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

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

Published
12 June 2018

DECLARATION BY COMPANY SECRETARY

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

HH-O Steyn CA(SA)
Company Secretary
12 June 2018

DIRECTORS' RESPONSIBILITY STATEMENT
for the year ended 31 March 2018

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Stor-Age Property REIT Limited, comprising the statements of financial position at 31 March 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

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

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

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

Approval of group and company annual financial statements

The group and company annual financial statements of Stor-Age Property REIT Limited, as identified in the first paragraph, were approved by the board of directors on 12 June 2018 and signed on their behalf by:

PA Theodosiou
Chairman

GM Lucas
Chief Executive Officer

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (the "audit committee") takes pleasure in presenting its report for the year ended 31 March 2018.

1. Terms of reference

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

   The main responsibilities of the audit committee include:

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

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

   The audit committee has monitored and confirms that it is in compliance with the risk management policy which is in accordance with the industry practice and prohibits the company from entering into derivative transactions not in the ordinary course of business.

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

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

   The terms of reference require an annual evaluation of the performance of the audit committee and its members as well confirmation of the members' independence in terms of King IV and the Act. The evaluation performed covers the year ended 31 March 2018. The outcome of the evaluation performed on 12 June 2018 was satisfactory.

3. External auditors

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

   The audit committee approved the terms of the auditors' engagement letter, their audit plan and budgeted audit fees for the audit of the group and company annual financial statements for the year ended 31 March 2018.

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

4. Significant matters

Valuation of investment property

The major risk relating to investment property is the valuation of the investment property. Valuation of investment property has been highlighted as an area of critical judgement and is detailed in note 3 of the annual financial statements. Each property is externally valued every three years. Where an external valuation is not obtained, the directors determine the fair value of each property, using the valuation methodology in note 3. Through discussion with the executive directors, the audit committee is satisfied with the valuation methodology and inputs. A number of non-executive board members have extensive experience in the property industry and the board as whole approves the internal valuations. The audit committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

Business combination and goodwill

The major risk relating to business combinations is the correct accounting for the take on balance sheet and the resultant goodwill arising on the acquisition. Accounting for business combination has been highlighted as area of critical judgement and is further detailed in notes 5 and 21 of the annual financial statements. The audit committee through discussion with the executive directors is satisfied with the accounting for business combinations and the resultant goodwill. The audit committee has assessed the reasonability.

REIT status

As income contains elements which may be deemed to be non-property related income, there is a risk that the company does not meet the requirements to be classified as a REIT as stipulated in section 25BB of the Income Tax Act. Management performs an assessment, on an ongoing basis, to ensure that the company's "rental income" is above the 75% threshold as set out in section 25BB. Management has also engaged on this matter and is confident that its view is in line with industry standard. Through discussion with management and inspection of financial records, the audit committee is satisfied that the company meets the criteria to be classified as a REIT.

5. Internal audit

The audit committee continues to assess the requirement to have an internal audit function as the company grows. At this point in time, the audit committee has satisfied itself that the size and complexity of the group does not warrant an internal audit function.

6. Financial director

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

7. Proactive monitoring

The audit committee confirms that it has considered the findings contained in the JSE's 2017 Proactive Monitoring Report when preparing the annual financial statements for the year ended 31 March 2018.

8. Internal financial controls

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

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the audit committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

9. Approval of annual financial statements

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

GBH Fox CA(SA)
Audit and Risk Committee Chairman
12 June 2018

DIRECTORS' REPORT
for the year ended 31 March 2018

TO THE SHAREHOLDERS OF STOR-AGE PROPERTY REIT LIMITED

We have pleasure in presenting the financial statements of the Stor-Age Property REIT Limited group and company for the year ended 31 March 2018.

Nature of business

Stor-Age Property REIT Limited is a fully integrated and internally managed real estate investment trust which owns, operates and develops self storage facilities. The group and company operate in South Africa and in the United Kingdom through subsidiary Betterstore Self Storage Holdings Limited (refer to note 6). The nature of business and operations are set out in detail in the year under review section in the Integrated Annual Report.

Period of operations

The company was incorporated on 25 May 2015 and the group formed on the effective date of 16 November 2015. The company has traded for 12 months in the 2017 and 2018 financial years.

Financial results

The financial results for the year ended 31 March 2018 are set out in the accompanying financial statements and notes. The financial statements are prepared in terms of International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Stated capital

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

1. 225 070 Ordinary shares issued at R11.03 per share in April 2017
2. 173 347 Ordinary shares issued at R11.22 per share in May 2017
3. 51 983 Ordinary shares issued at R11.23 per share in June 2017
4. 2 225 675 Ordinary shares at R11.30 per share in July 2017
5. 110 977 620 Ordinary shares at R11.50 per share in October 2017
6. 760 000 Ordinary shares at R11.73 per share in November 2017
7. 1 050 000 Ordinary shares at R11.81 per share in November 2017
8. 7 824 062 Ordinary shares at R11.65 per share in December 2017
9. 1 700 000 Ordinary shares at R12.80 per share in March 2018

At 31 March 2018 there were 301 864 102 shares in issue.

Subsequent to 31 March 2018, the company issued 4.16 million shares at R12.50 per share in April 2018 through a vendor consideration placement to fund the acquisition of the All-Store Self Storage property (see note 30). These shares are entitled to participate in the final dividend declared for the year ending 31 March 2018.

298 524 102 of the shares in issue rank for the dividend declared for the year ending 31 March 2018. Refer to note 12 for further information regarding the shares in issue.

Dividend distribution

A dividend of 47.02 cents per share was declared by the directors for the interim period ending 30 September 2017. A further dividend of 50.81 cents per share was declared for the 6 month period ending 31 March 2018. The dividend for the full year amounts to 97.83 cents per share (2017: 88.05 cents per share).

The dividend has been declared from distributable earnings and meets the requirements of a REIT "qualifying distribution" for purposes of section 25BB of the Income Tax Act, No 58 of 1962 (as amended). The company has chosen dividend per share as its measurement metric as per the JSE Listings Requirements.

Borrowings

The group has an average borrowing cost of 6.54% (2017: 9.39%) at 31 March 2018 and 99.3% (2017: 82.0%) of borrowings were subject to fixed interest rates (on a net debt basis), with a weighted average fixed interest rate expiry of approximately 2.5 years (2017: 2.5 years). The group's borrowing capacity amounts to R1.401 million (2017: R1.025 million) and facilities utilised at year end amounted to R621.0 million (2017: R252.7 million). The group has undrawn facilities of R642.0 million (2017: R393.7 million) and a gearing ratio of 16.1% (2017: 11.9%). Details of the group's long-term borrowings are set out in note 14.

Subsidiaries

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

Directorate

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

	Appointment date
Executive:	
GM Lucas (Chief executive officer)	25 May 2015
SC Lucas (Financial director)[+]	25 May 2015
SJ Horton	25 May 2015
Non-executive:	
PA Theodosiou (Chairman)[#+]	2 September 2015
MS Moloko[#]	12 October 2015
GA Blackshaw	2 September 2015
GBH Fox[#+]	2 September 2015
KM de Kock[#]	2 May 2018
P Mbikwana[#]	2 May 2018

[#] *Independent*

[+] *British citizen*

In terms of the Memorandum of Incorporation, the following directors retire at the forthcoming annual general meeting and are eligible for re-election: PA Theodosiou, GA Blackshaw, KM de Kock and P Mbikwana.

Details regarding the directors' shareholding in the company and remuneration are set out in notes 26.3 and 26.4.

DIRECTORS' REPORT (continued)
for the year ended 31 March 2018

Significant events
The group completed the following acquisitions during the year:

Effective date	Acquisition	Consideration R million
9 May 2017	Unit Self Storage Proprietary Limited	42.1
2 November 2017	Dancor Properties Proprietary Limited ("StorTown")	145.0
2 November 2017	Betterstore Self Storage Holdings Limited ("Storage King")	1 006.5

Further details of the acquisitions are set out in note 21.

During the year the group entered into agreements with Stor-Age Property Holdings Proprietary Limited ("SPH") for the development of self storage properties in Bryanston and Craighall, summarised below:

Date	Development	Consideration R million
4 July 2017	Bryanston	99.3
7 December 2017	Craighall	95.1

These agreements are managed in terms of a development and acquisition structure known as a Certificate of Practical Completion ("CPC") and they result in the risk and reward of ownership effectively passing to the company on 'practical' completion of the development.

The CPC structure is rooted in the United States' self storage REIT 'Certificate of Occupancy' deals, for which there is recent favourable precedent. The CPC structure reduces the development and lease up risk for the company and provides an opportunity to develop high-profile properties in prime locations without diluting the group's distribution growth profile over the medium term. The CPC structure is subject to strict independent and regulatory controls.

SPH is a party related to the executive directors of the company. Further details of related party transactions are set out in note 26.

Performance against forecast
The forecast revenue, earnings and distributable earnings as disclosed in the circular issued on 18 September 2017, relating to the acquisition of Storage King, have been materially achieved.

Subsequent events
Information on material events that occurred after 31 March 2018 is included in note 30.

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

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Stor-Age Property REIT Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Stor-Age Property REIT Limited (the group and company) set out on pages 82 to 158, which comprise the statements of financial position as at 31 March 2018, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Stor-Age Property REIT Limited as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

This key audit matter pertains to both the consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Valuation of Investment Properties

Investment properties – consolidated: R4 034.4 million and separate: R88.6 million

Refer to the accounting policies note 1.6, note 3 and note 24 to the financial statements.

Key audit matter	How the matter was addressed in our audit
Investment properties is a significant asset of the consolidated and separate financial statements. The valuation of investment properties is an area of judgement which could materially affect the financial statements given that the investment properties are measured at fair value. Independent valuations are obtained for one third of the number of properties each year such that all properties are independently valued every three years. The independent valuations were performed at 31 March 2018 for South African properties and United Kingdom properties by an external registered valuer. The remaining two thirds of the number of properties were internally valued by management at 31 March 2018. The fair value calculations are prepared by considering the discounted cash flow, for both internal and external valuations, of the net operating income over a ten year period and a notional sale of asset in year ten. The income capitalisation method is also applied to ensure that the discounted cash flow valuation is appropriate. The data used in the fair value calculations includes significant unobservable inputs including forecast net income, discount rates, capitalisation rates, rental escalations and operating cost inflation. Our audit focused on the fair value measurement of investment properties due to its impact on the consolidated and separate financial statements and the significance of the judgements involved in the determination of the fair value, therefore the fair value of the investment property was considered to be a key audit matter for the consolidated and separate financial statements.	Our audit procedures performed included the following: All Properties We focused our audit work on testing the key assumptions used in the determination of the fair value, which included: • Evaluating the valuation models prepared in March 2018 to ensure that the valuation methodology was appropriate. • Evaluating the reasonableness of the following assumptions used in determining fair value with reference to available industry data for similar investment properties: – Discount rates; – Capitalisation rates; and – Operating cost inflation. • Evaluating the reasonableness of the following assumptions used in determining fair value with reference to recent actual rental experience: – Forecast net income; and – Rental escalation. We evaluated whether the disclosures in the financial statements were appropriate in accordance with the applicable financial reporting standards including those disclosures related to significant accounting judgements and estimates. External Valued Properties: We evaluated the competence, capabilities and objectivity of the external valuer, and verified their qualifications. Internal Valued Properties: We performed a sensitivity analysis of the internally valued properties using ranges supplied by the external valuer.

This key audit matter pertains to the consolidated financial statements only

Significant Business Combinations

Refer to note 21 of the financial statements.

Key audit matter	How the matter was addressed in our audit
During the year the group acquired 97.3% of Betterstore Self Storage Holdings Limited, 100% Units Self Storage (Pty) Limited and 99.9% of Dancor Properties (Pty) Limited. The Betterstore Holdings Limited acquisition was considered a significant business combination during the year. Our audit focused on the accounting for the business combination in terms of IFRS 3, *Business combinations*, its material impact on the financial statements and the significance of the judgements involved in the determination of the fair value of identifiable assets and liabilities, in particular the UK investment properties, arising from the acquisitions, accounting for the business combination was considered to be a key audit matter.	Our audit procedures performed included the following: • We evaluated the treatment of each transaction to ensure the accounting was in line with the group accounting policies. • We agreed the transactional details and total purchase consideration to underlying legal agreements and bank statements. • We evaluated the fair value of the identifiable assets and liabilities arising from the acquisitions for reasonableness based on our knowledge of the industry. • We evaluated the fair value of the identifiable assets and liabilities arising from the acquisitions by challenging the assumptions applied by management by comparing to observable market information. • We evaluated the competence, independence, objectivity and integrity of the auditors of the Betterstore Self Storage Holdings Limited to assess the reasonableness of the acquired assets and liabilities. • We compared the fair value of the UK investment property at acquisition date to the fair value reported by the external valuer. • We evaluated whether the disclosures in the financial statements were appropriate in accordance with the applicable financial reporting standards.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

KPMG Inc.
Registered Auditor
Per PJ Conradie
Chartered Accountant (SA)
Director
12 June 2018

MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

STATEMENTS OF FINANCIAL POSITION
as at 31 March 2018

	Note	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
ASSETS					
Non-current assets		4 493 563	2 263 524	3 143 972	1 735 033
Investment properties	3	4 034 430	2 050 210	88 601	36 588
Property and equipment		4 969	2 070	1 644	554
Stor-Age share purchase scheme loans	4	166 961	125 480	166 961	125 480
Goodwill and intangible assets	5	144 036	83 670	82 097	81 901
Investment in subsidiaries	6	–	–	2 804 669	1 489 592
Deferred taxation	18	19 098	2 094	–	918
Derivative financial instruments	7	124 069	–	–	–
Current assets		90 156	20 593	388 827	408 610
Trade and other receivables	9	65 165	10 674	11 143	5 559
Inventories		3 168	1 888	463	396
Intercompany receivable	8	–	–	207 000	335 399
Cash and cash equivalents	10	21 823	8 031	2 293	3 336
Dividend receivable	11	–	–	167 928	63 920
Total assets		4 583 719	2 284 117	3 532 799	2 143 643
EQUITY AND LIABILITIES					
Total equity		3 494 259	1 889 831	3 114 397	1 753 083
Stated capital	12	3 175 075	1 766 561	3 175 075	1 766 561
Non-distributable reserve	13	523 006	141 058	3 413	676
Accumulated loss		(108 855)	(17 788)	(64 091)	(14 154)
Foreign currency translation reserve		(120 732)	–	–	–
Total attributable equity to shareholders		3 468 494	1 889 831	3 114 397	1 753 083
Non-controlling interest		25 765	–	–	–
Non-current liabilities		801 598	113 000	238 912	107 611
Bank borrowings	14.1	624 985	106 202	235 569	106 202
Derivative financial instruments	14.2	3 343	1 409	3 343	1 409
Finance lease obligations	27	173 270	5 389	–	–
Current liabilities		287 862	281 286	179 490	282 949
Bank borrowings	14.1	16 571	146 470	–	146 470
Trade and other payables	15	94 817	38 573	11 834	45 439
Provisions	16	16 331	20 047	–	–
Finance lease obligations	27	8 230	906	–	–
Intercompany payable	8	–	–	15 743	15 750
Dividends payable		151 913	75 290	151 913	75 290
Total equity and liabilities		4 583 719	2 284 117	3 532 799	2 143 643
Number of shares in issue (note 12)		301 864 102	176 876 345	301 864 102	176 876 345
Net asset value per share (cents)		1 157.56	–	–	–
Net asset value per share excluding non-controlling interest (cents)		1 149.03	1 068.45	1 031.72	991.13
Net tangible asset value per share (cents)		1 109.84	1 021.14	1 004.52	944.83
Net tangible asset value per share excluding non-controlling interest (cents)		1 101.31	–	–	–

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Note	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Property revenue		310 177	166 663	6 887	7 509
– Rental income		295 359	158 801	4 132	4 308
– Other income		14 818	7 862	2 755	3 201
Direct property costs		(76 917)	(38 348)	(1 156)	(399)
Net property operating income		233 260	128 315	5 731	7 110
Other revenue		22 053	13 748	272 857	136 455
– Management fees		22 053	13 748	19 226	18 817
– Dividend income from subsidiaries		–	–	253 631	117 638
Administration expenses		(36 923)	(24 995)	(31 314)	(25 173)
Operating profit		218 390	117 068	247 274	118 392
Transaction and advisory fees		(6 552)	–	–	–
Gain on bargain purchase	21	377	41	–	–
Fair value adjustment to investment properties	3	203 001	127 240	2 737	2 615
Fair value adjustment to derivative financial instruments		178 570	–	(1 934)	–
– Realised		56 321	–	–	–
– Unrealised		122 249	–	(1 934)	–
Depreciation and amortisation		(2 232)	(1 552)	(770)	(406)
Profit before interest and taxation		591 554	242 797	247 307	120 601
Interest income		23 601	13 026	12 354	12 588
Interest expense		(33 091)	(15 769)	(20 098)	(14 340)
Profit before taxation	17	582 064	240 054	239 563	118 849
Taxation expense	18	(3 839)	671	(918)	524
– Normal taxation		(3)	–	–	–
– Deferred taxation		(3 836)	671	(918)	524
Profit for the year		578 225	240 725	238 645	119 373
Items that may be reclassified to profit or loss					
Fair value adjustment to derivative financial instruments		–	(1 760)	–	(1 760)
Deferred taxation		–	394	–	394
Translation of foreign operations		(123 902)	–	–	–
Other comprehensive income for the year, net of taxation		(123 902)	(1 366)	–	(1 366)
Total comprehensive income for the year		454 323	239 359	238 645	118 007
Profit attributable to:					
Owners of the company		576 726	240 725		
Non-controlling interest		1 499	–		
Total comprehensive income attributable to:					
Owners of the company		455 994	239 359		
Non-controlling interest		(1 671)	–		
		Cents	Cents		
Basic and diluted earnings per share	19	250.26	181.46		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2018

Group	Stated capital (note 12) R'000	Non-distributable reserve R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2016	1 362 647	18 126	(525)	–	1 380 248	–	1 380 248
Total comprehensive income for the year	–	–	239 359	–	239 359	–	239 359
Profit for the year	–	–	240 725	–	240 725	–	240 725
Other comprehensive income	–	–	(1 366)	–	(1 366)	–	(1 366)
Transactions with shareholders, recognised directly in equity							
Issue of shares	403 914	–	–	–	403 914	–	403 914
Proceeds	404 751	–	–	–	404 751	–	404 751
Share issue costs	(837)	–	–	–	(837)	–	(837)
Transfer to non-distributable reserve	–	125 521	(125 521)	–	–	–	–
Transaction costs capitalised on acquisition of subsidiary	–	(2 589)	–	–	(2 589)	–	(2 589)
Dividends	–	–	(131 101)	–	(131 101)	–	(131 101)
Total transactions with shareholders	403 914	122 932	(256 622)	–	270 224	–	270 224
Balance at 31 March 2017	1 766 561	141 058	(17 788)	–	1 889 831	–	1 889 831

STATEMENTS OF CHANGES IN EQUITY (continued)
for the year ended 31 March 2018

	Stated capital (note 12) R'000	Non-distributable reserve R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Total comprehensive income for the year	–	–	576 726	(120 732)	455 994	(1 671)	454 323
Profit for the year	–	–	576 726	–	576 726	1 499	578 225
Other comprehensive income	–	–	–	(120 732)	(120 732)	(3 170)	(123 902)
Transactions with shareholders, recognised directly in equity							
Issue of shares	1 408 514	–	–	–	1 408 514	–	1 408 514
Proceeds	1 440 643	–	–	–	1 440 643	–	1 440 643
Share issue costs	(32 129)	–	–	–	(32 129)	–	(32 129)
Transfer to non-distributable reserve		381 948	(381 948)	–	–	–	–
Dividends	–	–	(285 845)	–	(285 845)	–	(285 845)
Total transactions with shareholders	1 408 514	381 948	(667 793)	–	1 122 669	–	1 122 669
Changes in ownership interests							
Acquisition of subsidiary with non-controlling interest	–	–	–	–	–	27 434	27 434
Acquisition of subsidiary with non-controlling interest without change in control	–	–	–	–	–	2	2
Balance at 31 March 2018	3 175 075	523 006	(108 855)	(120 732)	3 468 494	25 765	3 494 259

STATEMENTS OF CHANGES IN EQUITY (continued)
for the year ended 31 March 2018

Company	Stated capital (note 12) R'000	Non-distributable reserve R'000	Accumulated loss R'000	Total R'000
Balance at 1 April 2016	1 362 647	(179)	(205)	1 362 263
Total comprehensive income for the year	–	–	118 007	118 007
Profit for the year	–	–	119 373	119 373
Other comprehensive income	–	–	(1 366)	(1 366)
Transactions with shareholders, recognised directly in equity				
Issue of shares	403 914	–	–	403 914
Proceeds	404 751	–	–	404 751
Share issue costs	(837)	–	–	(837)
Transfer to non-distributable reserve	–	855	(855)	–
Dividends	–	–	(131 101)	(131 101)
Total transactions with shareholders	403 914	855	(131 956)	272 813
Balance at 31 March 2017	1 766 561	676	(14 154)	1 753 083
Total comprehensive income for the year	–	–	238 645	238 645
Profit for the year	–	–	238 645	238 645
Other comprehensive income	–	–	–	–
Transactions with shareholders, recognised directly in equity				
Issue of shares	1 408 514	–	–	1 408 514
Proceeds	1 440 643	–	–	1 440 643
Share issue costs	(32 129)	–	–	(32 129)
Transfer to non-distributable reserve	–	2 737	(2 737)	–
Dividends	–	–	(285 845)	(285 845)
Total transactions with shareholders	1 408 514	2 737	(288 582)	1 122 669
Balance at 31 March 2018	3 175 075	3 413	(64 091)	3 114 397

	31 March 2018 Cents	31 March 2017 Cents
Dividend per share (note 22)	97.83	88.05

STATEMENTS OF CASH FLOWS
for the year ended 31 March 2018

	Note	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Cash flows from operating activities					
Cash generated/(utilised) from operations	20.1	201 766	118 589	(45 613)	43 242
Interest income	20.2	19 365	3 320	12 354	2 882
Interest paid	20.3	(33 475)	(15 769)	(22 866)	(14 340)
Dividends paid	20.4	(209 222)	(94 717)	(209 222)	(94 717)
Dividends received	20.5	–	–	149 623	93 669
Net cash (outflow)/inflow from operating activities		(21 566)	11 423	(115 724)	30 736
Cash flows from investing activities					
Acquisition of investment properties	3	(204 369)	(75 283)	(46 697)	(24 469)
Proceeds on disposal of investment properties	3	5 369	–	5 200	–
Repayment of Stor-Age share purchase scheme loans	4	1 594	8 605	1 594	8 605
Acquisition of property and equipment		(2 828)	(1 781)	(1 805)	(523)
Acquisition of intangible assets	5	(1 799)	(239)	(252)	(239)
Acquisition of subsidiaries, net of cash acquired	21	(1 079 212)	(465 342)	–	–
Net cash outflow from investing activities		(1 281 245)	(534 040)	(41 960)	(16 626)
Cash flows from financing activities					
(Repayment)/advance of bank borrowings	14.1	(25 388)	123 651	(17 103)	123 651
Additional investment in subsidiary	6	–	–	(1 315 076)	(333 782)
Repayment of loan from subsidiaries	8	–	–	(7)	(24 651)
Repayment/(advance) of loan to subsidiaries	8	–	–	128 399	(179 107)
Proceeds from the issue of shares		1 392 557	400 000	1 392 557	400 000
Share issue costs		(32 129)	(837)	(32 129)	(837)
Repayment of finance leases		(8 693)	(2 024)	–	–
Net cash inflow/(outflow) from financing activities		1 326 347	520 790	156 641	(14 726)
Effect of exchange rate changes on cash and cash equivalents		(9 744)	–	–	–
Net cash inflow/(outflow) for the year		13 792	(1 827)	(1 043)	(616)
Cash and cash equivalents at beginning of year		8 031	9 858	3 336	3 952
Cash and cash equivalents at end of year	10	21 823	8 031	2 293	3 336

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

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 2018.

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, amendments and interpretations issued but not yet effective at the reporting date

A number of new standards, amendments to standards and interpretations have been published that are not mandatory for the current reporting year end and have not been applied in preparing these financial statements. All standards will be adopted at their effective date.

Title of standard or interpretation	Nature of change	Impact on financial statements
IFRS 9 *Financial instruments* – Effective for the financial year ending 31 March 2019	The new standard will affect the following areas: – Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The standard introduces a 'fair value through other comprehensive income' category for certain debt instruments. For financial liabilities there are differences in the requirements applying to the measurement of an entity's own credit risk.	An assessment of all categories of financial assets was performed which led to the conclusion that the classification of the group's and the company's existing financial assets will not be impacted.
	– Impairment. Introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.	With the exception of the derivative financial instruments, trade receivables, dividend and intercompany receivables, the share purchase scheme loans is the most significant financial asset for the group and the company. The loans are only issued to employees and executive directors and is secured by shares held in the company. For as long as the fair value of the shares remain greater than the outstanding loan balances, the 'expected credit loss' (ECL) is immaterial. The intercompany receivables are repayable on demand and bear no interest. Therefore the ECL is based on the assumption that the company is able to fully recover these receivables timeously and that the effects of discounting would be negligible. For trade receivables, an allowance is provided for each ageing category. Under the ECL model, the assumptions used to provide for an impairment will remain unchanged. Therefore no material impact is expected.
	– Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	The group does not apply hedge accounting and therefore no material impact is expected.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Basis of measurement (continued)

Title of standard or interpretation	Nature of change	Impact on financial statements
IFRS 15 *Revenue from Contracts with Customers* – Effective for the financial year ending 31 March 2019	The standard is based on the principle that revenue is recognised when control of the goods or services is transferred to the customer. The standard contains a contract-based five-step model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.	The group and company derives the majority of its revenue from the leasing of storage space. Rental income is accounted for in terms of IAS 17, Leases. The group and company has assessed that the timing and recognition of revenue relating to development fees, asset management fees and license fees may be affected. The impact of the affected revenue streams will not be material.
IFRS 16 *Leases* – Effective for the financial year ending 31 March 2020	The standard will result in the majority of leases being recognised on the statement of financial position. The distinction between operating and finance leases is removed. The standard requires lessees to recognise a right-to-use lease asset and a financial liability for the lease payment. No significant changes have been included for lessors.	The group is the lessor of storage space and no material changes are expected.
Transfers of Investment Property (Amendments to IAS 40) – Effective for the financial year ending 31 March 2019	The requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property.	The group will apply the amendments prospectively.
IFRIC 22 Foreign Currency Transactions and Advance Considerations – Effective for the financial year ending 31 March 2019	Clarification that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.	The group will apply the interpretation note prospectively to all foreign currency assets, expenses and income in the scope of the interpretation.

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 25.

1.5 Basis of consolidation

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

The group financial statements incorporate the financial statements of the company and its subsidiary companies. Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the group financial statements from the date on which control commences until the date on which control ceases. All group companies have a 31 March financial 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 (including salary costs) directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Leasehold investment properties

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

Borrowing costs

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

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 comprise 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's derivative financial instruments comprises interest rate swaps, cross currency interest rate swaps and forward exchange contracts and that are either assets or liabilities. The group utilises the derivative instruments to hedge its exposure to interest rate and foreign currency 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 or speculative purposes. The group does not apply hedge accounting.

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. Unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in fair value adjustments in profit and loss.

1.9 Goodwill and intangible assets

Goodwill

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

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

Intangible assets

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

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

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

The estimated useful lives for the period is as follows:

Intangible asset relating to the amalgamation and merger of Stor-Age Self Storage Proprietary Limited	Indefinite
Intangible asset relating to the amalgamation and merger of Fernwood Asset Management Proprietary Limited	Indefinite
Storage King UK and European brand	Indefinite
Website	3 years

1.10 Leases

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.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term with the exception of leasehold properties.

Leasehold properties that are held under operating leases are classified as investment properties and recognised in the statement of financial position at fair value. The lease obligation to the lessor is recognised in the statement of financial position at the present value of minimum lease payments at inception. Lease payments are apportioned between finance charges and a reduction of the outstanding lease obligation.

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.

Inventories relate to packaging materials. No write-down of materials occurred in the current year.

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; and
- observable data indicating that there is a measurable decrease in expected cash flows from a group of assets.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Impairment (continued)

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. Details pertaining to the group's provisions are set out in note 16.

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. Revenue for the company also includes dividends received from subsidiary companies, which is recognised in the period in which they are declared.

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 or 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 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:

- South Africa
  - Western Cape
  - Gauteng
  - Free State
  - KwaZulu-Natal
  - Eastern Cape
- United Kingdom

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.

1.22 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.

1.23 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.

1.24 Non-distributable reserve

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.25 Foreign currency translation reserve

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant month. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of profit or loss and other comprehensive income.

Foreign operation assets and liabilities are translated into the company's presentation currency at the exchange rates at the reporting date. The statement of profit or loss and other comprehensive income of foreign operations are translated into the company's presentation currency at the exchange rates at the dates of the transaction (the company uses an average exchange rate per month).

On consolidation, exchange rate differences arising from the translation of foreign controlled subsidiaries are recognised in other comprehensive income. These exchange differences are accumulated in the foreign currency translation reserve, except where the translation differences are allocated to non-controlling interests. The cumulative amount is reclassified to profit or loss when the foreign operation is disposed of.

1.26 Non-controlling interest

The non-controlling interest reserve represents the portion of equity ownership in the subsidiary that is not attributable to the parent company.

The group makes the election to measure non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the investee's identifiable net assets at the acquisition date. The policy choice for the measurement of non-controlling interest is made on a combination-by-combination basis.

Changes in the group's ownership of the subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.27 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.

1.28 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 year attributable to the parent. Headline earnings per share are calculated in terms of the requirements set out in Circular 2/2015, issued by SAICA.

1.29 Distributable earnings

In determining the group's distributable earnings, the following specific exclusions are made:

- capital and non-recurring items;
- deferred taxation adjustments;
- fair value adjustments on investment properties and derivative financial assets.

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	Baa3
Investec Bank	Baa3
Standard Bank	Baa3
Nedbank	Baa3
Royal Bank of Scotland	Baa2

2. FINANCIAL RISK MANAGEMENT (continued)

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 23.4.

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 has expanded into the United Kingdom during the year under review. The group is exposed to currency risk on its initial capital exposure as well as the underlying earnings as a result of operations in the United Kingdom. During the year under review, the group introduced cross-currency interest rate swaps to our treasury management, effectively matching the currency of debt with the currency of an asset. Cash flow from its operations in the United Kingdom are exposed to movements in the Rand/Pound exchange rate. To manage the impact of currency volatility, the group has adopted a progressive policy of hedging projected forward net cash flow derived in foreign currency. The group does not enter into any further arrangements to hedge the impact of currency fluctuations on distributable earnings.

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 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
3. INVESTMENT PROPERTIES				
Historical cost	3 722 510	1 839 770	46 172	34 504
Subsequent expenditure capitalised	152 149	69 803	37 608	–
Fair value adjustment	343 638	140 637	4 821	2 084
Exchange differences	(183 867)	–	–	–
Carrying value at end of year	4 034 430	2 050 210	88 601	36 588
Movement in investment properties:				
Carrying value at start of year	2 050 210	1 370 587	36 588	9 504
Acquisitions made through business combination	1 755 029	477 100	–	–
Additions to investment property	145 280	24 469	29 068	24 469
Disposal of investment property	(17 569)	–	(17 400)	–
Transferred to property and equipment	–	(220)	–	–
Exchange differences	(183 867)	–	–	–
Subsequent expenditure capitalised*	82 346	51 034	37 608	–
Fair value adjustment	203 001	127 240	2 737	2 615
Carrying value at end of year	4 034 430	2 050 210	88 601	36 588

* *Includes interest capitalised of R6 029 987 (2017: R1 829 822) for the group and R2 768 329 (2017: nil) for the company*

A register of investment properties is available for inspection at the company's registered office. Details pertaining to the group's leasehold properties are set out in note 27.

All investment properties, except for those under development, have generated rental income during the current year.

Investment properties with a fair value of R3.77 billion (2017: R1.45 billion) at the reporting date are pledged as security for the bank borrowings set out in note 14.

Capital commitments pertaining to improvements to existing investment properties and new property developments are set out in note 28.

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 24. There has been no transfers to or from Level 3 in the year.

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 12 of the 34 properties in the SA portfolio (fair value of R837.9 million), and six of the 14 properties in the UK portfolio (fair value of R636.9 million), valued by independent external valuers for the year ended 31 March 2018.

Measurement of fair value on investment properties

Details of valuation

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.

Mr M Gibbons (NDPV, MIVSA) of Mills Fitchet Magnus Penny, who are independent and members of the South African Institute of Valuers, independently valued 12 properties in the South African portfolio at 31 March 2018.

3. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs

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

South African properties		
Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
The valuation methodology for freehold and long leasehold properties 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 subject to a cap and collar. 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 17.5% (2017: between 15.5% and 18.5%) (c) The capitalisation rate for the notional sale of an asset in year 10 used is between 8.5% and 11.0% (2017: between 8.0% and 10.5%) (d) The rental escalation is between 8% and 15% (2017: between 5% and 15%) (e) The operating costs inflation assumption is 7.0% (2017: 7.0%)	All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, lease up rates and rental rates and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

Six of the freehold and leasehold investment properties in the UK have been valued as at 31 March 2018 by external valuers, Cushman & Wakefield ("C&W"), who are Registered Valuers of The Royal Institution of Chartered Surveyors ("RICS") in the UK. The valuation has been carried out in accordance with the current edition of the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of Fair Value as a fully equipped operational entity, having regard to trading potential.

The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book.

In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the group for the same purposes as this valuation has done so since April 2017;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the group since April 2017;
- C&W does not provide other significant professional or agency services to the group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

3. INVESTMENT PROPERTIES (continued)

Valuation technique and significant unobservable inputs (continued)

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

United Kingdom properties		
Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
The valuation of the properties has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated lease-up, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of Fair Value for these properties. For freehold properties the valuation is based on a discounted cash flow of the net operating income over a 10 year period and a notional sale of the asset at the end of the tenth year. (a) Net operating income is based on projected revenue received less projected operating costs, including a property management fee based on a % of revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date. The net operating income in future years is calculated assuming either straight line lease-up from day one actual occupancy or variable line lease-up over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. (b) The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each property. For short leasehold properties, the same methodology has been used as for freeholds, except that no sale of the property in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.	(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 – between 9.75% and 13.125% (c) The capitalisation rate for the notional sale of an asset in year 10 used is between 6.88% and 7.75% (d) The rental escalation is between 3.00% and 3.25% (e) The operating costs inflation assumption is 2.75%	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 13 940 412 shares to 17 687 634 shares in the company at any time.

	2018 Number of shares	2017 Number of shares
Maximum number of shares available for the Scheme	17 687 634	13 940 412
Shares issued to participants		
At start of year	12 079 440	11 610 000
During the year	3 510 000	469 440
End of year	15 589 440	12 079 440
Shares available for the Scheme	2 098 194	1 860 972

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

	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	36 056	45 185
– GM Lucas	8.00%	3 500 000	16 Nov 2015	35 000	36 056	45 185
– SJ Horton	8.00%	3 500 000	16 Nov 2015	35 000	36 056	45 185
Employees	8.00%	1 110 000	16 Nov 2015	11 100	11 434	14 330
		11 610 000		116 100	119 602	149 885
Issue 2						
Employees	8.31%	269 440	31 Aug 2016	2 599	2 318	3 478
		269 440		2 599	2 318	3 478
Issue 3						
Employees	8.00%	200 000	28 Feb 2017	2 152	2 154	2 582
		200 000		2 152	2 154	2 582
Issue 4a						
Employees	7.46%	760 000	26 Sep 2017	8 915	8 830	9 812
		760 000		8 915	8 830	9 812
Issue 4b						
Directors						
– SC Lucas	7.46%	250 000	22 Nov 2017	2 953	2 910	3 228
– GM Lucas	7.46%	250 000	22 Nov 2017	2 953	2 910	3 228
– SJ Horton	7.46%	250 000	22 Nov 2017	2 953	2 910	3 228
Employees	7.46%	300 000	22 Nov 2017	3 542	3 493	3 872
		1 050 000		12 401	12 223	13 556
Issue 5						
Directors						
– SC Lucas	7.19%	400 000	14 Mar 2018	5 120	5 137	5 164
– GM Lucas	7.19%	400 000	14 Mar 2018	5 120	5 137	5 164
– SJ Horton	7.19%	400 000	14 Mar 2018	5 120	5 137	5 164
Employees	7.19%	500 000	14 Mar 2018	6 400	6 423	6 455
		1 700 000		21 760	21 834	21 947
Shares issued to participants at 31 March 2018		15 589 440		163 926	166 961	201 260
Shares issued to participants at 31 March 2017		12 079 440		120 851	125 480	132 874

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Loans to directors and employees				
Directors				
– SC Lucas	44 103	36 390	44 103	36 390
– GM Lucas	44 103	36 390	44 103	36 390
– SJ Horton	44 103	36 390	44 103	36 390
Employees	34 652	16 310	34 652	16 310
	166 961	125 480	166 961	125 480

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 R12.216 million (2017: R8.605 million) declared during the current year have been applied against the interest on the loans of R10.622 million (2017: R9.706 million).

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

5. GOODWILL AND INTANGIBLE ASSETS

	Goodwill R'000	Stor-Age Management Agreement^ R'000	Fernwood Management Agreement^ R'000	Website R'000	Storage King Brand R'000	Total R'000
Group						
2018						
Cost	89 013	32 000	4 000	2 181	17 058	144 252
Opening balance	47 448	32 000	4 000	382	–	83 830
Additions during the year	–	–	–	1 799	–	1 799
Acquired through business combination	41 565	–	–	–	17 237	58 802
Exchange differences	–	–	–	–	(179)	(179)
Accumulated amortisation	–	–	–	(216)	–	(216)
Opening balance	–	–	–	(160)	–	(160)
Amortisation for the year	–	–	–	(56)	–	(56)
Carrying value at 31 March 2018	89 013	32 000	4 000	1 965	17 058	144 036
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 combinations	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

^ *Management agreements relating to the amalgamation and merger of Stor-Age Self Storage Proprietary Limited and Fernwood Asset Management Proprietary Limited on listing in November 2015*

Company	Goodwill R'000	Stor-Age Management Agreement^ R'000	Fernwood Management Agreement^ R'000	Website R'000	Storage King Brand R'000	Total R'000
2018						
Cost	279	77 400	4 000	634	–	82 313
Opening balance	279	77 400	4 000	382	–	82 061
Additions during the year	–	–	–	252	–	252
Accumulated amortisation	–	–	–	(216)	–	(216)
Opening balance	–	–	–	(160)	–	(160)
Amortisation for the year	–	–	–	(56)	–	(56)
Carrying value at 31 March 2018	279	77 400	4 000	418	–	82 097
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

^ *Management agreements relating to the amalgamation and merger of Stor-Age Self Storage Proprietary Limited and Fernwood Asset Management Proprietary Limited on listing in November 2015*

The carrying amount of goodwill has been allocated to the different cash-generating units below:

	Initial goodwill R'000	Accumulated impairment loss R'000	Goodwill 31 March 2018 R'000
Stor-Age and Fernwood Asset Management agreements (note 5.1)	45 679	–	45 679
Storage RSA (note 5.2)	1 769	–	1 769
Betterstore Self Storage (note 5.3)	41 565	–	41 565
Carrying value at 31 March 2018	89 013	–	89 013

5 GOODWILL AND INTANGIBLE ASSETS (continued)

5.1 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.

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") 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:

	2018	2017
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 2018.

5.2 **Goodwill acquired as part of the Storage RSA business combination**

The group acquired Storage RSA on 28 February 2017. The recoverable amount of the goodwill relating to Storage RSA is based on the consolidated net asset value of the business. At the reporting date, the net asset value of Storage RSA was greater than the net asset value at the acquisition date.

No impairment loss has therefore been recognised during the current year.

5.3 **Goodwill acquired as part of the Betterstore Self Storage business combination**

The company, through its wholly-owned subsidiary RSI, acquired Betterstore Self Storage Holdings Limited ("Betterstore") on 2 November 2017. Goodwill of R41.565 million arose on acquisition. Details pertaining to the business combination is set out further in note 21. In line with the group's policy, the goodwill will be tested annually for impairment.

5.4 **Intangible assets**

Intangible assets comprise:

- The property management agreement with RSI, Roeland Street Investments 2 (Pty) Ltd ("RSI 2") and Roeland Street Investments 3 (Pty) Ltd ("RSI 3")
- The asset management agreement with RSI, RSI 2 and RSI 3
- The intellectual property and licence agreements with RSI, 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.

- The Storage King UK and European brand rights into perpetuity
- The Stor-Age and Storage King websites

Intangible assets are tested annually for impairment based on a discounted cash flow valuation over a ten year period of continuing use of the property and asset management agreement using the following assumptions:

	2018	2017
Discount rate	14.0%	14.5%
Exit capitalisation rate	10%	10%
Growth rate	9%	9%
Cost inflation	6%	7%

There was no indication of impairment at 31 March 2018.

6. INVESTMENT IN SUBSIDIARIES

Details of the company's interest in directly held subsidiaries at 31 March 2018 are as follows:

Name of subsidiary	Country of incorporation	Percentage held	Investment 2018 R'000	Investment 2017 R'000
Roeland Street Investments Proprietary Limited ("RSI")	South Africa	100%	2 743 168	1 428 092
Wimbledonway Investments Proprietary Limited	South Africa	100%	48 985	48 985
N14 Self Storage Proprietary Limited	South Africa	100%	12 516	12 515
			2 804 669	1 489 592

The increase in the company's investment in RSI relates to RSI's acquisition of the business combinations set out in note 21.

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

Details of the company's indirectly held interest in subsidiaries at 31 March 2018 are as follows:

Name of subsidiary	Holding company	Country of incorporation	Interest % held as at 31 March 2018	Interest % held as at 31 March 2017
Storage RSA Investments Proprietary Limited ("Storage RSA")	RSI	South Africa	100%	100%
Storage RSA Trading Proprietary Limited	Storage RSA	South Africa	100%	100%
Gauteng Storage Properties Proprietary Limited	Storage RSA	South Africa	100%	100%
Storage RSA The Interchange Proprietary Limited	Storage RSA	South Africa	100%	100%
Storage RSA AP Lubbe Building Proprietary Limited	Storage RSA	South Africa	100%	100%
Units 1-4 Somerset West Business Park Proprietary Limited	RSI	South Africa	100%	100%
Units Self Storage Proprietary Limited	RSI	South Africa	100%	–
Dancor Properties Proprietary Limited	RSI	South Africa	99.9%	–
Stor-Age International Proprietary Limited	RSI	South Africa	100%	–
Betterstore Self Storage Holdings Limited	RSI	Guernsey	97.4%	–
Betterstore Self Storage Properties I Limited	Betterstore	Guernsey	100%	–
Betterstore Self Storage Properties III Limited	Betterstore	Guernsey	100%	–
Betterstore Self Storage Operations Limited	Betterstore	Guernsey	100%	–
Storage Boost Chester Limited	Betterstore	United Kingdom	100%	–
Storage Boost Holdings Limited	Betterstore	United Kingdom	100%	–
Storage Boost Limited	Betterstore	United Kingdom	100%	–
Capital Storage Limited	Betterstore	United Kingdom	100%	–
Storage Boost (Crewe) Limited	Betterstore	United Kingdom	100%	–

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
7. DERIVATIVE FINANCIAL INSTRUMENT ASSETS				
Forward exchange	51 712	–	–	–
Cross currency interest rate swaps	69 397	–	–	–
Interest rate swaps	2 960	–	–	–
	124 069	–	–	–

Details pertaining to the valuation of the derivative instrument are set out in note 24.

Details pertaining to the risk mitigation of these derivatives are set out in note 14.2.

	Company 2018 R'000	Company 2017 R'000
8. INTERCOMPANY PAYABLE/RECEIVABLE		
Intercompany payable		
Wimbledonway Investments Proprietary Limited	14 603	15 750
Dancor Properties Proprietary Limited	1 140	–
	15 743	15 750
Intercompany receivable		
Roeland Street Investments Proprietary Limited	60 730	168 954
N14 Self Storage Proprietary Limited	29 173	29 561
Storage RSA Trading Proprietary Limited	117 097	136 884
	207 000	335 399

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

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
9. TRADE AND OTHER RECEIVABLES				
Tenant debtors net of provision for doubtful debts	9 881	1 981	–	–
Gross tenant debtors	11 662	3 205	–	–
Provision for doubtful debt	(1 781)	(1 224)	–	–
Prepayments+	40 912	1 803	1 390	2 981
Staff loans	137	138	137	138
Related party receivables	9 311	2 558	9 326	2 273
Taxation receivable	19	402	–	–
Sundry receivables	4 905	3 792	290	167
	65 165	10 674	11 143	5 559

\+ *This balance includes property rates relating to the UK properties that have been paid in advance for the year*

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 23.3.

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
10. CASH AND CASH EQUIVALENTS				
Cash on call	100	617	100	617
Current account	21 723	7 414	2 193	2 719
	21 823	8 031	2 293	3 336

There are no restrictions in place on the transfer of funds from the UK. In order to meet the bank loan covenants, £300 000 must be kept in a deposit account prior to a dividend payment to South Africa.

The effective interest rates are set out in note 23.2.2.

	Company 2018 R'000	Company 2017 R'000
11. DIVIDEND RECEIVABLE FROM SUBSIDIARY		
Wimbledonway Investments Proprietary Limited	2 548	–
N14 Self Storage Proprietary Limited	730	–
Roeland Street Investments Proprietary Limited	164 650	63 920
	167 928	63 920

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
12. STATED CAPITAL				
Authorised				
1 000 000 000 Ordinary shares of no par value				
Issued				
176 876 345 Ordinary shares in issue at 1 April 2017	1 766 561	1 776 191	1 766 561	1 776 191
225 070 Ordinary shares issued at R11.03 per share in April 2017	2 483	–	2 483	–
173 347 Ordinary shares issued at R11.22 per share in May 2017	1 945	–	1 945	–
51 983 Ordinary shares issued at R11.23 per share in June 2017	584	–	584	–
2 225 675 Ordinary shares at R11.30 per share in July 2017	25 150	–	25 150	–
110 977 620 Ordinary shares at R11.50 per share in October 2017	1 276 243	–	1 276 243	–
760 000 Ordinary shares at R11.73 per share in November 2017	9 149	–	9 149	–
1 050 000 Ordinary shares at R11.81 per share in November 2017	12 401	–	12 401	–
7 824 062 Ordinary shares at R11.65 per share in December 2017+	90 928	–	90 928	–
1 700 000 Ordinary shares at R12.80 per share in March 2018	21 760	–	21 760	–
Share issue costs	(32 129)	(9 630)	(32 129)	(9 630)
In issue at the end of the year	3 175 075	1 766 561	3 175 075	1 766 561
Reconciliation of number of issued shares				
In issue at the beginning of the year	176 876 345	139 404 129	176 876 345	139 404 129
Issued during the year	124 987 757	37 472 216	124 987 757	37 472 216
In issue at the end of the year	301 864 102	176 876 345	301 864 102	176 876 345

\+ *Includes the effects of shares issued at the dividend re-investment price*

Refer to shareholder analysis for further information regarding significant shareholders.

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
13. NON-DISTRIBUTABLE RESERVE				
Fair value adjustment on investment properties	343 638	140 637	4 821	2 084
Fair value adjustment on derivative financial instruments	177 162	(1 408)	(1 408)	(1 408)
Transaction costs capitalised on acquisition of subsidiary	(2 589)	(2 589)	–	–
Gain on bargain purchase	4 795	4 418	–	–
	523 006	141 058	3 413	676
Movements for the year				
Balance at beginning of year	141 058	18 126	676	(179)
Adjustment to fair value reserve of investment properties	203 001	127 240	2 737	2 615
Adjustment to fair value reserve of derivative financial instruments	178 570	(1 760)	–	(1 760)
Transaction costs capitalised on acquisition of subsidiary	–	(2 589)	–	–
Gain on bargain purchase	377	41	–	–
Balance at end of year	523 006	141 058	3 413	676

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 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
14. FINANCIAL LIABILITIES				
14.1 Bank borrowings				
Current borrowings	16 571	146 470	–	146 470
– Long-term borrowings	16 571	150 000	–	150 000
– Surplus cash paid into loan facility	–	(3 530)	–	(3 530)
Non-current borrowings	624 985	106 202	235 569	106 202
– Long-term borrowings	742 035	106 202	352 619	106 202
– Surplus cash paid into loan facility	(117 050)	–	(117 050)	–
Total bank borrowings	641 556	252 672	235 569	252 672

The outstanding loan facilities with financial institutions are set out below:

Loan facilities	Expiry date	Term	Interest rate %	Facility value '000
Nedbank B	Dec 2019	3 years	prime less 1.50	R150 000
Nedbank C	Nov 2020	5 years	prime less 1.40	R350 000
Nedbank D	Nov 2022	5 years	prime less 1.00	R225 000
Standard Bank A	Nov 2020	3 years	prime less 1.33	R135 000
Standard Bank B	Nov 2021	4 years	prime less 1.20	R135 000
Royal Bank of Scotland*	Nov 2022	5 years	Libor plus 3.30	£24 500

All South African borrowing facilities are interest only facilities.

As at 31 March 2018, Nedbank C, Nedbank D and the Royal Bank of Scotland facilities were utilised. All surplus cash is placed in the Nedbank C annex facility. The surplus cash paid into the annex facility earns interest at the prime overdraft rate as applicable in South Africa less 2.40%. There are no restrictions on the availability of the cash placed in the facility.

* *The loan facility amortises by £2.0 million in the first two years and by £5.3 million over the subsequent three years, to a balance of £17.9 million by December 2022*

Interest rate swaps to the value of R250 million (2017: R200 million) have been entered into with Nedbank Limited. An interest rate swap to the value of £22.3 million has also been entered into with the Royal Bank of Scotland ("RBS"). The notional value of the swap decreases in line with the amortisation profile of the RBS loan such that 90.0% of the loan is hedged. Further details are set out in note 23.2.1.

14. FINANCIAL LIABILITIES (continued)

14.1 Bank borrowings (continued)

The bank borrowings are secured as follows:

Nedbank

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

Standard Bank

- Erf 16694 Somerset West (Storage RSA Somerset West)
- Erf 8190 and Erf 8183 Stellenbosch (Storage RSA Stellenbosch)
- Portion 1 of Erf 877 Louwlardia Extension 13 (Storage RSA Midrand)
- Erf 4885 Weltevredenpark Extension 139 (Storage RSA Constantia Kloof)
- Erf 17350 a portion of Erf 15744 Durbanville (Storage RSA Durbanville)
- Headlease over remainder of Erf 995 Constantia Kloof (Stor-Age Constantia Kloof)
- Erf 14804 Somerset West (Storage RSA Heritage Park)
- Erf 1203 Wetton (Stor-Age Ottery)

RBS

Leasehold Properties

- Unit 2, Access 4-20, New Hythe Business Park, Bellingham Way, Larkfield, Aylesford, ME20 7HP, Title number K930804 (Storage King Aylesford)
- Unit 3, Access 4-20, New Hythe Business Park, Bellingham Way, Larkfield, Aylesford, ME20 7HP, Title number K930806 (Storage King Aylesford)
- Unit 1, Carnival Close, Basildon, SS14 3WN, Title number 8X802441 (Storage King Basildon)
- Units 5 and 6, Epsom Trade Park, Blenheim Road, Epsom, KT19 9DU, Title number sY773210 (Storage King Epsom)
- Unit 1, Nimbus Park, PorzAvenue, Houghton Regis, Dunstable, LU5 5WZ, Title number BD260385 (Storage King Dunstable)
- Unit 5, Area 9, Headley Road East, Woodley, RG5 4SQ, Title number BK414791 (Storage King Woodley)
- Units 4, 5 and 6, Base 329, Headley Road East, Woodley, RG5 4AZ, Title number BK423724 (Storage King Woodley)

14. FINANCIAL LIABILITIES (continued)

14.1 Bank borrowings (continued)

Freehold Properties

- Land on south east side of Rosemary Lane edged with red on plan of Title filed at the Land Registry, Title number CB25763 (Storage King Cambridge)
- Land at Rosemary Lane edged with red on plan of Title filed at the Land Registry, Title number CB25763 (Storage King Cambridge)
- Land at 505 Coldhams Lane, CBl 3JS, Title number CB30113 (Storage King Cambridge)
- 599 to 613 Princes Road, Dartford, DA2 6HH, Title number K342977 (Storage King Dartford)
- Units 8-14, Hansard Gate, West Meadows, lndustrial Estate, Derby, DE21 6AR, Title number DY490969 (Storage King Derby)
- 1 Carriage Drive, White Rose Way, Doncaster, DN4 5JH, Title number SYK429163 (Storage King Doncaster)
- Unit 3, Barnwood Point, Corinium Avenue, Barnwood, Gloucester, GL4 3HX, Title number GR408472 (Storage King Gloucester)
- 39 Barton Road, Bletchley, Milton Keynes, MK2 3BA, Title number 8M116594 (Storage King Milton Keynes)
- Land at I Bobby Fryer Close, Garsington Road, Oxford, OX4 6ZN shown edged with red on the plan of the Title filed with the Land Registry, Title number ON164847 (Storage King Oxford)
- Site at 1 Hartford Way, Sealand lndustrial Estate, Chester, CH1 4NT, Title number, CH653432 (Storage King Chester)
- The Wash Shop, Hartford Way, Sealand lndustrial Estate, Chester, CH1 4NT, Title number CH254305 (Storage King Chester)

The following covenants are applicable to the year ending 31 March:

Nedbank

- 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

Royal Bank of Scotland

- Cash flow cover[1] to remain at a level of at least 1.0 to 1 times
- Fixed charge cover[2] to remain at a level of at least 2.5 to 1 times
- Leverage test[3] to remain at a level of at least 6.0 to 1 times

No covenants were breached during the year.

[1] *Cash flow cover means the ratio of Cash flow to Debt service (Debt service means the aggregate of finance charges and repayments of borrowings due during the relevant period)*

[2] *Fixed charge cover means the ratio of (i) the sum of EBITDA and all rental payments in relation to leasehold properties during the relevant period, to (ii) the sum of finance charges and all rental payments in relation to leasehold properties during the relevant period*

[3] *Leverage means the ratio of total debt on the last day of the relevant period to adjusted EBITDA*

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
14.2 Derivative financial instruments				
Derivative financial instrument liabilities				
Interest rate swaps	3 343	1 409	3 343	1 409
	3 343	1 409	3 343	1 409

These amounts represent the market-to-market adjustments of the above derivative financial instrument.

Derivative	Risk mitigation
Forward exchange contracts	The group enters into forward exchange derivatives to manage its exposure to foreign exchange risk by forward selling foreign currency at predetermined prices.
Cross currency interest rate swaps	Wherever possible, funding is secured in a currency to match the currency of the underlying rental cash flows to minimise foreign exchange volatility through natural hedges. Where this is not possible, Rand denominated funding is obtained for foreign acquisitions and the group then enters into cross currency interest rate swaps to hedge foreign currency investments.
Interest rate swaps	The group has entered into derivative financial instruments to manage its exposure to interest rates by fixing floating rate interest rates on loans.

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
15. TRADE AND OTHER PAYABLES				
Trade creditors	22 691	2 504	1 181	572
Income received in advance	29 837	7 847	–	1 584
Security deposits	13 815	13 020	1 242	1 289
Other payables	8 228	8 750	3 424	2 176
Related party payables	1 468	1 406	2 262	37 690
Property accruals	8 494	2 702	3 161	1 775
Tenant deposits	588	571	–	–
VAT	9 696	1 773	564	353
	94 817	38 573	11 834	45 439

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
16. PROVISIONS				
Balance at beginning of year	20 047	16 000	–	–
Change in estimate during the year	(3 716)	(453)	–	–
Municipal rates provision	–	4 500	–	–
Balance at end of year	16 331	20 047	–	–

The balance as at 31 March 2018 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 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
17. PROFIT BEFORE TAXATION				
is stated after recognising:				
Fair value adjustments to derivative financial instruments				
– Realised	56 321	–	–	–
– Unrealised	122 249	–	–	–
Interest received	23 601	13 026	12 354	12 588
Increase in fair value of investment properties	203 001	127 240	2 737	2 615
Interest expense	(33 091)	(15 769)	(20 098)	(14 340)
Auditor's remuneration*+	(1 151)	(479)	(580)	(479)
Depreciation and amortisation	(2 232)	(1 552)	(770)	(406)
Staff costs	(54 182)	(31 279)	(483)	(17 157)
Transaction and advisory fees#	(6 552)	–	–	–
Rates	(15 291)	(9 375)	–	(190)

* *An amount of R10 000 (2017: R10 000) was paid to KPMG for non-audit services*

\+ *Foreign subsidiaries were audited by BDO for the year ending 31 March 2018. An amount of £1 896 was paid to BDO for non-audit services and £23 363 for audit services*

\# *Includes R1.1 million paid to KPMG for reporting accountant services relating to the purchase of Storage King*

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
18. TAXATION				
Normal taxation				
Income tax charge for the year	(3)	–	–	–
Deferred taxation				
At beginning of the year	2 094	–	918	–
Revaluation of derivative instruments	–	394	–	394
Business combination	20 840	–	–	–
Assessed losses carried forward (UK)	(1 786)	–	–	–
Deferred tax asset reversal	(2 050)	–	(918)	–
Other temporary differences*	–	1 700	–	524
At end of year	19 098	2 094	–	918
Taxation for the year	(3 839)	1 700	(918)	524
The taxation charge is reconciled as follows:				
Profit before taxation	28.00%	28.00%	28.00%	28.00%
Adjustments				
Fair value adjustments	(15.65%)	(14.84%)	(0.32%)	(0.62%)
Non-deductible expenses+	0.00%	0.01%	0.01%	0.00%
Tax rate difference due to foreign operations	(1.29%)	0.00%	0.00%	0.00%
Qualifying distribution	(11.49%)	(12.99%)	(27.93%)	(27.82%)
Deferred taxation not recognised	1.09%	(0.46%)	0.62%	0.00%
Effective taxation charge	0.66%	(0.28%)	0.38%	(0.44%)

* *Relates to accruals, provisions, amounts received in advance, etc.*

\+ *Relates to donations made to non-S18A benefit organisations.*

The group has an assessed loss of R155.1 million (2017: R140.2 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.

With the exception of one UK subsidiary, the Betterstore group is taxed at the company standard rate of 0% under the Income Tax (Zero Ten) Guernsey Law, 2007. Guernsey companies are taxable on net UK rental income as a non-resident landlord. The Betterstore group has tax losses available to carry forward to utilise against future profits of £6.7 million.

19. 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 R576.7 million attributable to shareholders of the parent (2017: R240.7 million).

	Group 2018 R'000	Group 2017 R'000
Reconciliation of basic earnings and headline earnings per share		
Profit for the period (attributable to shareholders of the parent)	576 726	240 725
Basic earnings	576 726	240 725
Headline earnings adjustments	(202 600)	(127 281)
Fair value adjustment to investment properties	(203 001)	(127 240)
Fair value adjustment to investment properties (NCI)+	778	–
Gain on bargain purchase	(377)	(41)
Headline earnings attributable to shareholders	374 126	113 444
Total shares in issue ('000)	301 864	176 876
Weighted average shares in issue ('000)	237 950	142 662
Shares in issue entitled to dividends ('000)	298 524	166 876
Weighted average shares in issue entitled to dividends ('000)	230 450	132 662
Basic and diluted earnings per shares (cents)	250.26	181.46
Basic and diluted headline earnings per share (cents)	162.35	85.51

The group has no dilutive instruments in place.

+ *Non-controlling interests*

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
20. NOTES TO THE STATEMENTS OF CASH FLOWS				
20.1 Cash generated from operations				
Profit before taxation	582 064	240 054	239 563	118 849
Adjusted for:				
Dividends received	–	–	(253 631)	(117 638)
Interest income	(23 601)	(13 026)	(12 354)	(12 588)
Interest expense	33 091	15 769	20 098	14 340
Change in provision estimate	(3 716)	(453)	–	–
Depreciation and amortisation	2 232	1 552	770	406
Gain on bargain purchase	(377)	(41)	–	–
Fair value adjustment to investment properties	(203 001)	(127 240)	(2 737)	(2 615)
Fair value adjustment to derivative financial instruments	(178 570)	–	1 934	–
	208 122	116 615	(6 357)	754
Changes in working capital, net of assets acquired	(6 356)	1 974	(39 256)	42 488
Decrease/(increase) in trade and other receivables	(6 739)	353	(5 584)	6 130
(Increase) in inventory	(529)	(319)	(67)	(37)
Increase/(decrease) in trade and other payables	912	1 940	(33 605)	36 395
	201 766	118 589	(45 613)	43 242
20.2 Interest income				
Interest income per statement of profit or loss	23 601	13 026	12 354	12 588
Interest accrued on share purchase scheme loans	–	(9 706)	–	(9 706)
Interest income accrual on loan	(4 236)	–	–	–
Interest income	19 365	3 320	12 354	2 882
20.3 Interest paid				
Interest charge per statement of profit or loss	33 091	15 769	20 098	14 340
Interest capitalised to investment properties	6 030	–	2 768	–
Interest on finance lease	(5 646)	–	–	–
Interest paid	33 475	15 769	22 866	14 340

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
20. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)				
20.4 Dividends paid				
Balance payable at beginning of year	75 290	38 906	75 290	38 906
– Interim dividend declared	133 932	55 811	133 932	55 811
– Final dividend declared	151 913	75 290	151 913	75 290
Balance payable at end of year	(151 913)	(75 290)	(151 913)	(75 290)
Dividends paid	209 222	94 717	209 222	94 717
20.5 Dividends received				
Balance receivable at the beginning of year			63 920	39 951
Dividend income from subsidiary			253 631	117 638
Balance receivable at end of year			(167 928)	(63 920)
Dividend income			149 623	93 669

21. BUSINESS COMBINATIONS

The acquisitions of Unit Self Storage (one property located in Ottery, Cape Town with 5 400m² GLA) and Dancor Properties (four properties located on Durban with 22 400m² GLA) are in line with the company's strategy of pursuing value-added acquisitions in a fragmented industry and strengthening its position as South Africa's leading self-storage brand.

The acquisition of Betterstore represented a strategic entry into the UK self storage market. Betterstore owns and operates the Storage King business, a portfolio of 14 self storage properties totalling 57 000m² GLA at 31 March 2018. In addition, a further 12 properties trade under the license of the Storage King brand and generate license and management fee revenue. In total this represents 26 properties trading under the brand. The UK self storage market represents a growth opportunity and is characterised by a relative undersupply in comparison to the more established Australian and US markets. The acquisition provides a scalable platform for the group to further grow its offshore portfolio. The specialist management team remains on-board and co-invested as a minority shareholder.

The details of the transactions are set out below:

21. BUSINESS COMBINATIONS (continued)

21.1 Acquisition of Unit Self Storage ("Unit")

On 9 May 2017 RSI subscribed for 2 230 shares in Unit. On the effective date, Unit repurchased 100 shares from the existing shareholders, resulting in RSI owning 100% of the share capital in the company. The total consideration paid for the subscription of shares and repurchase of shares was R42.1 million. The consideration was settled in cash to the vendors.

The acquired business contributed revenue of R3.9 million and net profit before tax of R2.8 million to Stor-Age from the effective date of 9 May 2017 to 31 March 2018. In the previous financial year, prior to the acquisition by RSI, Unit earned revenue of R3.6 million and a net profit before tax of R1.1 million.

The fair value of the acquired trade receivables is R1.1 million and is expected to be collectible.

The assets and liabilities as at 9 May 2017 arising from the acquisition are as follows:

	Group 2018 R'000
Investment property*	42 081
Plant and equipment	12
Trade and other receivables	1 053
Cash and cash equivalents	7
Trade and other payables	(701)
Fair value of net identifiable assets acquired	42 452
Gain on bargain purchase	(371)
Total purchase consideration	42 081
Net cash outflow on acquisition	42 074
Consideration financed by cash	42 081
Cash and cash equivalents acquired	(7)

* *The valuation technique used to determine the fair value of the investment property acquired is consistent with the group's accounting policy*

Acquisition-related costs of R298 000 that were incurred to effect the business combination have been recognised in profit or loss and in operating cash flows in the statement of cash flows.

21. BUSINESS COMBINATIONS (continued)

21.2 Acquisition of Dancor Properties ("Dancor")

On 2 November 2017 RSI subscribed for 99.9% of the issued share capital of Dancor. The existing shareholders of Dancor will retain 0.1% of Dancor for the immediate future. The total consideration for the acquisition was R145 million and was settled in cash to the vendors.

The acquired business contributed revenue of R7.6 million and net profit before tax and fair value adjustments of R5.5 million to the group from the effective date of 2 November 2017 to 31 March 2018. In the previous financial year, prior to the acquisition by RSI, the acquired business earned revenue of R14.3 million and a net profit before tax and fair value adjustments of R11.3 million.

The fair value of acquired trade receivables is R3.8 million. The gross contractual amount for trade receivables due is R3.9 million, of which R66 000 is expected to be uncollectible.

The assets and liabilities as at 2 November 2017 arising from the acquisition are as follows:

	Group 2018 R'000
Investment property*	145 000
Property and equipment	61
Trade and other receivables	3 785
Cash and cash equivalents	521
Inventory	29
Provision	(929)
Trade and other payables	(3 461)
Fair value of net identifiable assets acquired	145 006
Non-controlling interest#	–
Gain on bargain purchase	(6)
Total purchase consideration	145 000
Net cash outflow on acquisition	144 479
Consideration financed by cash	145 000
Cash and cash equivalents acquired	(521)

Acquisition-related costs of R311 000 that were incurred to effect the business combination have been recognised in profit or loss and in operating cash flows in the statement of cash flows.

* *The valuation technique used to determine the fair value of the investment property acquired is consistent with the group's accounting policy*
\# *The equity owned by the non-controlling interests in Dancor do not share in Dancor's profits*

21.3 Acquisition of Betterstore

On 2 November 2017 RSI acquired 97.3% of the issued share capital of Betterstore. The total consideration for the acquisition was R1.0 billion and was settled in cash to the vendors. The acquired business contributed revenue of £4.1 million (R70.6 million^) and net profit before tax and fair value adjustments of £1.6 million (R27.5 million^) to the group from the effective date of 2 November 2017 to 31 March 2018. In the previous financial year, prior to the acquisition by RSI, the acquired business earned revenue of £9.1 million (R156.6 million^) and a net profit before tax and fair value adjustments of £4.1 million (R70.6 million^).

Subsequent to the effective date of the transaction, Betterstore changed its year end from 31 December to 31 March in order to align its financial year with the group.

The fair value of acquired trade receivables is £1.9 million (R36.1 million#). The gross contractual amount for trade receivables due is £1.9 million (R36.33 million#), of which £10 000 (R187 567#) is expected to be uncollectible.

The assets and liabilities as at 2 November 2017 arising from the acquisition are as follows:

	Group 2018 R'000
Investment property*	1 567 948
Property and equipment	2 551
Trade and other receivables	36 144
Intangible asset	17 237
Cash and cash equivalents	72 832
Deferred tax asset	23 577
Inventory	788
Financial liabilities	(468 918)
Trade and other payables	(57 383)
Finance lease liability	(202 385)
Fair value of net identifiable assets acquired	992 391
Non-controlling interest+	(27 434)
Goodwill	41 565
Total purchase consideration	1 006 522
Net cash outflow on acquisition	933 690
Consideration financed by cash	1 006 522
Cash and cash equivalents acquired	(72 832)

Acquisition-related costs of R5.9 million that were incurred to effect the business combination have been recognised in profit or loss and in operating cash flows in the statement of cash flows.

The goodwill arising at acquisition is attributable to the experienced management operating team and the potential to expand the Storage King brand across the United Kingdom.

Subsequent to the acquisition above, RSI subscribed for an additional 4 237 544 shares in Betterstore on 4 December 2017, for a total consideration of R80.4 million, which increased RSI's shareholding to 97.4% of the issued shares. The cash raised was used to acquired a self storage property situated in Crewe, United Kingdom.

^ *Amounts have been translated at R17.2136*
# *Amounts have been translated at R18.7567*
* *The valuation technique used to determine the fair value of the investment property acquired is based on the group's accounting policy*
\+ *The non-controlling interest is measured at its proportionate share of the investees' identifiable net assets at the acquisition date*

22. 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 and in the United Kingdom through its subsidiary Betterstore Self Storage Holdings. 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 adjustments 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 2018

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000
Revenue				
– Rental income	110 548	100 720	3 436	12 154
– Other income	2 929	4 362	158	110
Direct property costs	(21 974)	(23 463)	(1 622)	(4 000)
Operating profit	91 503	81 619	1 972	8 264
Fair value adjustment to investment properties	106 771	48 237	1 097	15 639
Total profit for the year	198 274	129 856	3 069	23 903

	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total Combined R'000
Revenue				
– Rental income	6 799	233 657	61 702	295 359
– Other income	183	7 742	7 076	14 818
Direct property costs	(2 144)	(53 203)	(23 714)	(76 917)
Operating profit	4 838	188 196	45 064	233 260
Fair value adjustment to investment properties	884	172 628	30 373	203 001
Total profit for the year	5 722	360 824	75 437	436 261

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	310 177	310 177	–
– Rental income	295 359	295 359	–
– Other income	14 818	14 818	–
Direct property costs	(76 917)	(76 917)	–
Net property operating income	233 260	233 260	–
Other revenue	22 053	–	22 053
– Management fees	22 053	–	22 053
Administration costs	(36 923)	–	(36 923)
Operating profit	218 390	233 260	(14 870)
Transaction and advisory fees	(6 552)	–	(6 552)
Gain on bargain purchase	377	–	377
Fair value adjustment to investment properties	203 001	203 001	–
Fair value adjustment to derivative financial instruments	178 570	–	178 570
Depreciation and amortisation	(2 232)	–	(2 232)
Profit before interest and taxation	591 554	436 261	155 293
Interest income	23 601	–	23 601
Interest expense	(33 091)	–	(33 091)
Profit before taxation	582 064	436 261	145 803
Taxation expense	(3 839)	–	(3 839)
Profit for the year	578 225	436 261	141 964
Fair value adjustment to derivative financial instruments	–	–	–
Deferred taxation	–	–	–
Translation of foreign operations	(123 902)	–	(123 902)
Other comprehensive income for the year, net of taxation	(123 902)	–	(123 902)
Total comprehensive income for the year	454 323	436 261	18 062

Segment assets

Group: as at 31 March 2018

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000
Investment properties	1 161 948	1 026 053	25 700	216 863
Tenant debtors	1 314	1 594	82	354
Inventories	1 109	1 209	74	169

	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total Combined R'000
Investment properties	59 000	2 489 564	1 544 866	4 034 430
Tenant debtors	139	3 483	6 396	9 879
Inventories	85	2 646	522	3 168

22. SEGMENTAL INFORMATION (continued)

Segment assets, reserves and liabilities

Group: as at 31 March 2018

	Total R'000	Allocated R'000	Unallocated R'000
Assets			
Non-current assets	4 493 563	4 034 430	459 133
Investment properties	4 034 430	4 034 430	–
Property and equipment	4 969	–	4 969
Stor-Age share purchase scheme loans	166 961	–	166 961
Goodwill and intangible assets	144 036	–	144 036
Deferred taxation	19 098	–	19 098
Derivative financial instruments	124 069	–	124 069
Current assets	90 156	13 047	77 109
Trade and other receivables	65 165	9 879	55 286
Inventories	3 168	3 168	–
Cash and cash equivalents	21 823	–	21 823
Total assets	4 583 719	4 047 477	536 242
Equity and liabilities			
Total equity	3 494 259	–	3 494 259
Stated capital	3 175 075	–	3 175 075
Non-distributable reserve	523 006	–	523 006
Accumulated loss	(108 855)	–	(108 855)
Foreign currency translation reserve	(120 732)	–	(120 732)
Total attributable equity to shareholders	3 468 494	–	3 468 494
Non-controlling interest	25 765	–	25 765
Non-current liabilities	801 598	–	801 598
Bank borrowings	624 985	–	624 985
Derivative financial instruments	3 343	–	3 343
Finance lease obligation	173 270	–	173 270
Current liabilities	287 862	–	287 862
Bank borrowings	16 571	–	16 571
Trade and other payables	94 817	–	94 817
Provisions	16 331	–	16 331
Finance lease obligation	8 230	–	8 230
Dividends payable	151 913	–	151 913
Total equity and liabilities	4 583 719	–	4 583 719

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)

22. SEGMENTAL INFORMATION (continued)

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

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 obligations	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 obligations	906	–	906
Dividends payable	75 290	–	75 290
Total equity and liabilities	2 284 117	–	2 284 117

	Group 2018 R'000	Group 2017 R'000
Dividend reconciliation		
Reconciliation of headline earnings to distributable earnings per share		
Headline earnings attributable to shareholders (note 19)	374 126	113 444
Distributable earnings adjustment	(88 281)	17 657
Amortisation and depreciation	2 232	1 552
Fair value adjustment to derivative financial instruments	(178 570)	–
Fair value adjustment to derivative financial instruments (NCI)+	79	–
Deferred tax	3 836	–
Transaction and advisory fees	6 552	–
Antecedent dividend on share issues*	77 590	16 105
Distributable earnings	285 845	131 101
Dividend declared for the 6 months ending 30 September	133 932	55 811
Dividend declared for the 6 months ending 31 March	151 913	75 290
Total dividends for the year	285 845	131 101
Shares entitled to dividends September ('000)	284 840	129 674
Shares entitled to dividends March ('000)	298 964	167 275
Dividend per share September (cents)	47.02	43.04
Dividend per share March (cents)	50.81	45.01
Total dividend per share for the year (cents)	97.83	88.05

The interim dividend of 47.02 cents (2017: 43.04 cents) per share for the period ending 30 September 2017 was declared on 17 November 2017 and the final dividend of 50.81 cents (2017: 45.01 cents) per share for the period ending 31 March 2018 was declared on 13 March 2018.

+ *Non-controlling interest*

* *In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as result of the issue of shares during the period for which the company did not have full access to the cash flow from such issue*

23. 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 and currency.

23.1 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 2018				
Financial assets				
Stor-Age share purchase scheme loans	166 961	–	166 961	–
Cash and cash equivalents	21 823	–	21 823	–
Derivative financial instruments	124 069	124 069	–	–
Trade and other receivables	65 165	–	65 165	–
Financial liabilities				
Bank borrowings at amortised cost	641 556	–	–	641 556
Derivative financial instruments	3 343	3 343	–	–
Finance lease obligations	181 500	–	–	181 500
Trade and other payables	94 817	–	–	94 817
Dividend payable	151 913	–	–	151 913
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 obligations	6 295	–	–	6 295
Trade and other payables	38 573	–	–	38 573
Dividend payable	75 290	–	–	75 290

		At fair value	At amortised cost	
	Total R'000	Derivatives used for hedging	Loans and other receivables	Financial liabilities
<u>Company as at 31 March 2018</u>				
Financial assets				
Stor-Age share purchase scheme loans	166 961	–	166 961	–
Cash and cash equivalents	2 293	–	2 293	–
Trade and other receivables	11 143	–	11 143	–
Financial liabilities				
Bank borrowings at amortised cost	235 569	–	–	235 569
Derivative financial instruments	3 343	3 343	–	–
Trade and other payables	11 834	–	–	11 834
Dividend payable	151 913	–	–	151 913
<u>Company as at 31 March 2017</u>				
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	–
Derivative financial instruments	–	–	–	–
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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

23. FINANCIAL INSTRUMENTS (continued)

23.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the group's income, cash flows 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.

23.2.1 Interest rate risk

The group adopts a policy of ensuring that an appropriate amount of its exposure to changes in interest rates on borrowings is on a fixed basis. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The group states the fair value of interest rate swaps 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	Notional amount £'000	Effective date	Maturity date	Fixed rate	Fair value at 31 March 2018 R'000	Fair value at 31 March 2017 R'000
Nedbank facility A							
– Swap A	–	–	20 Nov 2015	30 Nov 2018	9.52%	–	(503)
– Swap B	–	–	17 Mar 2016	30 Nov 2018	10.07%	–	(383)
	–	–				–	(886)
Nedbank facility B							
– Swap C	50 000	–	8 Nov 2016	8 Nov 2019	9.50%	(761)	(421)
– Swap D	–	–	16 Mar 2017	28 Sep 2018	9.19%	–	(37)
– Swap E	25 000	–	16 Mar 2017	31 Mar 2020	9.40%	(349)	(65)
– Swap G	25 000	–	1 Feb 2018	31 Jul 2019	9.08%	(177)	–
	100 000	–				(1 287)	(523)
Nedbank facility C							
– Swap F	50 000	–	8 Aug 2017	30 Oct 2020	9.00%	(323)	–
– Swap H	100 000	–	1 Feb 2018	18 Nov 2020	9.45%	(1 733)	–
	150 000	–				(2 056)	–
Royal Bank of Scotland facility							
– Swap I	369 117	22 275	31 Dec 2017	24 Oct 2022	1.05%	2 960	–
	369 117	22 275				2 960	–
Total	619 117	22 275				(383)	(1 409)

The effect of the group's hedging policy on bank borrowings is as follows:

	31 March 2018			31 March 2017		
	SA R'000	UK R'000	Total R'000	SA R'000	UK R'000	Total R'000
Total debt facilities	995 000	405 987	1 400 987	650 000	–	650 000
Undrawn facilities	642 381	–	642 381	393 798	–	393 798
Gross debt	352 619	405 987	758 606	256 202	–	256 202
Net debt	227 531	392 202	619 733	244 641	–	244 641
Investment properties	2 489 563	1 363 367	3 852 930	2 050 210	–	2 050 210
Subject to fixed rates						
– Amount	250 000	369 117	619 117	200 000	–	200 000
– % hedged on gross debt	70.9%	90.9%	81.6%	78.1%	–	78.1%
– % hedged on net debt	109.9%	94.1%	99.9%	81.8%	–	81.8%
Effective interest rate	9.10%	4.32%	6.54%	9.36%	–	9.36%
Gearing (LTV ratio)#	9.1%	28.8%	16.1%	11.9%	–	11.9%

LTV ratio defined as the ratio of net debt as a percentage of investment properties (net of finance lease obligations relating to leasehold investment property assets)

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

During the year, the group restructured its interest rate swaps with Nedbank Limited. Swaps A, B and D were replaced by Swap F and H.

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

23. FINANCIAL INSTRUMENTS (continued)

23.2 Market risk (continued)

23.2.2 Effective interest rates

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

2018	Note	Effective interest rate	Carrying amount R'000	0–12 months R'000	1–4 years R'000	More than 4 years R'000
Cash and cash equivalents						
– Cash on call	10	6.00%	100	100	–	–
– Current accounts	10	0.05%	21 723	21 723	–	–
Stor-Age share purchase scheme loans						
– Issue 1	4	8.00%	119 602	–	–	119 602
– Issue 2	4	8.31%	2 318	–	–	2 318
– Issue 3	4	8.00%	2 154	–	–	2 154
– Issue 4a	4	7.46%	8 830	–	–	8 830
– Issue 4b	4	7.46%	12 223	–	–	12 223
– Issue 5	4	7.19%	21 834	–	–	21 834
Financial liabilities						
Nedbank facility B*						
– Swap C	23.2.1	9.50%	(761)	–	(761)	–
– Swap E	23.2.1	9.40%	(349)	–	(349)	–
– Swap G	23.2.1	9.08%	(177)	–	(177)	–
Nedbank facility C*						
– Swap F	23.2.1	9.00%	(323)	–	(323)	–
– Swap H	23.2.1	9.45%	(1 733)	–	(1 733)	–
Financial assets						
Royal Bank of Scotland Facility						
– Swap I	23.2.1	1.05%	2 960	–	–	2 960
2017						
Cash and cash equivalents						
– Cash on call	10	6.00%	617	617	–	–
– Current accounts	10	0.05%	7 414	7 414	–	–
Stor-Age share purchase scheme loans						
– Issue 1	4	8.00%	120 703	–	–	120 703
– Issue 2	4	8.31%	2 610	–	–	2 610
– Issue 3	4	8.00%	2 167	–	–	2 167
Financial liabilities						
Nedbank facility A*						
– Swap A	23.2.1	9.52%	(503)	–	(503)	–
– Swap B	23.2.1	10.07%	(383)	–	(383)	–
Nedbank facility B*						
– Swap C	23.2.1	9.50%	(421)	–	(421)	–
– Swap D	23.2.1	9.19%	(37)	–	(37)	–
– Swap E	23.2.1	9.40%	(65)	–	(65)	–

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*

23.2.3 Sensitivity analysis

The group has a mixture of fixed and floating interest bearing financial liabilities. The effect on the profit or loss of a 1% increase/decrease in the interest rates on the floating rate interest bearing financial liabilities balances outstanding at the reporting date would result in a corresponding increase/decrease in the interest expense of R1 396 000 (2017: R562 000). The analysis has been prepared on the assumption that all other variables remain constant.

23.2.4 Currency risk

Currency hedging

The group has expanded into the United Kingdom during the year under review. The group is exposed to currency risk on its initial capital exposure as well as the underlying earnings as a result of operations in the United Kingdom. During the year under review, the group introduced cross currency interest rate swaps to its treasury management, to hedge part of its foreign currency investment. The cross currency interest rate swaps entered into during the year are structured to receive a fixed JIBAR-linked rate and pay a fixed LIBOR-linked rate.

Hedging of capital investment

The expansion into the United Kingdom was financed through a combination of debt and equity from South Africa, as well as a bank loan from the Royal Bank of Scotland in the United Kingdom. At year end, approximately 53% of the group's foreign currency denominated assets and liabilities have been hedged through a combination of cross currency interest rate swaps and the GBP-denominated loan from RBS. Details of the cross currency interest rate swaps are set out below:

Bank	Maturity date	Spot	GBP nominal	ZAR nominal	ZAR rate	GBP rate
Nedbank	2 Nov 2020	18.41	10 000 000	184 100 000	6.47%	0.00%
Investec	26 Oct 2021	18.71	5 000 000	93 555 000	10.00%	3.04%
Investec	26 Oct 2022	18.71	5 000 000	93 555 000	10.00%	2.98%
Total			20 000 000	371 210 000		

Hedging of cash flows

Cash flow from its operations in the United Kingdom are exposed to movements in the GBP/ZAR exchange rate. To manage the impact of currency volatility, the group has adopted a progressive policy of hedging at least 80% of its 12-month projected forward net cash flow, 70% of its 13-24 month projected forward net cash flow and at 50% of its 25-36 month projected forward net cash flow derived in foreign currency. The group does not enter into any further arrangements to hedge the impact of currency fluctuations on distributable earnings. In line with this policy the following forward rate instruments are in place.

Date	GBP '000	FEC rate (ZAR/GBP)
25 Jun 2018	1 700	R20.00:1
23 Nov 2018	2 021	R21.20:1
25 Jun 2019	2 291	R22.47:1
25 Nov 2019	1 871	R23.82:1
25 Jun 2020	1 933	R31.15:1

23. FINANCIAL INSTRUMENTS (continued)

23.2 Market risk (continued)

23.2.5 Sensitivity analysis

A reasonably possible strengthening (weakening) of the ZAR against the GBP would have affected the measurement of financial instruments denominated in a foreign currency and affected distributable earnings from the UK operations by the amounts shown below. The analysis takes into account the fixed hedging of cash flow as discussed above and is based on the average ZAR/GBP exchange rate for the relevant period since the UK operations was acquired. At a 16% ZAR depreciation/appreciation against the GBP, the effects of the movement in the exchange rate will be fully hedged. The sensitivity analysis assumes that other macroeconomic factors remain unchanged.

	Group	
	16% ZAR depreciation against the GBP R'000	16% ZAR appreciation against the GBP R'000
Distributable earnings	52	8 908

The exchange rates used for the translation of the group's foreign operations is as follows:

Average exchange rate	£1/R17.2136
Spot rate at 31 March 2018	£1/R16.5709

23.3 Credit risk

23.3.1 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	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Stor-Age share purchase scheme loans	166 961	125 480	166 961	125 480
Trade and other receivables	14 786	6 174	290	167
Tenant and related receivables	9 881	1 981	–	–
Other receivables	4 905	4 193	290	167
Derivative financial instruments	124 069	–	–	–
Intercompany receivable	–	–	207 000	335 399
Related party receivables	9 311	2 558	9 326	2 273
Staff loans	137	138	137	138
Cash and cash equivalents	21 823	8 031	2 293	3 336
	337 087	142 381	386 007	466 793

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

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
The maximum exposure to credit risk for loans at the reporting date:				
Stor-Age share purchase scheme loans	166 961	125 480	166 961	125 480
Shares pledged as security	(201 260)	(132 874)	(201 260)	(132 874)
Net exposure	–	–	–	–

The group's exposure to credit risk pertaining to the Stor-Age share purchase scheme loans is zero at 31 March 2018 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 31 March 2018 R'000	Gross carrying value Group 31 March 2017 R'000	Impairment recognised Group 31 March 2018 R'000	Impairment recognised Group 31 March 2017 R'000
23.3.2 Impairment losses				
The ageing of tenant and related receivables at the reporting date was:				
Not yet due	–	6	–	–
Past due 0 – 30 days	1 731	1 193	89	165
Past due 31 – 60 days	922	565	124	200
Past due 61 – 120 days	1 079	712	524	370
Past due >120 days	1 136	729	647	489
Total South African operations	4 868	3 205	1 384	1 224
Not yet due	–	–	–	–
Past due 0 – 30 days	6 165	–	–	–
Past due 31 – 60 days	447	–	215	–
Past due 61 – 120 days	182	–	182	–
Past due >120 days	–	–	–	–
Total United Kingdom operations	6 794	–	397	–
Total	11 662	3 205	1 781	1 224

There were no tenant and related receivables due to the company at 31 March 2018 (31 March 2017: nil).

23. FINANCIAL INSTRUMENTS (continued)

23.3.2 Impairment losses (continued)

	Group 31 March 2018 R'000	Group 31 March 2017 R'000
The movement in the allowance for impairment in respect of tenant and related receivables during the year was as follows:		
Carrying value at beginning of year	1 224	523
Impairment recognised	557	701
Carrying value at end of year	1 781	1 224

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.

23.4 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					
2018					
Non-derivative financial liabilities					
Bank borrowings	641 556	16 571	22 944	323 522	278 519
Finance lease obligation	287 524	19 019	19 259	57 776	191 470
Trade and other payables	45 588	45 588	–	–	–
	974 668	81 178	42 203	381 298	469 989
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	166 366	107 157	2 866	20 761

	Carrying value R'000	1 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
Company					
2018					
Non-derivative financial liabilities					
Bank borrowings	235 569	–	149 258	86 311	–
Trade and other payables	7 846	7 846	–	–	–
	243 415	7 846	149 258	86 311	–
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	–	–

	Group 2018 R'000	2017 R'000
Net debt	619 733	244 641
Bank borrowings	641 556	252 672
Cash and cash equivalents	(21 823)	(8 031)
Property assets (refer note 3)	3 852 930	2 050 210
Investment properties	4 034 430	2 050 210
Finance leases	(181 500)	–
Gearing ratio	16.1%	11.9%

The group's gearing ratio of 16.1% (2017: 11.9%) is lower than the maximum gearing ratio of 60% permitted by the SA REIT guidelines.

The group's current liabilities exceed its current assets at 31 March 2018 as a result of the group's policy on tenant security deposits. In terms of the tenant security deposits policy, certain tenants are required to pay a deposit 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 2018 tenant security deposits were R13.8 million (2017: R13.0 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 deposits, they are generally replaced by new tenants who will pay deposits prior to using their allocated storage units. Excluding tenant security deposits, provisions (see note 16) and the dividend payable, and taking into account surplus cash in the loan facilities, current assets exceed current liabilities. As indicated in note 29, the directors are satisfied that the company and its subsidiaries have access to sufficient facilities to meet the foreseeable cash requirements (see note 14).

24. 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 and cross currency 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					
2018					
Assets		–	124 069	4 034 430	4 158 499
Investment properties	*3*	–	–	4 034 430	4 034 430
Derivative financial instruments	*7*	–	124 069	–	124 069
Liabilities		–	3 343	–	3 343
Derivative financial instruments	*23.2.1 & 23.2.4 & 14.1*	–	3 343	–	3 343
2017					
Assets		–	1 409	2 050 210	2 051 619
Investment properties	*3*	–	–	2 050 210	2 050 210
Derivative financial instruments	*23.2.1 & 23.2.4 & 14.1*	–	1 409	–	1 409
Company					
2018					
Assets		–	–	88 601	88 601
Investment properties	*3*	–	–	88 601	88 601
Liabilities		–	3 343	–	3 343
Derivative financial instruments	*23.2.1 & 23.2.4 & 14.1*	–	3 343	–	3 343
2017					
Assets		–	1 409	36 588	37 997
Investment properties	*3*	–	–	36 588	36 588
Derivative financial instruments	*23.2.1 & 23.2.4 & 14.1*	–	1 409	–	1 409

24. 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 – *Forward exchange contracts*	Fair valued monthly by Investec and Nedbank 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
Derivative financial instruments – *Cross currency interest rate swaps*	Fair valued monthly by Investec and Nedbank using mark-to-market mid market values. This involves, inter alia, discounting the future cash flows using the basis swap curves of the respective currencies at the dates when the cash flows will take place.	Not applicable	Not applicable
Derivative financial instruments – *Interest rate swaps*	Fair valued monthly by Nedbank and the Royal Bank of Scotland 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	Gains recognised in profit or loss for the year R'000	Accrued R'000	Disposal R'000	Exchange differences recognised in other comprehensive income R'000	Closing balance R'000
LEVEL 3 RECONCILIATION						
Group						
2018						
Investment properties	2 050 210	203 001	1 982 655	(17 569)	(183 867)	4 034 430
2017						
Investment properties	1 370 587	127 240	552 383	–	–	2 050 210
Company						
2018						
Investment properties	36 588	2 737	66 676	(17 400)	–	88 601
2017						
Investment properties	9 504	2 615	24 469	–	–	36 588

25. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- 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.
- 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.
- Determining the goodwill and intangible assets 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 fees and operating costs. The discount rate is also adjusted for any projected market, business and financial volatility.
- Group's taxation:
  The group is subject to tax in multiple jurisdictions and therefore an element of judgement and estimation is applied in calculating the group's tax charge and provision for income taxes. The relevant tax authorities may disagree with the tax computation and therefore the final tax charge cannot be calculated until an assessment has been made by the tax authority.
- Functional currency:
  The functional currency of Stor-Age International Proprietary Limited is GBP. Judgement has been applied in determining the currency of the primary economic environment in which International operates.

26. RELATED PARTY TRANSACTIONS

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

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

Subsidiaries

- Roeland Street Investments Proprietary Limited
- Wimbledonway Investments Proprietary Limited
- N14 Self Storage Proprietary Limited
- Units 1-4 Somerset West Business Park Proprietary Limited
- Unit Self Storage Proprietary Limited
- Dancor Properties 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
- Castle Rock Capital Trust

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
26. RELATED PARTY TRANSACTIONS (continued)				
26.2 Material related party transactions and balances				
Related party balances				
Intercompany payables				
Dancor Properties Proprietary Limited	–	–	1 140	–
Wimbledonway Investments Proprietary Limited	–	–	14 603	15 750
Intercompany receivables				
N14 Self Storage Proprietary Limited	–	–	29 173	29 561
Roeland Street Investments Proprietary Limited	–	–	60 730	168 954
Storage RSA Trading Proprietary Limited	–	–	117 097	136 884
Amounts – owing to related parties				
– Castle Rock Capital Trust	–	–	–	11
Amounts – owing by related parties				
– Stor-Age Property Holdings Proprietary Limited	6 336	221	6 336	221
– Castle Rock Capital Trust	2	982	2	982
– Roeland Street Investments 2 Proprietary Limited	15	97	15	97
– Madison Square Holdings Close Corporation	2 972	814	2 972	1 163
Working capital – owing by related parties				
– Roeland Street Investments Proprietary Limited	–	–	–	327
– Roeland Street Investments 2 Proprietary Limited	–	444	–	444
– Roeland Street Investments 3 Proprietary Limited	1 024	–	1 024	–
– Units 1-4 Somerset West Business Park Proprietary Limited	–	–	197	21
– Unit Self Storage Proprietary Limited	–	–	191	–
Working capital – owing to related parties				
– Roeland Street Investments Proprietary Limited	–	–	–	36 273
– Roeland Street Investments 2 Proprietary Limited	2 492	1 406	2 492	1 406

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Related party transactions				
Dividend income				
Roeland Street Investments Proprietary Limited	–	–	247 243	114 812
Wimbledonway Investments Proprietary Limited	–	–	5 121	2 414
N14 Self Storage Proprietary Limited	–	–	1 267	411
Interest received on Stor-Age share purchase scheme loans				
Directors and key management personnel	8 739	9 706	8 739	9 706
License fees received from related party				
Roeland Street Investments 3 Proprietary Limited	1 000	–	1 000	–
Development fees paid (to)/from related parties				
Madison Square Holdings Close Corporation	(30 163)	(39 225)	(16 661)	–
Roeland Street Investments 2 Proprietary Limited	763	1 718	763	1 718
Roeland Street Investments 3 Proprietary Limited	276	635	276	635
Stor-Age Property Holdings Proprietary Limited	3 914	–	3 914	–
Asset management fees received from related party				
Roeland Street Investments 2 Proprietary Limited	7 204	6 130	7 204	6 130
Roeland Street Investments 3 Proprietary Limited	327	–	327	–
Property management fees received from related party				
Roeland Street Investments 2 Proprietary Limited	4 685	3 393	4 685	3 393
Roeland Street Investments 3 Proprietary Limited	228	–	228	–
Acquisition fees received from related party				
Roeland Street Investments 2 Proprietary Limited	–	490	–	490
Roeland Street Investments 3 Proprietary Limited	–	336	–	336
Office rental paid to related party				
Stor-Age Property Holdings Proprietary Limited*	801	741	801	741
Disposal of Bryanston land				
Stor-Age Property Holdings Proprietary Limited	18 550	–	18 550	–

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

26. RELATED PARTY TRANSACTIONS (continued)

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

	Direct beneficial	Indirect	Total	Percentage
26.3 Directors' and company secretary's shareholdings				
31 March 2018				
GM Lucas	4 150 000	6 911 955	11 061 955	3.66%
SJ Horton	4 150 000	3 000 643	7 150 643	2.37%
SC Lucas	4 150 000	6 911 955	11 061 955	3.66%
MS Moloko	64 907	–	64 907	0.02%
GA Blackshaw	–	1 854 278	1 854 278	0.61%
GBH Fox	–	–	–	0.00%
PA Theodosiou	1 075 000	–	1 075 000	0.36%
HH-O Steyn (company secretary)	–	245 000	245 000	0.08%
	13 589 907	18 923 831	32 513 738	10.76%
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%

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.

	2018 R'000	2017 R'000
26.4 Directors' remuneration		
Fees paid to non-executive directors for meeting attendance were as follows:		
PA Theodosiou (Audit and Risk Committee, Remuneration Committee and Investment Committee)	251	230
MS Moloko (Social and Ethics Committee and Audit and Risk Committee)	251	230
GBH Fox (Audit and Risk Committee and Remuneration Committee)	251	230
GA Blackshaw (Social and Ethics Committee and Investment Committee)	207	190
	960	880

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

	2018 R'000 Basic salary	2018 R'000 Total	2017 R'000 Basic salary	2017 R'000 Total
GM Lucas	1 272	1 272	1 200	1 200
SJ Horton	1 272	1 272	1 200	1 200
SC Lucas	1 272	1 272	1 200	1 200
	3 816	3 816	3 600	3 600

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

		Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
27.	FINANCE LEASE OBLIGATION				
	Minimum lease payments due:				
	Within one year	19 019	1 097	–	–
	In second to fifth year inclusive	77 035	3 821	–	–
	Later than five years	191 470	20 761	–	–
		287 524	25 679	–	–
	Less: Future finance charges	(106 024)	(19 384)	–	–
		181 500	6 295	–	–
	Present value of minimum lease payments due:				
	Within one year	8 230	906	–	–
	In second to fifth year inclusive	40 205	2 445	–	–
	Later than five years	133 065	2 944	–	–
		181 500	6 295	–	–

The finance lease obligation refers to the motor vehicles leased through Investec Bank Limited and the group's leasehold properties.

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

27. FINANCE LEASE OBLIGATION (continued)

The terms of the leases for the leasehold properties are set out below:

Property	Commencement date	Term (years)	Location
Stor-Age Constantia Kloof	December 2012	40	South Africa
Stor-Age Tokai*	October 2014	10	South Africa
Storage King Aylesford	October 2007	25	United Kingdom
Storage King Basildon	August 2007	25	United Kingdom
Storage King Dunstable	October 2007	25	United Kingdom
Storage King Epsom	February 2008	25	United Kingdom
Storage King Woodley	June 2008 & December 2007	25	United Kingdom

* *Stor-Age Tokai comprises both a freehold (7 329 m² GLA) and leasehold (800 m² GLA) component. The lease terms set out above relate to the lease of a section of the property*

	Group 2018 R'000	Group 2017 R'000
28. CAPITAL COMMITMENTS AUTHORISED		
Contracted for	237 200	–
Authorised but not contracted for	120 800	20 000
	358 000	20 000

The capital commitments relates to improvements in investment properties and new property developments. The commitments will be funded from the group's borrowing facilities (see note 14).

29. 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 14).

30. EVENTS AFTER REPORTING DATE

Acquisition of All-Store Self Storage ("All-Store")

On 6 March 2018 Stor-Age entered into an agreement to acquire All-Store property located in Cape Town's northern suburbs for a purchase consideration of R52.0 million. The property, which has a well-established tenant base and decade long trading history, complements the existing portfolio with 5 500m². There is also significant undeveloped bulk available.

The purchase consideration was settled in full by the issue of ordinary shares pursuant to a vendor consideration placement on 6 April 2018, being the date of the property transfer.

Issue of shares subsequent to year end

The company issued 4.16 million shares in April 2018. This is a non-adjusting event that is not recognised in the current year's financial statements. These additional shares are entitled to participate in the final dividend declared for the March 2018 year.