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.

	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 R'000	2016 R'000	2017 R'000	2016 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%

	Company 2017 R'000	Company 2016 R'000
7. INTERCOMPANY RECEIVABLE/PAYABLE		
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		Company	
		2017 R'000	2016 R'000	2017 R'000	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.*

	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		Company	
		2017 R'000	2016 R'000	2017 R'000	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	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:

	Total R'000	At fair value Derivatives used for hedging	At amortised cost 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
<u>Cash and cash equivalents</u>						
– Cash on call	9	6.00%	617	617	–	–
– Current accounts	9	0.05%	7 414	7 414	–	–
<u>Stor-Age share purchase scheme loans</u>						
– 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
<u>Financial liabilities</u>						
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						
<u>Cash and cash equivalents</u>						
– Cash on call	9	5.40%	346	346	–	–
– Current accounts	9	0.05%	9 512	9 512	–	–
<u>Stor-Age share purchase scheme loans</u>						
– Issue 1	4	8.00%	119 628	–	–	119 628
<u>Financial liabilities</u>						
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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 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 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 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.