed where customers indicated a 95% satisfaction rate. The surveys in question are a key driver of the learning and development programmes that are administered to employees. They are also a key factor when determining best practices within the business. Engaging customers through this medium has allowed this crucial stakeholder group to influence Stor-Age's practices and processes directly and in a meaningful way.

Following the success of a flexible work-hours approach at head office in 2016, we introduced 'Saturday's off' for our store employees during the year, with no noticeable change in productivity. Our store employees are employed as six day workers. In line with our Core Value of Sustainability, we identified one of the two middle Saturday's of each month as an appropriate opportunity to allow employees to enjoy a full weekend break from work. In addition, we trialled and implemented the closing of the retail component of all properties on public holidays during the year, except those falling at or close to month-end. Both of these initiatives have been well received by employees and contributed directly towards creating a healthier work-life balance and indirectly to creating a more engaged, sustainable and productive work environment. Not only are employees more refreshed, but they feel heard and taken care of – a testament to our non-hierarchical structure.

In order to manage our risk, it is important that stringent guidelines (which include courtesy procedures) are implemented and managed to ensure that high levels of health and safety, as well as Stor-Age's own standards, are maintained.

Stor-Age is committed to compliance in the following areas:

- Occupational Health and Safety Act (OHSA A1 Part A and Regulations Part B)
- Basic Conditions of Employment
- Labour Relations Act
- Compensation of Injury and Diseases Act
- Skills Development Act
- Employment Equity Act

The relevant charts are displayed in a common area accessible to all employees at the head office and in all stores. Health and safety representative/s are appointed as required by OHSA to meet regularly and make relevant recommendations to management.

Stor-Age endeavours to ensure safe conditions and premises for customers, tenants and employees, including but not limited to:

- Housekeeping and general cleanliness;
- Lighting;
- Ventilation;
- Emergency evacuations;
- Working electrical systems;
- Safe and working machinery;
- Hazardous chemicals; and
- Roadworthy, timeously serviced company vehicles.

Stor-Age endeavours to ensure that the following items are not stored by tenants:

- Toxic pollutants or contaminated goods
- Firearms, munitions, or explosives
- Radioactive materials
- Hazardous goods
- Living plants or animals
- Food or perishable goods
- Cash and securities
- Illegal goods
- Waste

Stor-Age holds regular risk assessments to take steps to eliminate risks, take and manage or enforce precautionary measures where necessary, and train or educate all employees accordingly. Systems of evidence are maintained at head office and in all stores.

Particular and specific policies and procedures are distributed and followed, covering the following topics and issues:

- Health and safety representatives
- High-risk equipment/machinery/facilities – lifts and hoists
- The complementary removal van service
- Diesel generators
- Contractor entry and exit logs
- Medical emergencies and first aid training
- Fire safety and related training
- Evacuation procedures
- Hazardous chemicals
- Incident/accident reporting

Stor-Age Staff Conference 2016


stor-age
self storage

CONTENTS

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™ 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™.

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
Executive:	
GM Lucas (Chief executive officer)	25 May 2015
SC Lucas (Financial director)+	25 May 2015
SJ Horton	25 May 2015
Non-executive:	
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 re-allocation 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 meets 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
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. 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. 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. 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.	Our audit procedures performed included the following: • We assessed the competence, capabilities and objectivity of the independent external valuer, and verified their qualifications. • We assessed the competence, capabilities and objectivity of executive directors reviewing the valuations and the board of directors who approve these. • We focused our audit work on testing the key assumptions used in the determination of the fair value, which included: • Evaluating the valuation models prepared in March 2017 to ensure that the valuation methodology was appropriate. • Assessing the reasonableness of the following assumptions used in determining fair value with reference to available industry data for similar investment properties: – Discount rates; – Capitalisation rates; and – Operating cost inflation. • Assessing the reasonableness of the following assumptions used in determining fair value with reference to recent actual rental experience: – Forecast net income; and – Rental escalation. • We assessed whether the disclosures in the financial statements were appropriate.

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
The group acquired Storage RSA Investments Proprietary Limited and Units 1–4 Somerset West Business Park Proprietary Limited which were considered significant business combinations. Our audit focused on the accounting for these transactions in terms of IFRS 3 *Business Combinations*, 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.	Our audit procedures performed included the following: • We assessed the treatment of each transaction to ensure the accounting was in line with the group accounting policies. • We agreed the transactional details and total purchase consideration to underlying legal agreements. • We assessed the fair value of the identifiable assets and liabilities arising from the acquisitions for reasonableness. • 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. • We assessed whether the disclosures in the financial statements were appropriate.

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
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. 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. 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	Our audit procedures performed included the following: • We focused our audit work on testing the key assumptions made by management in the determination of the fair value, which included: • Evaluating the valuation models prepared to ensure that the valuation methodology was appropriate. • Assessing the reasonableness of the following assumptions used in determining fair value with reference to available industry data for similar investment property contracts: – Discount rates; – Exit capitalisation rates; and – Cost inflation. • Assessing the reasonableness of the following assumptions used in determining fair value with reference to recent actual experience: – Forecast income; and – Growth rates. • We assessed whether the disclosures in the financial statements were appropriate.

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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Assets					
Non-current assets		2 263 524	1 573 536	1 735 033	1 367 394
Investment properties	3	2 050 210	1 370 587	36 588	9 504
Property and equipment		2 070	1 209	554	340
Stor-Age share purchase scheme loans	4	125 480	119 628	125 480	119 628
Goodwill and intangible assets	5	83 670	81 760	81 901	81 760
Investment in subsidiaries	6	–	–	1 489 592	1 155 810
Deferred taxation	17	2 094	–	918	–
Derivative financial instruments	22.2	–	352	–	352
Current assets		20 593	19 798	408 610	212 241
Trade and other receivables	8	10 674	8 792	5 559	11 687
Inventories		1 888	1 148	396	359
Intercompany receivable	7	–	–	335 399	156 292
Cash and cash equivalents	9	8 031	9 858	3 336	3 952
Dividend receivable	10	–	–	63 920	39 951
Total assets		2 284 117	1 593 334	2 143 643	1 579 635
Equity and liabilities					
Shareholders' interest		1 889 831	1 380 248	1 753 083	1 362 263
Stated capital	11	1 766 561	1 362 647	1 766 561	1 362 647
Non-distributable reserve	12	141 058	18 126	676	(179)
Accumulated loss		(17 788)	(525)	(14 154)	(205)
Non-current liabilities		113 000	131 885	107 611	129 021
Bank borrowings	13	106 202	129 021	106 202	129 021
Derivative financial instruments	22.2	1 409	–	1 409	–
Finance lease obligation	26	5 389	2 864	–	–
Current liabilities		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	9 044
Provisions	15	20 047	16 000	–	–
Finance lease obligation	26	906	591	–	–
Intercompany payable	7	–	–	15 750	40 401
Dividends payable		75 290	38 906	75 290	38 906
Total equity and liabilities		2 284 117	1 593 334	2 143 643	1 579 635
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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	Group 12 months 2017 R'000	Group 4.5 months 2016 R'000	Company 12 months 2017 R'000	Company 4.5 months 2016 R'000
Property revenue		166 663	56 900	7 509	2 218
– Rental income		158 801	54 907	4 308	406
– Other income		7 862	1 993	3 201	1 812
Direct property costs		(38 348)	(12 996)	(399)	(83)
Net property operating income		128 315	43 904	7 110	2 135
Other revenue		13 748	4 946	136 455	46 847
– Management fees		13 748	4 946	18 817	6 896
– Dividend income from subsidiaries		–	–	117 638	39 951
Administration expenses		(24 995)	(9 066)	(25 173)	(9 413)
Operating profit		117 068	39 784	118 392	39 569
Gain on bargain purchase	20.2	41	4 377	–	–
Fair value adjustment to investment properties	3	127 240	13 397	2 615	(531)
Fair value adjustment to derivative financial instruments	22.2	–	352	–	352
Depreciation and amortisation		(1 552)	(525)	(406)	(96)
Profit before interest and taxation		242 797	57 385	120 601	39 294
Interest income		13 026	4 118	12 588	3 707
Interest expense		(15 769)	(4 996)	(14 340)	(4 479)
Profit before taxation	16	240 054	56 507	118 849	38 522
Taxation expense		671	–	524	–
– Deferred taxation		671	–	524	–
Profit for the year		240 725	56 507	119 373	38 522
Items that may be reclassified to profit or loss					
Fair value adjustment to derivative financial instruments		(1 760)	–	(1 760)	–
Deferred taxation		394	–	394	–
Other comprehensive income for the year, net of taxation		(1 366)	–	(1 366)	–
Total comprehensive income for the year		239 359	56 507	118 007	38 522

	Note	Cents	Cents
Basic and diluted earnings per share	18	181.46	43.67

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
Total comprehensive income for the period				
Profit for the period	–	–	56 507	56 507
Transactions with shareholders, recognised directly in equity				
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)
Total transactions with shareholders	1 362 647	18 126	(57 032)	1 323 741
Balance at 31 March 2016	1 362 647	18 126	(525)	1 380 248
Total comprehensive income for the year	–	–	239 359	239 359
Profit for the year	–	–	240 725	240 725
Other comprehensive income	–	–	(1 366)	(1 366)
Transactions with shareholders, recognised directly in equity				
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)
Total transactions with shareholders	403 914	122 932	(256 622)	270 224
Balance at 31 March 2017	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
Total comprehensive income for the period				
Profit for the period	–	–	38 522	38 522
Transactions with shareholders, recognised directly in equity				
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)
Total transactions with shareholders	1 362 647	(179)	(38 727)	1 323 741
Balance at 31 March 2016	1 362 647	(179)	(205)	1 362 263
Total comprehensive income for the year	–	–	118 007	118 007
Profit for the year	–	–	119 373	119 373
Other comprehensive income	–	–	(1 366)	(1 366)
Transactions with shareholders, recognised directly in equity				
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)
Total transactions with shareholders	403 914	855	(131 956)	272 813
Balance at 31 March 2017	1 766 561	676	(14 154)	1 753 083

	31 March 2017 Cents	31 March 2016 Cents
Dividend per share (note 21)	88.05	30.07

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2017

	Note	Group 2017 12 months R'000	Group 2016 4.5 months R'000	Company 2017 12 months R'000	Company 2016 4.5 months R'000
Cash flows from operating activities					
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	–
Net cash (outflow)/inflow from operating activities		11 423	70 670	30 736	(4 156)
Cash flows from investing activities					
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)
Net cash outflow from investing activities		(534 040)	(1 578 460)	(350 408)	(1 390 269)
Cash flows from financing activities					
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	–	–
Net cash inflow from financing activities		520 790	1 517 648	319 056	1 398 377
Net cash (outflow)/inflow for the year		(1 827)	9 858	(616)	3 952
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 if 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.

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.

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.

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 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.

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.

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.

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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
3. INVESTMENT PROPERTIES				
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)
Carrying value at end of year	2 050 210	1 370 587	36 588	9 504
Movement in investment properties:				
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)
Carrying value at end of year	2 050 210	1 370 587	36 588	9 504

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
The valuation methodology for each property is based on a discounted cash flow of the net operating income over a 10 year period and notional sale of the asset at the end of the tenth year. (a) Net operating income is based on the projected revenue less projected operating costs, including a property management fee. For properties that have not reached a stabilised mature occupancy level, the growth in occupancy in future periods is calculated assuming a straight-line lease up to stabilised mature occupancy. The number of months to achieve stabilised mature occupancy is based on management's estimate taking account of the historical lease up of the property being valued and experience from similar properties in the portfolio. The projected revenue and costs are adjusted for estimated revenue growth and cost inflation. The discount rates applied to future cash flow have been estimated by reference to underlying market yields for industrial and retail property and inflation. Any outstanding costs to take an investment property from its current state to completion and full fit out is deducted from the valuation. (b) The income capitalisation method is also applied as a check to ensure that the discounted cash flow valuation is appropriate. Net operating income is calculated on a forward 12 month basis assuming stabilised mature occupancy and market related rental rates. A market related capitalisation rate is applied to the annualised net operating income to derive a valuation.	(a) Financial information used to calculate forecast net income – e.g. stabilised occupancy levels, expected future growth in revenue and operating costs. (b) Discount rate – the percentage range of rates is between 15.5% and 18.5% (2016: between 17.0% and 18.5%) (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%) (d) The rental escalation is between 5% and 15% (2016: between 8% and 15%) (e) The operating costs inflation assumption is 7.0% (2016: 7%)	All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, lease up rates and rental rates and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

4. STOR-AGE SHARE PURCHASE SCHEME LOANS

At the inaugural meeting held on 20 October 2015, shareholders approved and adopted the Stor-Age Share Purchase and Option Scheme (the "Scheme"). 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
Shares issued to participants		
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
Issue 1						
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
Issue 2						
Employees	8.31%	269 440	31 Aug 2017	2 599	2 610	2 964
		269 440		2 599	2 610	2 964
Issue 3						
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	2016	2017	2016
	R'000	R'000	R'000	R'000
Loans to directors and employees				
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
	125 480	119 628	125 480	119 628

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.

Group	Goodwill R'000	Stor-Age Management Agreement^ R'000	Fernwood Management Agreement^ R'000	Website R'000	Total R'000
5. GOODWILL AND INTANGIBLE ASSETS					
2017					
Cost	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
Accumulated amortisation	–	–	–	(160)	(160)
Opening balance	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(98)	(98)
Carrying value at 31 March 2017	47 448	32 000	4 000	222	83 670
2016					
Cost	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
Accumulated amortisation	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(62)	(62)
Carrying value at 31 March 2016	45 679	32 000	4 000	81	81 760

^ *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^ R'000	Fernwood Management Agreement^ R'000	Website R'000	Total R'000
2017					
Cost	279	77 400	4 000	382	82 061
Opening balance	279	77 400	4 000	143	81 822
Additions during the year	–	–	–	239	239
Accumulated amortisation	–	–	–	(160)	(160)
Opening balance	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(98)	(98)
Carrying value at 31 March 2017	279	77 400	4 000	222	81 901
2016					
Cost	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
Accumulated amortisation	–	–	–	(62)	(62)
Amortisation for the year	–	–	–	(62)	(62)
Carrying value at 31 March 2016	279	77 400	4 000	81	81 760

^ *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.

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.

6. INVESTMENT IN SUBSIDIARIES

Details of the company's interest in directly held subsidiaries at 31 March 2017 are as follows:

Name of subsidiary	Country of incorporation	Percentage held	Investment 2017 R'000	Investment 2016 R'000
Roeland Street Investments Proprietary Limited	South Africa	100%	1 428 092	1 094 310
Wimbledonway Investments Proprietary Limited	South Africa	100%	48 985	48 985
N14 Self Storage Proprietary Limited	South Africa	100%	12 516	12 515
			1 489 593	1 155 810

The increase in the company's investment in RSI 1 relates to RSI 1's acquisition of the entire issued share capital and shareholders' loan claims of, Storage RSA Investments Proprietary Limited and Units 1–4 Somerset West Business Park Proprietary Limited. The effective date of the transaction is 28 February 2017. Details regarding the acquisitions of these indirectly held subsidiaries are set out in note 20.

There are no restrictions on the company's abilities to use the subsidiaries assets or settle its liabilities.

Details of the company's indirectly held interest in subsidiaries at 31 March 2017 are as follows:

Name of subsidiary	Holding company	Country of incorporation	Percentage held
Storage RSA Investments Proprietary Limited ("Storage RSA")	RSI 1	South Africa	100%
Storage RSA Trading Proprietary Limited	Storage RSA	South Africa	100%
Gauteng Storage Properties Proprietary Limited	Storage RSA	South Africa	100%
Storage RSA The Interchange Proprietary Limited	Storage RSA	South Africa	100%
Storage RSA AP Lubbe Building Proprietary Limited	Storage RSA	South Africa	100%
Units 1–4 Somerset West Business Park Proprietary Limited	RSI 1	South Africa	100%

7. INTERCOMPANY RECEIVABLE/PAYABLE

	Company 2017 R'000	Company 2016 R'000
Intercompany payable		
Roeland Street Investments Proprietary Limited	–	29 593
Wimbledonway Investments Proprietary Limited	15 750	10 808
	15 750	40 401
Intercompany receivable		
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	–
	335 399	156 292

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

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
8. TRADE AND OTHER RECEIVABLES				
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
	10 674	8 792	5 559	11 687

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

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. STATED CAPITAL				
Authorised				
1 000 000 000 Ordinary shares of no par value				
Issued				
127 Ordinary shares issued at R1 per share in May 2015	–	–	–	–
10 000 000 Ordinary shares recognised at R7.74 per share in November 2015*	77 400	77 400	77 400	77 400
129 404 002 Ordinary shares issued at R10 per share in November 2015	1 294 040	1 294 040	1 294 040	1 294 040
269 440 Ordinary shares issued at R9.65 per share in August 2016	2 599	–	2 599	–
37 002 776 Ordinary shares issued at R10.81 per share in February 2017	400 000	–	400 000	–
200 000 Ordinary shares issued at R10.76 per share in February 2017	2 152	–	2 152	–
Share issue costs	(9 630)	(8 793)	(9 630)	(8 793)
In issue at the end of the year	1 766 561	1 362 647	1 766 561	1 362 647

* *Non-participating shares*

The fair value of the consideration shares issued to Stor-Age Self Storage Proprietary Limited is R7.74 per share (R10 less dividend forgone of R2.26). Further details are set out in note 5.

Refer to shareholder analysis for further information regarding significant shareholders.

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
12. NON-DISTRIBUTABLE RESERVE				
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	–	–
	141 058	18 126	676	(179)
Movements for the year				
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	–	–
Balance at end of year	141 058	18 126	676	(179)

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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
13. BANK BORROWINGS				
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	252 672	129 021	252 672	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	Company 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
				650 000	650 000

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.

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

The above properties, 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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
14.	TRADE AND OTHER PAYABLES				
	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
		38 573	25 704	45 439	9 044
15.	PROVISIONS				
	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	20 047	16 000	–	–

* *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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
16.	**PROFIT BEFORE TAXATION**				
	is stated after recognising:				
	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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
17.	**TAXATION**				
	Normal taxation				
	Income tax charge for the year	–	–	–	–
	Deferred taxation				
	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
Reconciliation of basic earnings and headline earnings per share		
Profit for the period	240 725	56 507
Basic earnings	240 725	56 507
Headline earnings adjustments*	(127 281)	(17 774)
Fair value adjustment to investment properties	(127 240)	(13 397)
Gain on bargain purchase	(41)	(4 377)
Headline earnings attributable to shareholders	113 444	38 733
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.*

		Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
19.	NOTES TO THE STATEMENTS OF CASH FLOWS				
19.1	Cash generated from operations				
	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)
	Changes in working capital, net of assets acquired	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)
19.2	Interest income				
	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
19.3	Interest paid				
	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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
19.4	Dividends paid				
	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	–
19.5	Dividends received				
	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^2 of GLA in aggregate, as well as a development opportunity in Bryanston of approximately 4 800 m^2 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^2 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.

		Group 2017 R'000
20.	BUSINESS COMBINATIONS (continued)	
20.1	Acquisition of Storage RSA (continued)	
	The assets and liabilities as at 28 February 2017 arising from the acquisition are as follows:	
	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)
	Fair value of net assets	282 175
	Goodwill	1 769
	Total purchase consideration	283 944
	Contingent consideration#	(3 617)
	Consideration financed by cash	(280 327)
	Cash and cash equivalents acquired	7 261
	Net cash outflow on acquisition	(273 066)

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

\# *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
The assets and liabilities as at 28 February 2017 arising from the acquisition are as follows:	
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)
Fair value of net assets	37 456
Gain on bargain purchase	(41)
Total purchase consideration	37 415
Net cash outflow on acquisition	(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.*

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
Revenue						
– 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)
Operating profit	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
Total profit for the year	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
Property revenue	166 663	166 663	–
– Rental income	158 801	158 801	–
– Other income	7 862	7 862	–
Direct property costs	(38 348)	(38 348)	–
Net property operating income	128 315	128 315	–
Other revenue	13 748	–	13 748
– Management fees	13 748	–	13 748
Administration costs	(24 995)	–	(24 995)
Operating profit	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)
Profit before interest and taxation	242 797	255 555	(12 758)
Interest income	13 026	–	13 026
Interest expense	(15 769)	–	(15 769)
Profit before taxation	240 054	255 555	(15 501)
Taxation expense	671	–	671
Profit for the year	240 725	255 555	(14 830)
Fair value adjustment to derivative financial instruments	(1 760)	–	(1 760)
Deferred taxation	394	–	394
Other comprehensive income for the year, net of taxation	(1 366)	–	(1 366)
Total comprehensive income for the year	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

21. SEGMENTAL INFORMATION (continued)

Segment assets, reserves and liabilities

Group: as at 31 March 2017

	Total R'000	Allocated R'000	Unallocated R'000
Assets			
Non-current assets	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
Current assets	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
Total assets	2 284 117	2 054 079	230 038
Equity and liabilities			
Shareholders' interest	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)
Non-current liabilities	113 000	–	113 000
Bank borrowings	106 202	–	106 202
Derivative financial instruments	1 409	–	1 409
Finance lease obligation	5 389	–	5 389
Current liabilities	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
Total equity and liabilities	2 284 117	–	2 284 117

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

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

	Total R'000	Allocated R'000	Unallocated R'000
Property revenue	56 900	56 900	–
– Rental income	54 907	54 907	–
– Other income	1 993	1 993	–
Direct property costs	(12 996)	(12 996)	–
Net property operating income	43 904	43 904	–
Other revenue	4 946	–	4 946
– Management fees	4 946	–	4 946
Administration costs	(9 066)	–	(9 066)
Operating profit	39 784	43 904	(4 120)
Gain on bargain purchase	4 377	–	4 377
Fair value adjustment to investment properties	13 397	13 397	–
Fair value adjustment to derivative financial instruments	352	–	352
Depreciation and amortisation	(525)	–	(525)
Profit before interest and taxation	57 385	57 301	84
Interest income	4 118	–	4 118
Interest expense	(4 996)	–	(4 996)
Profit before taxation	56 507	57 301	(794)
Taxation expense	–	–	–
Total profit for the period	56 507	57 301	(794)

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

	Group 12 months 2017 R'000	Group 4.5 months 2016 R'000
Dividend reconciliation		
Reconciliation of headline earnings to distributable earnings per share		
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	–
Distributable earnings	131 101	38 906
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.

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
Group as at 31 March 2017				
Financial assets				
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	–
Financial liabilities				
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
Group as at 31 March 2016				
Financial assets				
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	–	–
Financial liabilities				
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
Company as at 31 March 2017				
Financial assets				
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	–
Financial liabilities				
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
Company as at 31 March 2016				
Financial assets				
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	–	–
Financial liabilities				
Bank borrowings at amortised cost	129 021	–	–	129 021
Trade and other payables	9 044	–	–	9 044
Dividend payable	38 906	–	–	38 906

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
Nedbank facility A						
– 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)
	100 000				(886)	352
Nedbank facility 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)	–
	100 000				(523)	–
Total	200 000				(1 409)	352

* *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
Cash and cash equivalents						
– Cash on call	9	6.00%	617	617	–	–
– Current accounts	9	0.05%	7 414	7 414	–	–
Stor-Age share purchase scheme loans						
– 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
Financial liabilities						
Nedbank facility A*						
– Swap A	22.2	9.52%	(503)	–	(503)	–
– Swap B	22.2	10.07%	(383)	–	(383)	–
Nedbank facility 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)	–
2016						
Cash and cash equivalents						
– Cash on call	9	5.40%	346	346	–	–
– Current accounts	9	0.05%	9 512	9 512	–	–
Stor-Age share purchase scheme loans						
– Issue 1	4	8.00%	119 628	–	–	119 628
Financial liabilities						
Nedbank facility A*						
– 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.*

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
	142 381	137 113	466 793	290 394

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.

	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
22.3.2 Impairment losses				
The ageing of tenant and related receivables at the reporting date was:				
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
Total	3 205	1 451	1 224	523

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

	Group	
	31 March 2017 R'000	31 March 2016 R'000
The movement in the allowance for impairment in respect of tenant and related receivables during the period was as follows:		
Carrying value at beginning of year	523	242
Impairment recognised	701	281
Carrying value at end of year	1 224	523

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

Management have assessed the quality of debtors neither past due nor impaired as low risk as the group's credit policy includes holding of rental deposits. 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.

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
Group 2017					
Non-derivative financial liabilities					
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	–	–	–
	297 149	166 365	107 157	2 866	20 761
Group 2016					
Non-derivative financial liabilities					
Bank borrowings	151 863	11 421	140 442	–	–
Finance lease obligation	21 948	737	507	1 523	19 181
Trade and other payables	25 704	25 704	–	–	–
	199 515	37 862	140 949	1 523	19 181
Company 2017					
Non-derivative financial liabilities					
Bank borrowings	252 672	146 470	106 202	–	–
Trade and other payables	41 326	41 326	–	–	–
	293 998	187 796	106 202	–	–
Company 2016					
Non-derivative financial liabilities					
Bank borrowings	151 863	11 421	140 442	–	–
Trade and other payables	9 044	9 044	–	–	–
	160 907	20 465	140 442	–	–

	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.

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:

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

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
Level 3 reconciliation					
Group					
2017					
Investment properties	1 370 587	127 240	–	552 383	2 050 210
2016					
Investment properties	–	13 397	–	1 357 190	1 370 587
Company					
2017					
Investment properties	9 504	2 615	–	24 469	36 588
2016					
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

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
25. RELATED PARTY TRANSACTIONS (continued)				
25.2 Material related party transactions and balances				
Related party balances				
Intercompany payables				
Roeland Street Investments Proprietary Limited	–	–	–	29 593
Wimbledonway Investments Proprietary Limited	–	–	15 750	10 808
Intercompany receivables				
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	–
Amounts – owing to related parties				
– Roeland Street Investments Proprietary Limited	–	–	–	9 380
– Roeland Street Investments 2 Proprietary Limited	–	989	–	989
– Madison Square Holdings Close Corporation	–	566	–	588
– Fairstore Trust	–	1 216	–	1 216
– Stor-Age Property Holdings Proprietary Limited		–	–	511
– Castle Rock Capital Trust		–	11	–
Amounts – owing by related parties				
– 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	–
Working capital – owing by related parties				
– Roeland Street Investments Proprietary Limited	–	–	327	–
– Roeland Street Investments 2 Proprietary Limited	444	–	444	–
– Units 1–4 Somerset West Business Park Proprietary Limited	–	–	21	–
Working capital – owing to related parties				
– 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
Dividend income				
Roeland Street Investments Proprietary Limited	–	–	114 812	39 951
Wimbledonway Investments Proprietary Limited	–	–	2 414	–
N14 Self Storage Proprietary Limited	–	–	411	–
Interest received on Stor-Age share purchase scheme loans				
Directors and key management personnel	9 706	3 528	9 706	3 528
Development fees paid (to)/by related parties				
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	–
Asset management fees received from related party				
Roeland Street Investments 2 Proprietary Limited	6 130	1 727	6 130	1 727
Property management fees received from related party				
Roeland Street Investments 2 Proprietary Limited	3 393	1 065	3 393	1 065
Acquisition fees received from related party				
Roeland Street Investments 2 Proprietary Limited	490	565	490	565
Roeland Street Investments 3 Proprietary Limited	336	–	336	–
Office rental paid to related party				
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.

		Direct beneficial	Indirect	Total	Percentage
25.	RELATED PARTY TRANSACTIONS (continued)				
25.3	Directors' and company secretary's shareholdings				
	31 March 2017				
	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%
		11 110 000	18 717 244	29 827 244	16.87%
	31 March 2016				
	GM Lucas	3 500 000	6 911 955	10 411 955	7.47%
	SJ Horton	3 500 000	3 048 334	6 548 334	4.70%
	SC Lucas	3 500 000	6 911 955	10 411 955	7.47%
	MS Moloko	60 000	–	60 000	0.04%
	GA Blackshaw	–	1 725 000	1 725 000	1.24%
	GBH Fox	–	–	–	–
	PA Theodosiou	550 000	–	550 000	0.39%
	HH-O Steyn (company secretary)	–	120 000	120 000	0.09%
		11 110 000	18 717 244	29 827 244	21.40%

There has been no change in 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
25.4	Directors' remuneration		
	Fees paid to non-executive directors for meeting attendance were as follows:		
	PA Theodosiou (Audit and Risk Committee, Remuneration Committee and Investment Committee)	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
		880	329

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

	2017 R'000 Basic salary	2017 R'000 Total	2016 R'000 Basic salary	2016 R'000 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
	3 600	3 600	855	855

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
26. FINANCE LEASE OBLIGATION				
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	–	–
	25 679	21 948	–	–
Less: Future finance charges	(19 384)	(18 493)	–	–
	6 295	3 455	–	–
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	–	–
	6 295	3 455	–	–

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.

	Group 2017 R'000	Group 2016 R'000
27. CAPITAL COMMITMENTS AUTHORISED		
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^2 self storage space across two levels, consisting of 460 self storage units ranging from 4.5 m^2 to 36 m^2 in size and an average rental rate of R84 per m^2.

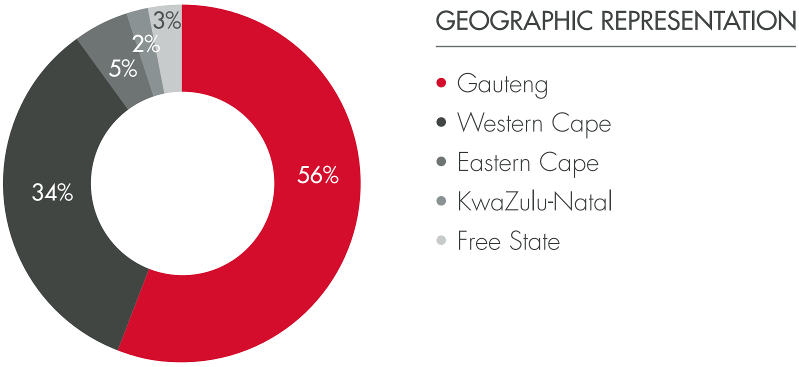
On 8 June 2017, the group announced that it had entered into a Memorandum of Understanding with the shareholders of Dancor Properties Proprietary Limited ("Dancor") to acquire 100% of the shares in Dancor. Dancor currently trades from four locations under the name StarTown situated in the Durban CBD and Durban North with total GLA of c.22 000 m^2. 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

1. 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.

2. Geographical representation of the properties by region is set out in the following pie chart:



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

Region	GLA (m^2)	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%
Total	227 814	100%

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

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

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^2)	% Occupied	Vacancy m^2	% 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
Total	227 814	85.0	34 273	15.0

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^2 for the past three financial years.

Year	% Increase in rental per m^2
2015	17%
2016	9%
2017	9%

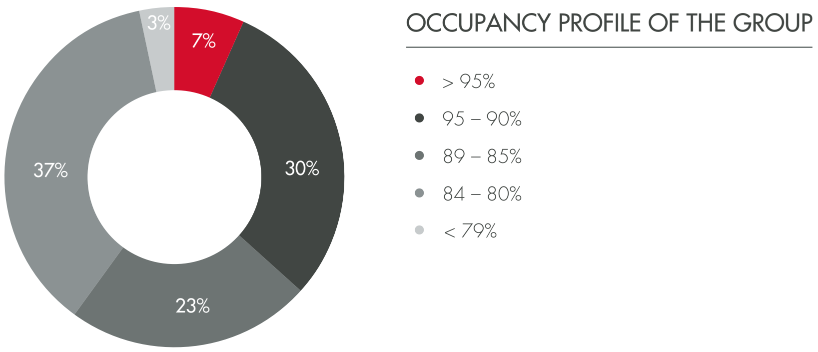
7. The weighted average annualised property yield in respect of the properties is 7.93 % on year one actual cash flow and 8.34% on mature cash flow.

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%
Total	100%	100%	100%	100%

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 Purchase price R'000	2017 Valuation R'000	2017 GLA m^2	2016 Valuation R'000	2016 GLA m^2
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, Somerset West, 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 Edgemead	1 Southdale Road Edgemead, 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
			843 450	999 000	78 095	591 750	49 885

Store name	Address	Province	2017 Purchase price R'000	2017 Valuation R'000	2017 GLA m²	2016 Valuation R'000	2016 GLA m²
Stor-Age Lyttleton	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, Louwlardia, Midrand	Gauteng	83 000	82 500	7 548	–	–
Stor-Age Hennopspark	Jakaranda Street, Hennopspark	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
			854 650	907 354	126 508	677 104	108 461
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

SHAREHOLDER INFORMATION

UNAUDITED SHAREHOLDER ANALYSIS

Analysis of shareholders as at 31 March 2017

SHAREHOLDER SPREAD	Number of shareholders	Number of shares	Percentage of issued shares
Public	3 318	147 049 101	83.1%
Non-public	7	29 827 244	16.9%
– Directors and associates	7	29 827 244	16.9%
Total	3 325	176 876 345	100.0%
Shareholders owing 5% or more of the share capital of the company			
Castle Rock Investments (Proprietary) Limited		14 066 666	8.0%
Institutions controlling more than 5% of the share capital of the company			
Coronation Fund Managers		31 195 264	17.6%
Old Mutual		18 247 009	10.3%
Investec Private Bank		17 521 802	10.0%
Catalyst		12 060 789	6.8%
Stanlib		9 726 283	5.5%
Sesfikile Capital		9 250 693	5.2%

SHAREHOLDERS' DIARY

Annual report posted to shareholders	Tuesday, 25 July 2017
Notice of AGM posted to shareholders	Tuesday, 25 July 2017
Annual general meeting	Thursday, 24 August 2017
Interim reporting date	Saturday, 30 September 2017
Publication of interim results and interim dividend announcement	Tuesday, 21 November 2017
Last day to trade	Tuesday, 5 December 2017
Shares trade ex-dividend	Wednesday, 6 December 2017
Record date	Friday, 8 December 2017
Interim dividend paid	Monday, 11 December 2017
Financial year end	Saturday, 31 March 2018
Publication of final results and final dividend announced	Tuesday, 12 June 2018
Last day to trade	Tuesday, 26 June 2018
Shares trade ex-dividend	Wednesday, 27 June 2018
Record date	Friday, 29 June 2018
Final dividend paid	Monday, 2 July 2018

ANNEXURE: GLOSSARY OF TERMS

"Big Box"	A reference to multi-storey self storage properties owned and developed by Stor-Age
"the board"	The board of directors of Stor-Age Property REIT Limited
"CEO"	Chief Executive Officer. The CEO of Stor-Age is Gavin Lucas.
"the company/the group, we/us/our"	Stor-Age Property REIT Limited, its subsidiaries and its management
"the Companies Act"	South African Companies Act No 71, of 2008, as amended
"FD"	Financial Director. The FD of Stor-Age is Stephen Lucas.
"GLA"	Gross lettable area, measured in square metres
"IBC"	Inside Back Cover
"IFC"	Inside Front Cover
"JSE"	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
"King III"	King Report on Corporate Governance for South Africa, 2009
"King IV™"	King IV Report on Corporate Governance™ for South Africa, 2016
"Listed Portfolio"	31 properties, 233 000 m^2 of GLA, R2.1 billion
"The listing date/listing:"	Refers to our listing on the JSE on 16 November 2015
"m^2"	square metre
"Managed Portfolio"	Unlisted portfolio of 67 000 m^2 of GLA on which Stor-Age receives property and asset management fees
"the period" or "the reporting period"	The 12 months from 1 April 2016 to 31 March 2017
"the previous year"	The year ended 31 March 2016
"REIT"	Real Estate Investment Trust
"Stor-Age" or "the company"	Stor-Age Property REIT Limited, listed on Main Board JSE in the Speciality REIT sector
"Trading Portfolio"	The portfolio of 43 self storage properties comprising the Listing Portfolio and the Managed Portfolio
"the year" or "the year under review"	Refers to our financial year and reporting period, being 1 April 2016 to 31 March 2017. References to other years are specified as being so.

Financial definitions

"DPS"	Distribution per share
"IFRS"	International Financial Reporting Standards
"NAV"	Net asset value

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE

Stor-Age is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the Code of Corporate Practices and Conduct in South Africa as laid out in King III.

It therefore strives to meet those objectives in accordance with the content of the table below.

KEY – Level of compliance:
1 – Not applied/will not be applied
2 – In process/partially applied
3 – Full application

Principle number	Description	Level of compliance	Comments
Chapter 1: Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation.	3	Ethics form part of the values of the board and group.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The group identifies and contributes to selected corporate social investment initiatives.
1.3	The board should ensure that the company's ethics are managed effectively.	3	The board meets regularly to review management of the company.
Chapter 2: Boards and directors			
2.1	The board should act as the focal point for, and custodian of, corporate governance.	3	Contained in board charter as guiding principle.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	3	The board, in accordance with the board charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations.
2.3	The board should provide effective leadership based on an ethical foundation.	3	Contained in board charter as guiding principle.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The group identifies and contributes to selected corporate social investment initiatives.
2.5	The board should ensure that the company's ethics are managed effectively.	3	The board meets regularly to review management of the company.
2.6	The board should ensure that the company has an effective and independent audit committee.	3	Audit and Risk Committee is in operation.
2.7	The board should be responsible for the governance of risk.	3	Contained in board charter as guiding principle.

Principle number	Description	Level of compliance	Comments
Chapter 2: Boards and directors			
2.8	The board should be responsible for information technology (IT) governance.	3	Contained in board charter as guiding principle.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	Contained in board charter as guiding principle and reviewed regularly.
2.10	The board should ensure that there is an effective risk-based internal audit.	1	An internal audit function is not deemed relevant for the size and type of company.
2.11	The board should appreciate that stakeholders` perceptions affect the company's reputation.	3	Contained in board charter as guiding principle.
2.12	The board should ensure the integrity of the company's integrated annual report.	3	Board reviews the integrated annual report.
2.13	The board should report on the effectiveness of the company's system of internal controls.	3	Include in the Audit and Risk Committee report to shareholders.
2.14	The board and its directors should act in the best interests of the company.	3	Contained in board charter as guiding principle.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	3	None of the related companies are currently in business rescue.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	3	Board has elected a chairman. The chairman is independent and is not the CEO.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	3	The board has appointed a CEO.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	3	The board consists of seven directors of whom four are non-executive and three of whom are independent.
2.19	Directors should be appointed through a formal process.	3	A formal and transparent process is in place for appointed directors. The board assists with the process of identifying suitable candidates.

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE (continued)

Principle number	Description	Level of compliance	Comments
Chapter 2: Boards and directors			
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	3	Continuous training of board members is taking place.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	3	The board considers the company secretary to be suitably qualified and experienced and in a position to advise the company.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	3	The board delegates certain functions to the following committees: Audit and Risk Committee, Remuneration Committee, Social and Ethics Committee.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	3	The board has formed standing committees to perform certain functions and ad hoc committees are formed as and when required.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	3	The Stor-Age governance framework has been applied to all subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.	3	Directors' remuneration is determined annually based on market related benchmarks by the Remuneration Committee chaired by an independent director.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	3	The company discloses directors' remuneration in the annual report.
2.27	Shareholders should approve the company's remuneration policy.	3	The policy was approved by the Remuneration Committee and will be tabled at a future annual general meeting.
Chapter 3: Audit committee			
3.1	The board should ensure that the company has an effective and independent audit committee.	3	The board has an Audit and Risk committee in compliance with King III.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	3	The committee consists of suitably qualified and experienced independent directors.
3.3	The audit committee should be chaired by an independent non-executive director.	3	The committee is chaired by Gareth Fox, independent non-executive director.

Principle number	Description	Level of compliance	Comments
Chapter 3: Audit committee			
3.4	The audit committee should oversee integrated annual reporting (integrated annual reporting, financial, sustainability and summarised information).	3	The Audit and Risk committee reviews the integrated annual report prepared by management.
	The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated annual report.	3	All significant judgements and reporting decisions are reported to the committee.
	The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, and any other intended release of price-sensitive financial information, trading statements, circulars and similar documents.	3	The Audit and Risk committee reviews all integrated annual reports, interim results and any provisional results announcements.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	3	The Audit and Risk committee oversees the assurance activities to ensure that they are constructed in a co-ordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	3	The Audit and Risk committee satisfied itself as to the appropriateness of the expertise and experience of the financial director, Stephen Lucas, and the finance function and concluded these were appropriate.
3.7	The audit committee should be responsible for overseeing of internal audit.	1	An internal audit function is not deemed relevant for the size and type of company.
3.8	The audit committee should be an integral component of the risk management process.	3	The company has a combined Audit and Risk committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	3	The Audit and Risk committee oversees the external audit functions and reviews the appropriateness and independence of the external auditor annually.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	3	The committee formally reports to the shareholders in the integrated annual report and on a frequent basis to the board.

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE (continued)

Principle number	Description	Level of compliance	Comments
Chapter 4: The governance of risk			
4.1	The board should be responsible for the governance of risk.	3	The board, with the assistance of the Audit and Risk committee is responsible for the governance of risk.
4.2	The board should determine the levels of risk tolerance.	3	The Audit and Risk committee assesses the levels of risk tolerance for the group.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	3	See 4.1
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	The board has delegated the day-to-day responsibility for risk management to management.
4.5	The board should ensure that risk assessments are performed on a continual basis.	3	The Audit and Risk committee actively monitors the group's key risks as part of its standard agenda.
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	3	The Audit and Risk committee operates within its approved charter, framework and policy which is reviewed on an annual basis.
4.7	The board should ensure that management considers and implements appropriate risk responses.	3	Management reports any material risks and its approach to the Audit and Risk committee on a regular basis.
4.8	The board should ensure continual risk monitoring by management.	3	Management reports any material risks and its approach to the Audit and Risk committee on a regular basis.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	3	The Audit and Risk committee shall review and report to the board on the effectiveness of the company's risk management processes.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	3	The board is comfortable with the existing processes which are in place.

Principle number	Description	Level of compliance	Comments
Chapter 5: The governance of information technology			
5.1	The board should be responsible for information technology (IT) governance.	3	The board understands the importance, relevance and inherent risks in IT and has delegated the management thereof to management. The Audit and Risk committees assists in ensuring appropriate compliance structures are in place.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	3	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	3	
5.4	The board should monitor and evaluate significant IT investments and expenditure.	3	
5.5	IT should form an integral part of the company's risk management.	3	
5.6	The board should ensure that information assets are managed effectively.	3	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	3	
Chapter 6: Compliance with laws, codes, rules and standards			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	The board requires management to report on compliance on a regular basis.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	3	Training is provided to board members from time to time as required.
6.3	Compliance risk should form an integral part of the company's risk management process.	3	The Audit and Risk committee operates within its approved charter, framework and policy which will be reviewed on an annual basis.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	3	Management is responsible for compliance processes.

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE (continued)

Principle number	Description	Level of compliance	Comments
Chapter 7: Internal risk			
7.1	The board should ensure that there is an effective risk-based internal audit.	1	Due to the size of the company, the board does not consider it to be cost effective to maintain a full-time internal audit function. The company's situation and needs in terms of an internal audit function is reassessed on an annual basis. The board has mandated the Audit and Risk committee to initiate internal audit investigations as and when deemed necessary.
7.2	Internal audit should follow a risk-based approach to its plan.	1	
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	1	
7.4	The audit committee should be responsible for overseeing internal audit.	1	
7.5	Internal audit should be strategically positioned to achieve its objectives.	1	
Chapter 8: Governing stakeholder relations			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	3	Stor-Age recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the group to better understand and address the impact of its activities on society.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	3	Management is responsible for dealing proactively with stakeholder relationships.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	3	All stakeholders are considered during decision making processes.
8.4	Companies should ensure the equitable treatment of shareholders.	3	The board considers the equitable treatment of shareholders in decision making.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	3	Communication to stakeholders is the responsibility of the executive team and company secretary and is monitored by the board.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	3	All disputes communicated to the board are resolved as effectively as possible.

Principle number	Description	Level of compliance	Comments
Chapter 9: Integrated annual reporting and disclosure			
9.1	The board should ensure the integrity of the company's integrated annual report.	3	The board is responsible for the integrity of the integrated annual report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	3	The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with 'sustainability' being one of the company's four Core Values.
9.3	Sustainability reporting and disclosure should be independently assured.	1	Sustainability reporting is not currently independently assured, as all information can be derived from the audited annual financial statements. The board will investigate the necessity to obtain independent assurance on a periodic basis.

NOTICE OF ANNUAL GENERAL MEETING

Stor-Age Property REIT Limited
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number 2015/168454/06
Share code: SSS
ISIN: ZAE000208963
("Stor-Age" or "the Company")

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have disposed of all your Stor-Age securities, this document should be handed to the purchaser of such securities or to the Broker, CSDP, banker or other agent through whom the disposal was affected.

If you are in any doubt as to what action you should take, please consult your Broker, banker, attorney, CSDP or other professional adviser immediately.

This document is available in English only. A copy of the document may be obtained from the registered office of the Company at the address provided on the inside back cover during normal business hours from date hereof until 24 August 2017.

Notice is hereby given to shareholders registered in Stor-Age's securities register as shareholders as at the record date of Friday, 21 July 2017 that the annual general meeting of Stor-Age will be held at the offices of KPMG, Training Room 1, 4th Floor, 1 Mediterranean Street, Foreshore, Cape Town on Thursday, 24 August 2017 at 12h00 to:

(i) deal with such business as may lawfully be dealt with at the meeting; and

(ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions of shareholders set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended ("the Act"), as read with the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") on which exchange the Company's shares are listed, which meeting is to be participated in and voted at by shareholders registered in Stor-Age's securities register as shareholders as at the record date of Friday, 18 August 2017.

The last day to trade to be registered in Stor-Age's securities register by the record date of Friday, 18 August 2017, is Tuesday, 15 August 2017.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend, participate and vote at the meeting. Forms of identification include valid identity documents, driver's licences and passports.

When reading the resolutions below, please refer to the explanatory notes for the resolutions set out in this notice of annual general meeting.

1. Presentation of financial statements

   The summarised consolidated financial statements of the Company (as approved by the board of directors of the Company) for the year ended 31 March 2017 have been distributed and accompany this notice as required and will be presented to shareholders at the annual general meeting together with the reports of the directors and the audit and risk committee.

   The complete financial statements are set out on pages 48 to 122 of the 2017 Stor-Age Integrated Annual Report ("the integrated annual report").

   The Integrated Annual report is also available on the Company's website, www.stor-age.co.za.

2. Report from the social and ethics committee

   In accordance with Companies Regulation 43(5)(c), a report from the chairman or a member of the social and ethics committee will be presented to shareholders at this meeting.

   Voting requirement:

   Unless otherwise indicated, in order for each of the ordinary resolutions to be adopted, the support of more than 50% of the voting rights exercised on the resolutions by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required

3. Ordinary resolution number 1: Re-election of Mr G B H Fox as a director

   "Resolved that Mr G H B Fox, who retires by rotation in terms of clause 26.3 of the Company's memorandum of incorporation and who, being eligible, has offered himself for re-election, be re-elected as an independent non-executive director of the Company."

   An abridged curriculum vitae of Mr Fox appears in Annexure 1 of this notice of annual general meeting.

4. Ordinary resolution number 2: Re-election of Mr M S Moloko as a director

   "Resolved that Mr M S Moloko, who retires by rotation in terms of clause 26.3 of the Company's memorandum of incorporation and who, being eligible, has offered himself for re-election, be re-elected as an independent non-executive director of the Company."

   An abridged curriculum vitae of Mr Moloko appears in Annexure 1 of this notice of annual general meeting.

5. Ordinary resolution number 3: Re-appointment of auditor

   "Resolved that KPMG Inc. be re-appointed as auditor of the Company (for the financial year ending 31 March 2018), with the designated partner being Mr G M Pickering, until the conclusion of the next annual general meeting of the Company."

6. Ordinary resolution number 4: Election of Mr G B H Fox as a member of the audit and risk committee

   "Resolved that, subject to the passing of ordinary resolution number 1, Mr G B H Fox, being an independent, non-executive director of the Company, be elected as a member and the Chairman of the audit and risk committee of the Company with effect from the end of this meeting."

   An abridged curriculum vitae of Mr Fox appears in Annexure 1 of this notice of annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING (continued)

7. **Ordinary resolution number 5: Election of Mr M S Moloko as a member of the audit and risk committee**
   "Resolved that, subject to the passing of ordinary resolution number 2, Mr M S Moloko, being an independent, non-executive director of the Company, be elected as a member of the audit and risk committee of the Company, with effect from the end of this meeting."

   An abridged curriculum vitae of Mr Moloko appears in Annexure 1 of this notice of annual general meeting.

8. **Ordinary resolution number 6: Election of Mr P A Theodosiou as a member of the audit and risk committee**
   "Resolved that Mr P A Theodosiou, being an independent, non-executive director of the Company and Chairman of the Board, be elected as a member of the audit and risk committee of the Company, with effect from the end of this meeting."

   An abridged curriculum vitae of Mr Theodosiou appears in Annexure 1 of this notice of annual general meeting.

9. **Ordinary resolution number 7: General authority to directors to issue shares for cash**
   "Resolved that, subject to the restrictions set out below and subject to the provisions of the Act and the JSE Listings Requirements, the directors of the Company be authorised by way of a general authority to allot and issue any portion of the ordinary shares of the Company for cash, on the following basis:

   - the equity securities which are the subject of the issue for cash must be of a class already in issue or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
   - any such issue will only be made to "public shareholders" and not to "related parties", all as defined by the JSE Listings Requirements;
   - this authority will only be valid until the Company's next annual general meeting (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond 15 months of the date of this meeting);
   - issues of ordinary shares in any one financial year may not exceed 8 977 621 ordinary shares in the aggregate, which represents 5 % of the number of ordinary shares in the Company's issued share capital at the date of this notice of meeting, being 179 552 420 ordinary shares, provided that
     - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
     - any such general issues are subject to exchange control regulations and approval at that point in time;
   - after the Company has in terms of this authority issued ordinary shares for cash equivalent to 5% of the number of shares of that class in issue prior to that issue, the Company shall publish an announcement containing full details of such issue/s (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the shares, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, and in respect of the statement of comprehensive income, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share) and the intended use of the funds;
   - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 5 % of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party/ies subscribing for the shares."

   In terms of the JSE Listings Requirements, a 75% majority of the votes cast by the shareholders present or represented by proxy at the annual general meeting of the Company is required to approve the ordinary resolution number 7 regarding the general authority to issue shares for cash.

10. Ordinary resolution number 8: Amendment of the Rules of The Stor-Age Share Purchase and Option Scheme ("the Scheme")

"Resolved, with effect from 1 September 2017, that

- the maximum number of Shares which may be allocated in terms of Rule 1.2.50 of the Scheme be increased from 13 940 412 to 17 687 634 (such latter number not to exceed 10% of all shares in issue by the Company at 31 March 2017) as the lesser number is insufficient for the purposes of the Scheme; and
- Rule 1.2.50 be deleted and replaced with the following '"Scheme Allocation" means the aggregate number of shares which can be offered for subscription or purchase under this Scheme, being 17 687 634 (seventeen million six hundred and eighty seven thousand six hundred and thirty four) Shares (which Shares shall not exceed 10% of the Issued Share Capital as at 31 March 2017)'."

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by the shareholders present or represented by proxy at the annual general meeting of the company is required to approve ordinary resolution number 8, with votes attaching to shares owned or controlled by persons who are existing participants in the Scheme excluded from voting.

11. Advisory endorsement: Endorsement of remuneration policy

To consider the non-binding advisory votes set out below thereby providing the Company with the views of the shareholders regarding the

- Remuneration Policy contained in the remuneration committee's report; and
- Implementation report in regard to the Remuneration Policy.

1.1. General approval of the Company's Remuneration Policy and Implementation Report (non-binding advisory votes 1 and 2)

Non-binding advisory vote 1 – approval of Company's remuneration policy

"RESOLVED THAT: the Company's Remuneration Policy, as set out in the Remuneration Committee Report contained in the 2017 Integrated Annual report, be and is hereby endorsed by way of a non-binding advisory vote."

Non-binding advisory vote 2 – approval of Company's remuneration implementation report

"RESOLVED THAT: the Company's Implementation Report in regard to its Remuneration Policy, as contained in the 2017 Integrated Annual Report, be and is hereby endorsed by way of a non-binding advisory vote."

12. **Special resolution number 1: Remuneration of non-executive directors for their service as directors for the 2019 financial year**

"Resolved that, in terms of clause 28 of the Company's memorandum of incorporation and section 66(9) of the Act, the following remuneration, which constitutes an annual retainer and is proposed to be paid to the non-executive directors for their service as directors on an all-inclusive basis, and which is proposed to be paid for the financial year ending 31 March 2019, monthly in arrears, with effect from 1 April 2018, is approved:

	Proposed annual remuneration (Rand)
Board member	196 742
Audit and risk committee member	46 292
Social and ethics committee member	23 146
Remuneration committee member	23 146

13. **Special resolution number 2: General authority to provide financial assistance to related or inter-related companies and entities**

"Resolved that, as a general authority and to the extent required by section 44 of the Act, the board of directors of the Company may, subject to compliance with the requirements of the Act, the Company's memorandum of incorporation and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance, by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, such authority to endure for a period of two years following the date of the passing of this special resolution number 2."

14. **Special resolution number 3: Authority to provide financial assistance to directors, prescribed officers, other employee incentive scheme beneficiaries and entities related or inter-related to them**

"Resolved that, to the extent required by section 44 of the Act, the board of directors of the Company may, subject to compliance with the requirements of the Act, the Company's memorandum of incorporation and the JSE Listings Requirements, authorise the Company to provide direct or indirect financial assistance, by way of loan, guarantee, the provision of security or otherwise, to any present or future director or prescribed officer of the Company or of a related or inter-related company or entity, or to any other beneficiary participating in any Stor-Age or Stor-Age group employee incentive scheme, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer, beneficiary or member for the purpose of, or in connection with, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company where such financial assistance is provided in terms of any such scheme that does not constitute an employee share scheme (as contemplated by the Act) that satisfies the requirements of section 97 of the Act, such authority to endure for a period of two years following the date of the passing of this special resolution number 3."

15. Special resolution number 4: Authority to provide financial assistance to directors, prescribed officers, and entities related or inter-related to them

"Resolved that, as a general authority, the board of directors of the Company be and are hereby authorised at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, subject to compliance with the requirements of the Act, the Company's memorandum of incorporation and the JSE Listings Requirements, to provide direct or indirect financial assistance (as defined in section 45(1) of the Act), to any director or prescribed officer of the Company or of a related or inter-related company or corporation, or to a related or inter-related company or corporation or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, on the terms and conditions and for the amounts that the directors may determine, by way of loan, guarantee, the provision of security or otherwise."

Voting requirement:

A 75% majority of the votes cast by the shareholders present or represented by proxy at the annual general meeting of the Company is required to approve special resolutions 1 to 4.

VOTING AND PROXIES

A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

The attached form of proxy is only to be completed by those shareholders who:

- hold their ordinary shares in certificated form; or
- are recorded on a sub-register in dematerialised electronic form with "own name" registration.

All other beneficial owners who have dematerialised their ordinary shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy.

It is requested that forms of proxy are lodged at or mailed to Computershare Investor Services (Pty) Limited to be received by not later than 12h00 on Tuesday, 22 August 2017. Any shareholder who does not lodge a completed form of proxy by the relevant time will nevertheless be entitled to lodge a form of proxy in respect of the annual general meeting immediately prior to the commencement thereof, with the chairperson of the annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING (continued)

GENERAL

Electronic participation

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, who are entitled to attend thereat, to participate in the annual general meeting by way of electronic communication. In this regard, the Company intends making teleconferencing facilities available at the following locations –

- at the offices of KPMG, Training Room 1, 4th Floor, 1 Mediterranean Street, Foreshore, Cape Town (which is the location for the annual general meeting); and
- at the offices of KPMG, the Wanooka Boardroom, 1 Albany Road, Parktown, Johannesburg.

Should you wish to participate in the annual general meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to attend at either of the above-mentioned locations on the date of the annual general meeting. The above-mentioned locations will be linked to each other by means of a real-time telephonic conference call facility on the date of, and from the time of commencement of, the annual general meeting. The real-time telephonic conference call facility will enable all persons to participate electronically in the annual general meeting in this manner and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the annual general meeting. The cost of the telephonic conference call facility described will be for the account of the Company.

By order of the board

H H-O Steyn
Company secretary
26 July 2017

Address of registered office

216 Main Road
Claremont
7708
(PO Box 53154, Kenilworth, 7745)

Address of transfer secretaries

2nd Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

Explanatory notes to resolutions proposed at the annual general meeting of the Company

Re-election of directors retiring by rotation at the annual general meeting – ordinary resolutions numbers 1 and 2

In accordance with clause 26.3.2 of the Company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In accordance with the relevant provision, it has been determined that Messrs G B H Fox and M S Moloko are due to retire from the board.

The board of directors of the Company has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed above. It is the view of the board that the re-election of the candidates referred to above would enable the Company to:

- responsibly maintain a mixture of business skills and experience relevant to the Company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the board.

In addition, the directors of the Company have conducted an assessment of the performance of each of the retiring directors and have reviewed the skills, knowledge, experience, diversity and demographics represented on the board. Having received the results of that assessment and review, the board is satisfied that each of their performance continues to be effective and to demonstrate commitment to their roles. Accordingly, the board recommends to shareholders the re-election of each of the retiring directors referred to in ordinary resolutions numbers 1 and 2, by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Act.

Abridged curricula vitae of the retiring directors appear in Annexure 1 of this notice of annual general meeting.

Re-appointment of auditor – ordinary resolution number 3

KPMG Inc. has indicated its willingness to continue in office and ordinary resolution number 3 proposes the re-appointment of that firm as the Company's auditor until the conclusion of the next annual general meeting.

At a Stor-Age audit and risk committee meeting held on 9 June 2017, the committee considered the independence of the auditor KPMG Inc., in accordance with section 94(8) of the Act. In assessing the independence of the auditor, the audit and risk committee satisfied itself that KPMG Inc.:

- does not hold a financial interest (either directly or indirectly) in Stor-Age;
- does not hold a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of Stor-Age;
- is not economically dependent on Stor-Age, having specific regard to the quantum of the audit fees paid by Stor-Age and its subsidiaries to KPMG Inc. during the period under review in relation to its total fee base;
- does not provide consulting or non-audit-related services to Stor-Age or its subsidiaries which fall outside of the permitted or qualified non-audit-related services as specified in the policy for the use of auditors for non-audit-related services and which could compromise or impair the auditor's independence; and
- including the individual registered auditor who undertakes the audit, does not have personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with Stor-Age or its subsidiaries.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Accordingly, the Stor-Age audit and risk committee was satisfied that KPMG Inc. is independent as contemplated by the South African independence laws and the applicable rules of the International Federation of Accountants (IFAC) and nominated the re-appointment of KPMG Inc. as registered auditor for the financial year ending 31 March 2018. On 12 June 2017 the Stor-Age board confirmed their support, subject to shareholders' approval as required in terms of section 90(1) of the Act, for the re-appointment of KPMG Inc. and Mr G M Pickering respectively as the independent registered audit firm and individual registered auditor of Stor-Age.

Furthermore the Stor-Age audit and risk committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that KPMG Inc., the reporting accountant and individual auditor are accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements.

Election of audit and risk committee members – ordinary resolutions numbers 4 to 6

In terms of section 94(2) of the Act, the audit and risk committee is no longer a committee of the board, but a committee elected by the shareholders at each annual general meeting. Chapter 3 of the King Report on Governance for South Africa 2009 (King III) likewise requires the shareholders of a public company to elect the members of an audit and risk committee at each annual general meeting. In accordance therewith the directors should present shareholders with suitable candidates for election as audit committee members.

In terms of the Companies Regulations, at least one-third of the members of the Company's audit and risk committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. As can be seen from the curricula vitae of the proposed members, they have experience in, among others, audit, accounting, economics, commerce and general industry.

At a meeting of the board of directors held on 12 June 2017, the board satisfied itself that, among others, the independent, non-executive directors offering themselves for election as members of the Stor-Age audit committee:

- are independent, non-executive directors as contemplated in the Act and in King III;
- are suitably qualified and experienced for audit and risk committee membership;
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance processes (including information technology governance) within the Company;
- collectively possess skills which are appropriate to the Company's size and circumstances, as well as its industry;
- have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other financial and sustainability reporting standards, regulations and guidelines applicable to the Company; and
- adequately keep up to date with key developments affecting their required skills set.

General authority to directors to issue shares for cash – ordinary resolution number 7

In terms of the JSE Listings Requirements, when equity securities are issued for cash (or the extinction of a liability, obligation or commitment, restraint, or settlement of expenses), amongst others, the shareholders are required to authorise the issue.

The existing general authority granted by the shareholders at the previous annual general meeting, held on 24 August 2016, will expire at the annual general meeting to be held on 24 August 2017, unless renewed. The authority may only be acted upon subject to the Act and the JSE Listings Requirements. The aggregate number of securities capable of being allotted and issued in terms of this authority is limited as set out in the resolution.

The directors consider it advantageous to renew this authority to enable the company to take advantage of any business opportunity that may arise in future.

Amendment of the Rules of The Stor-Age Share Purchase and Option Scheme – ordinary resolution number 8

The Rules governing The Stor-Age Share Purchase and Option Scheme currently provide that the scheme allocation thereunder will be limited to 13 940 412 shares which constitutes 7.88% of the Company's issued share capital as at 31 March 2017. Because of subsequent share issues by the Company, the actual number of shares in issue at 31 March 2017 amounts to 176 876 345. The board seeks the approval of shareholders for the increase of the total scheme allocation to a maximum number of 17 687 634 shares (not to exceed 10% of all shares in issue by the Company as at 31 March 2017) in order to align the permissible number of scheme shares with the actual shares issued by the Company. This also allows more flexibility for the purposes of awarding further incentives in accordance with the Company's remuneration policy.

The Rules governing The Stor-Age Share Purchase and Option Scheme, together with the Addenda thereto, will be available for inspection during normal business hours at the registered office of the Company set out on the inside back cover from the date of issue of this notice of annual general meeting, up to and including the date of the annual general meeting.

Endorsement of remuneration policy – advisory endorsement number 1

King IV™ recommends that every year the Company's remuneration policy be disclosed in three parts, namely:

- a background statement;
- an overview of the remuneration policy; and
- an implementation report,

and that shareholders be requested to pass separate non-binding advisory votes on the policy and the implementation report at the AGM.

Voting on the two resolutions enables shareholders to express their views on the Remuneration Policy adopted and on its implementation.

The Remuneration Committee prepared and the board considered and accepted the Remuneration Policy and Implementation Report thereon, as set out in the 2017 Integrated Annual Report.

The Remuneration Policy also records the measures the Board will adopt in the event that either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the Company will, in its announcement of the results of the AGM, provide dissenting shareholders with information as to how to engage with the Company in regard to this matter and the timing of such engagement.

Accordingly, the shareholders are requested to endorse the Company's remuneration policy as set out in paragraph 11 of the annual general meeting notice.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Remuneration of non-executive directors for their service as directors for the year ending 31 March 2019 – special resolution number 1

In terms of section 66(8) and (9) of the Act, which took effect on 1 May 2011, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in a company's memorandum of incorporation. In terms of clause 28 of the Company's memorandum of incorporation, the remuneration of the directors shall from time to time be determined by the Company in general meeting and, as such, the payment of such remuneration is not prohibited in terms of the Company's memorandum of incorporation. The remuneration hereby sought to be approved, in respect of the financial year ending 31 March 2019, is to be paid to the non-executive directors as they are not remunerated as employees of the Company, as in the case of the executive directors.

This resolution is recommended by the Company's board of directors. Full particulars of all remuneration paid to non-executive directors for their service as directors during the past year, and proposed to be paid for the 2019 financial year, are respectively set out on pages 120 to 121 and page 142 of the integrated annual report, available on our website.

Stor-Age's remuneration committee is satisfied that this remuneration is fair relative to the remuneration paid to non-executive directors of other similar sized public listed companies in South Africa for their service as directors.

Authority to provide financial assistance to related or inter-related companies and entities and to directors, prescribed officers and other employee share scheme beneficiaries – special resolutions numbers 2, 3 and 4

Notwithstanding the title of section 45 of the Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance for any purpose, provided by a company to related or inter-related companies or corporations, including, amongst others, its subsidiaries.

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, amongst others, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that –

(a) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

(b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act. Furthermore, it may be necessary or desirous for the Company to provide financial assistance to related or inter-related companies and entities to subscribe for options or securities or purchase securities of the Company or another company related or inter-related to it. Under the Act, the Company will however require the special resolution number 2 to be adopted. In the circumstances and in order to, amongst others, ensure that the Company's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Act. To the extent that any Stor-Age or Stor-Age group incentive scheme does not qualify for such exemptions, financial assistance (as contemplated in sections 44 and 45) to be provided under any such scheme will, amongst others, also require approval by special resolution. Accordingly, special resolution number 3 effectively authorises financial assistance to any of the directors or prescribed officers of the Company or of a related or inter-related company or entity (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a beneficiary of the Stor-Age group incentive scheme, in order to facilitate their participation in any such scheme that does not qualify for the aforesaid exemptions.

The existing authorities granted by the shareholders at the previous annual general meeting, held on 24 August 2016, will expire at the annual general meeting to be held on 24 August 2017, unless renewed, and special resolutions 2 and 3 will therefore be appropriately renewed.

In addition, an existing authority granted by a shareholders' special resolution passed on 20 October 2015, will expire on 19 October 2017 unless renewed. This authority allows the Company to provide financial assistance for any purpose, to related or inter-related companies or corporations. In accordance with the business model of the Company, as openly stated elsewhere in this annual report, development opportunities are undertaken by related entities and held in those entities up to the stage that their occupancy levels are acceptable to the Company, whereupon the Company will exercise its pre-emptive rights to acquire the completed project. In order to ensure that the development entity (being a related party) has adequate development funding, it may be necessary for the Company to provide financial assistance and, for this reason, special resolution number 4 will allow for such assistance to be provided by the Company.

SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN SECTION 58 OF THE COMPANIES ACT, 2008, AS AMENDED ("ACT")

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation of a company provides otherwise –
    - 3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
    - 3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy –
    - 4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
    - 4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –
    - 5.1. stated in the revocation instrument, if any; or
    - 5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –
    - 6.1. the shareholder, or
    - 6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –
    - 8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
    - 8.2. the company must not require that the proxy appointment be made irrevocable; and
    - 8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.

ANNEXURE 1

CVS OF DIRECTORS FOR RE-ELECTION TO THE BOARD OR AUDIT COMMITTEE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Paul Andreas Theodosiou

Chairman – CA(SA), MBA (UCT)

Partnering with NIB in the promotion and subsequent listing of Acucap Properties Limited on the JSE, Paul successfully led Acucap as CEO for close on 15 years prior to its merger with Growthpoint in 2015. He is a former partner of KPMG.

Mr Gareth Bindley Henry Fox

CA(SA)

Gareth is chief financial officer of Western National Insurance Company Limited. He originally completed his articles in financial services at PwC and thereafter headed up the regulatory reporting and tax teams at Santam. He has sat on the South African Insurance Association taxation subcommittee and the Financial Services Board's SAM discussion group.

Mr Matthews Sello Moloko

BSc Hons, PGCE (Leicester), AMP (Wharton)

Sello is the co-founder and executive chairman of Thesele Group. He has over 25 years' experience in financial services with actuarial consulting and asset management expertise. He is the non-executive chairman of Alexander Forbes and Sibanye Gold, and is the former chief executive officer of Old Mutual Asset Managers.

stor-age
self storage

Stor-Age Property REIT Limited
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number 2015/168454/06
Share code: SSS ISIN: ZAE000208963
("**Stor-Age**" or "**the Company**")

FORM OF PROXY – THE ANNUAL GENERAL MEETING OF STOR-AGE PROPERTY REIT LIMITED

For use by the Company's shareholders who hold certificated ordinary shares and/or dematerialised ordinary shares in the Company through a Central Securities Depository Participant ("CSDP") or broker who have selected "own name" registration, in the exercise of their voting rights in respect of the ordinary shares they hold in the capital of the Company, at the annual general meeting of the company to be held at KPMG, Training Room 1, 4th Floor, 1 Mediterranean Street, Foreshore, Cape Town and at the offices of KPMG, the Wanooka Boardroom, 1 Albany Road, Parktown, Johannesburg, being the place where the Company intends to make provision for shareholders thereof, or their proxies, who are entitled to attend the annual general meeting, to participate therein by way of electronic communication, on Wednesday, 24 August 2017 at 12h00.

Not for use by the Company's shareholders who hold dematerialised ordinary shares in the Company who have not selected "own name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting in respect of the ordinary shares they hold in the capital of the Company, and request that they be issued with the necessary Letter of Representation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We ____ (Name in block letters)

of ____ (Address)

being the registered holder of ____________________ shares in the ordinary share capital of the Company hereby appoint:

1. ____ or failing him

2. ____ or failing him

Contact numbers: Landline ____________________ Mobile ____________________

E-mail address: ____

3. the chairperson of the meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions and advisory endorsement as detailed in this notice of annual general meeting, and to vote for and/or against such resolutions and advisory endorsement and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

Please indicate with an "X" in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Resolutions		Number of shares		
		In favour	Against	Abstain
1	Ordinary resolution number 1: Re-election of Mr G B H Fox as a director			
2	Ordinary resolution number 2: Re-election of Mr M S Moloko as a director			
3	Ordinary resolution number 3: Re-appointment of auditor			
4	Ordinary resolution number 4: Election of Mr G B H Fox as a member and the Chairman of the audit and risk committee			
5	Ordinary resolution number 5: Election of Mr M S Moloko as a member of the audit and risk committee			
6	Ordinary resolution number 6: Election of Mr P A Theodosiou as a member of the audit and risk committee			
7	Ordinary resolution number 7: General authority to directors to issue shares for cash			
8	Ordinary resolution number 8: Amendment of the Rules governing The Stor-Age Unit Purchase and Option Scheme			
9	a. Non-binding advisory: endorsement of remuneration policy; and b. endorsement of the Implementation Report			
10	Special resolution number 1: Remuneration of non-executive directors for their service as directors (2019 financial year)			
11	Special resolution number 2: General authority to provide financial assistance to related or inter-related companies and entities			
12	Special resolution number 3: Authority to provide financial assistance to directors, prescribed officers, other employee incentive scheme beneficiaries and companies and corporations related or inter-related to them			
13	Special resolution number 4: Authority to provide financial assistance to directors, prescribed officers, and companies and corporations related or inter-related to them			

Signature ____

Signed at ____________________ on this ____________ day of ____________________ 2017

Assisted by (where applicable) (full name) ____

Capacity ____________________ Date ____________________

INSTRUCTIONS AND NOTES ON SIGNING AND LODGING THE PROXY FORM

1. A shareholder holding dematerialised ordinary shares in the Company by "own name" registration, or who holds ordinary shares in the Company that are not dematerialised may insert the name of a proxy or the name of two alternative proxies of their choice in the space(s) provided, with or without deleting "the chairperson of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. A proxy need not also be a shareholder of the Company.
2. The completion and lodgement of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting, in respect of their ordinary shares, in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
3. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided in order that the Company may determine the voting rights exercised in respect of the shares. Failure to comply with the above will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the ordinary and special resolutions and advisory endorsement at the annual general meeting or other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of the ordinary shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
4. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled. Any alteration must be signed, not initialled.
5. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or submitted other than in accordance with these instructions and notes.
6. Where there are joint holders of shares and if more than one such joint holder be present or represented, then the person whose name stands first in the register in respect of the shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
7. If this form of proxy is signed under power of attorney, such power of attorney, unless previously registered by the Company, must accompany the form of proxy.
8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
9. A shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the ordinary shares held by him bears to the aggregate amount of the nominal value of all the ordinary shares issued by the Company.
10. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
11. It is requested that forms of proxy are lodged at or mailed to Computershare Investor Services (Pty) Limited to be received by not later than 12h00 on Tuesday, 22 August 2017. Any shareholder who does not lodge a completed form of proxy by the relevant time will nevertheless be entitled to lodge a form of proxy in respect of the annual general meeting immediately prior to the commencement thereof, with the chairperson of the annual general meeting.

    Hand deliveries to:
    Computershare Investor Services (Pty) Limited
    2nd Floor, Rosebank Towers
    15 Biermann Avenue
    Rosebank, Johannesburg, 2196

    Postal deliveries to:
    Computershare Investor Services (Pty) Limited
    PO Box 61051
    Marshalltown
    2107

    Email: Proxy@computershare.co.za

CONTACT DETAILS

Company secretary and registered office

Henry Steyn CA(SA)
216 Main Road
Claremont, 7708

Sponsor

Questco Proprietary Limited
(Registration number 2002/005616/07)
Yellowwood House
33 Ballyclare Drive
Ballywoods Office Park
Bryanston, 2191
(PO Box 98956, Sloane Park, 2152)

Auditors and Independent Reporting Accountants

KPMG Inc.
(Registration number 1999/0215432/21)
Registered Auditors
1 Mediterranean Street
Foreshore
Cape Town City Centre
Cape Town, 8001
(PO Box 4609, Cape Town, 8000)

Bankers

Nedbank Group Limited
(Registration number 1966/010630/06)
1st Floor, Nedbank Clocktower Building
V&A Waterfront
Cape Town, 8001
First National Bank a division of First Rand Bank Limited
(Registration number 1929/001225/06)
27th Floor, Portside, 5 Buitengracht Street
Cape Town, 8001

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

GREYMATTER & FINCH # 11103

stor-age

self storage

www.stor-age.co.za