

DIRECTORS' REPORT

for the year ended 31 March 2017

TO THE SHAREHOLDERS OF STOR-AGE PROPERTY REIT LIMITED

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

Nature of business

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

Period of operations

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

Financial results

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

Stated capital

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

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

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

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

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

Dividend distribution

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

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

Borrowings

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

Subsidiaries

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

Directorate

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

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

Independent

* *British citizen*

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

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

Performance against forecast

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

Variances of more than 10% are explained below:

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

Significant events

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

Subsequent events

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

Going concern

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

Secretary

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