STOR-AGE PROPERTY REIT LIMITED

INTEGRATED ANNUAL REPORT 2018

Stor-Age Property REIT Limited (Stor-Age) is the leading and largest self storage property fund and brand in South Africa. We have successfully developed, acquired and managed self storage properties across South Africa for more than a decade. In November 2017, we entered the United Kingdom (UK) with the strategic acquisition of Storage King – the sixth largest self storage brand in the UK.

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

Our 63-property portfolio covers more than 405 000 m^2 of gross lettable area (GLA), which is strategically concentrated in South Africa's largest cities and in key markets in the UK. We service more than 29 500 tenants[1].

Stor-Age listed on the Johannesburg Stock Exchange (JSE) on 16 November 2015.

SNAPSHOT

Listing date	November 2015
JSE sector	Speciality REITs
Profile	Highly specialised, low risk, income paying self storage REIT
Self storage universe	9 publicly traded self storage REITs (US: 5, UK: 2, Aus: 1, SA: 1)
Market capitalisation	R3.9 billion[2]

	Total	South Africa	United Kingdom
Total property value	**R3.9bn**	R2.5bn	R1.4bn
Number of properties[3]	**50**	36	14
Total number of customers[3]	**23 500+**	17 000+	6 500+
Total GLA	**321 000 m^2**	264 000 m^2	57 000 m^2
Occupancy	**84.1%**	85.2%	78.2%
Loan to value (LTV)	**16.1%**	9.1%	28.6%

1 *Includes Managed Portfolio*
2 *31 March 2018*
3 *Includes All-Store – acquired 6 April 2018*

INTRODUCING OUR 2018 INTEGRATED ANNUAL REPORT

This is our third integrated annual report and our second for a full 12-month trading period.

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

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

SCOPE OF THIS REPORT

This report presents the financial results and the economic, environmental, social and governance performance of the group for the financial year ended 31 March 2018. Its content encompasses all divisions and subsidiaries of the group, across all regions of operation in South Africa and the UK.

ASSURANCE

The company's external auditors, KPMG Inc., have independently audited the annual financial statements for the year ended 31 March 2018. Their unqualified audit report is set out on pages 77 to 81. The scope of their audit is limited to the information set out in the annual financial statements on pages 82 to 158.

ADDITIONAL INFORMATION

For the company's contact details, refer to the inside back cover.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding the group's results and operations which, by their nature, involve risk and uncertainty as they relate to events that depend on circumstances that may or may not occur in the future. Readers are therefore cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements have not been reviewed or reported on by the group's external auditors.

RESPONSIBILITY STATEMENT AND REVIEW

The audit and risk committee and the board acknowledge their responsibility to ensure the integrity of this report. It has been reviewed by the audit and risk committee, the board, company secretary and sponsor. The annual financial statements included in this integrated annual report have been audited by the external auditors.

Paul Theodosiou
Chairman

Stephen Lucas
Financial Director

Gavin Lucas
Chief Executive Officer

Gareth Fox
Chairman Audit and Risk Committee

CONTENTS

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

Shares in issue: 301 864 102 (31 March 2018)

INTRODUCING STOR-AGE

ABOUT STOR-AGE

Stor-Age is the leading and largest self storage property fund and brand in South Africa, and the first and only self storage Real Estate Investment Trust (REIT) listed on any emerging market exchange. During the period, we made a strategic entry into the UK market with the acquisition of Storage King – the sixth largest self storage brand in the UK. Our Listed Portfolio comprises 50 properties across South Africa and the UK, with a combined value of over R3.9 billion.

Our highly specialised business focuses on the fast-growing self storage sector – a niche subsector of the broader commercial property market. Stor-Age develops, acquires and manages high-quality self storage properties, which enable us to compete strongly in new market segments and grow our market share. This allows us to benefit from economies of scale and produce favourable operating margins. The REIT company is managed internally.

Our South African portfolio comprises 49 properties, totalling 348 000 m^2. Stor-Age owns and operates 36 of these properties, covering 264 000 m^2 GLA and R2.5 billion in value (Listed Portfolio). The balance makes up the unlisted Managed Portfolio (84 000 m^2 GLA), from which Stor-Age receives property and asset management fees and over which it holds a pre-emptive right of acquisition. In the UK, Stor-Age owns a 97.4% majority interest in Storage King, comprising 14 properties with 57 000 m^2 GLA and R1.4 billion in value.

DYNAMIC SELF STORAGE SECTOR SPECIALISTS

- Leading and largest self storage property fund in South Africa, with a recent strategic entry into the UK
- High-quality properties, with excellent visibility and easy access from arterial roads
- Outstanding locations with high barriers to entry
- Business model based on global best practice
- Development capability and innovation
- Market-leading operations and digital platform
- Decade-long track record of developing, tenanting and operating self storage assets

	Listed Portfolio	South Africa	United Kingdom	Managed Portfolio (South Africa)	Trading Portfolio	Pipeline Portfolio
Number of properties[1]	50	36	14	13	63	10
GLA (m^2)	321 000	264 000	57 000	84 000	405 000	70 000
Value (Rm)	3 906	2 543	1 363	1 050	4 956	1 000

[1] *Includes All-Store – acquired 6 April 2018*

INTRODUCING STOR-AGE (continued)

OUR INVESTMENT CASE

- Dynamic sector specialists, allowing for focused attention
- Track record of growing investor returns
- Recession-resilient sector: self storage is a niche asset class uncorrelated to traditional property drivers
- Attractive forecast distribution growth, underpinned by robust self storage metrics
- Secured pipeline of acquisition and development opportunities
- Proven ability to identify, close and integrate value-add acquisitions
- Strong cash flow
- Favourable operating margins
- Attractive earnings growth
- Healthy balance sheet and conservative gearing
- Low bad debt record (< 0.5% of revenue)
- Low obsolescence and ongoing maintenance capex
- High barriers to entry in key target locations

is underpinned by

OUR SUCCESS DRIVERS

- Diversified tenant risk (23 500+ tenants across South Africa and the UK)
- Presence in South Africa's main metropolitan centres – Johannesburg, Tshwane, Cape Town and Durban
- Prominent locations on main roads or arterials, with high visibility to passing traffic
- Committed and passionate employees
- UK management team with significant self storage operations experience, proven local expertise and a well-located property portfolio
- Average length of stay in South Africa – 24 months
- Average length of stay in UK – 13.5 months
- Growing demand and awareness among customers
- Strong customer satisfaction, with customer service rated as "world class" according to the global Net Promoter Score ("NPS") standard
- In South Africa, 54% (2017: 53%) of customers store for more than one year
- In the UK, 51% of customers store for more than one year

and

OUR VISION

To be the best self storage business in the world

OUR MISSION

To rent space

OUR CORE VALUES

Excellence • Sustainability • Relevance • Integrity

HIGHLIGHTS

97.83 cents | Up 11.1%
Total dividend

86% | Including 10.6% like-for-like
Growth in rental income

82% | Including 11.8% like-for-like
Growth in net property operating income

84 200 m²
Increase in occupied space
SA – 27 200 m² including 4 700 m² organic; UK – 57 000 m²

85.2% (SA) | **78.2% (UK)**
Closing occupancy

R3.85 billion | Up 88%
Investment property
Including strategic acquisitions – Storage King (UK); StorTown (DBN);
Unit Self Storage (CPT)

16%
Loan to value (LTV)
100% hedged on a net-debt basis

405 000 m² GLA | Up 105 000 m²
Trading Portfolio – 63 properties

29 500+
Total number of tenants in Trading Portfolio

R1.3 billion
Oversubscribed equity capital raised in October 2017

R2.05 billion | **23** properties
Pipeline and Managed Portfolio

'Big Box' self storage properties

Our properties are developed in prime locations across South Africa. Light, bright, safe and secure, our Big Box properties are modern, purpose-built and multistorey. As the leading developer of these properties in the South African market, we capitalise on market requirements more efficiently than our competitors.

INTRODUCING STOR-AGE

CHAIRMAN'S LETTER

Since listing in November 2015, Stor-Age has continued to deliver an excellent financial performance, exceeding expectations and consistently meeting all our financial and strategic milestones.

MAINTAINING THE GROWTH TRAJECTORY AND TRACK RECORD OF DELIVERY

Stor-Age continued to deliver real gains in rental rates and occupancies, both key drivers of sustainable growth in returns. This result was achieved in a difficult operating environment, clearly seen in the weaker performance of many of our sector peers. The group's acquisition of StorTown and strategic entry into the UK with the acquisition of Storage King are both evidence of our ability, as sector specialists, to grow the business in challenging market conditions by identifying and executing opportunities that add long-term value to Stor-Age.

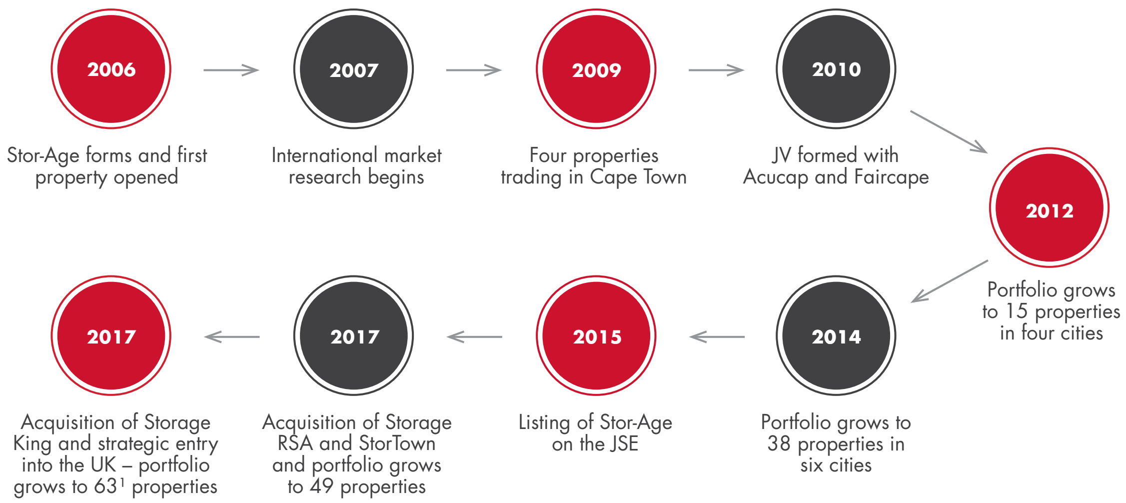
Investor interest was affirmed by the significantly oversubscribed bookbuild to fund the UK acquisition. Initially looking to raise R900 million, strong demand increased the amount of equity raised to the maximum allowable value of R1.27 billion.

This reflects investor confidence in the group's performance and our successful track record of acquisitions to date, and pleasing support for our growth strategy, which has been well articulated by the management team.

The group's entry into the UK presents an excellent growth opportunity relative to more established markets, such as Australia and the United States. To this end, our balance sheet capacity, flexibility, and still low level of gearing post-acquisition of Storage King will enable us to pursue further selected development and acquisition opportunities that meet our investment criteria.

> "With more than a decade of experience successfully acquiring, developing, leasing and operating self storage assets, Stor-Age has established itself as a leading and dynamic sector specialist. The group is well positioned to maintain its strong growth trajectory – with an ambition to outperform the sector and its own benchmarks."

TIMELINE



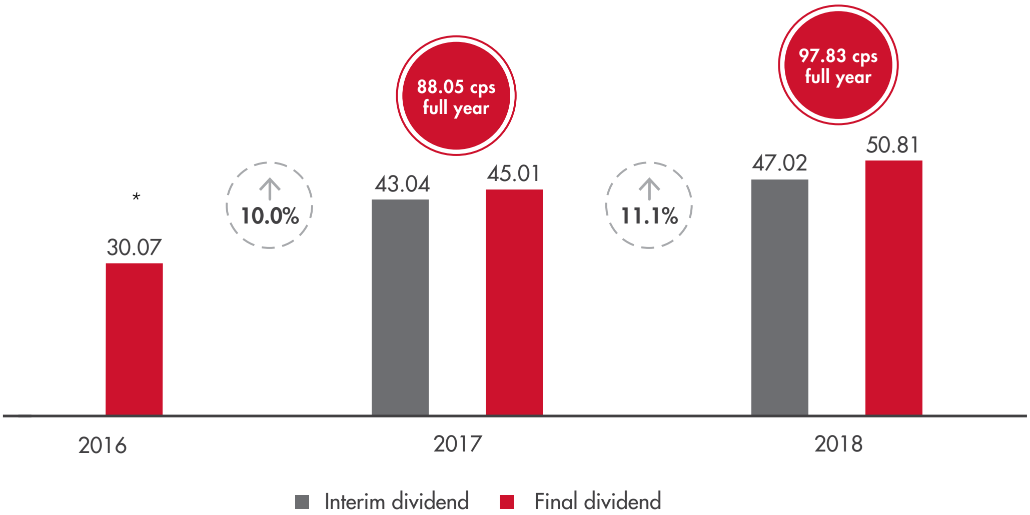
[1] *Includes All-Store – acquired 6 April 2018*

CHAIRMAN'S LETTER (continued)

Stor-Age is the market leader in South Africa and one of only nine publicly-traded self storage REITs globally. Our business model is based on global best practice and strong networks with leading first-world market peers. Since listing, our shareholders have enjoyed increasing earnings and dividend flows, supported by consistent growth in net asset value.

The value of our portfolio has increased from R1.33 billion to R3.85 billion, and market capitalisation has almost trebled to R3.9 billion as at 31 March 2018. At the same time, the number of properties in the REIT has increased from 24 at listing to 50[1], all of which provides compelling evidence of business scalability.

DISTRIBUTION PER SHARE (CENTS PER SHARE)



* *Listed November 2015, 4.5 month trading period to year end, distribution annualised*

CREATING VALUE AND MEETING DEMAND

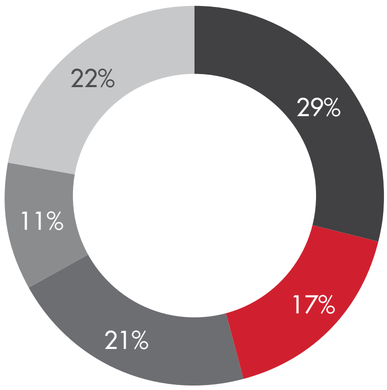
Underpinned by a high-quality property portfolio, the recession-resilient nature of self storage sustains the business through the different economic cycles. The product remains flexible and needs-based, meeting the demands of customers from different market segments, whether they are scaling up or down in response to changing economic or personal circumstances.

The core demand drivers for self storage are set to continue – accelerated by consumption-led economies. Urban crowding, an emerging middle class, and the trend toward security living create demand for space in a space-limited economy. The digital age has also seen a rise in the number of online start-ups requiring adaptable storage options when growing or downsizing their businesses.

[1] *Includes All-Store – acquired 6 April 2018*

The same social and built-environment trends propelling self storage in South Africa are evident in the United States, UK, Europe and Australia. Over the past twelve years, the group has established a purpose-built, high-quality portfolio to meet these demands. This is supported by a sophisticated operational platform, a strong administrative capability and a highly skilled digital marketing team, ensuring that we deliver unrivalled value and service to our customers, locally and in the UK.

> "The resilience of self storage is evidenced by more than 24 500 new tenants moving into our South African and UK properties during the year."

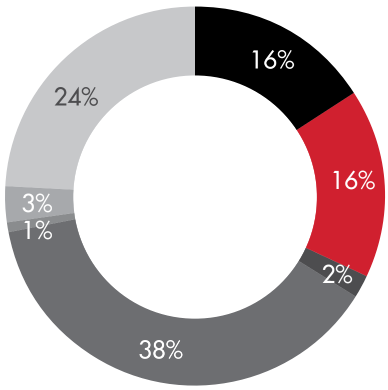


AVERAGE LENGTH OF STAY[1]

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

DEMAND PROFILE

Demand is driven by two significant user groups – those who need the product for short stays due to "life-changing events" (< six months: 29%) and those requiring the product for longer-term space requirements (≥ one year: 54%).



REASONS FOR STORING

- Business needs
- Excess stuff
- Lifestyle choice
- Lifestyle change
- Moving
- Renovating
- Other

SELF STORAGE – A "NEEDS" DRIVEN PRODUCT

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

[1] *Listed Portfolio South Africa*

CHAIRMAN'S LETTER (continued)

SELF STORAGE INDUSTRY TRENDS

South Africa's self storage industry

The South African self storage industry is well established and fast developing. However, it remains relatively young in comparison to first-world market peers, with a number of market cycles still to evolve.

Over the past 18 months, the group has seen the early stages of development of good-quality self storage properties in sought-after locations across the country (excluding Stor-Age). We anticipate we will see a reinvestment of self storage industry capital into the market by previous vendors.

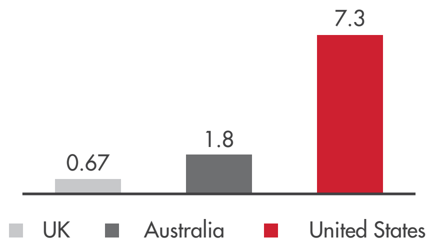
We are positive about both trends. We envisage the development of new self storage properties will supplement our pipeline of local acquisition opportunities over the medium term as we continually look to consolidate.

While self storage is an attractive sector in terms of economic return, barriers to entry in key target locations remain significant. To this end, we are confident in the skills of our management team who have demonstrated their ability to identify and execute on strategic opportunities when they present themselves. Combined with our position as dynamic sector specialists, our development, acquisition and integration capabilities provide a distinct competitive advantage, supported by a strong balance sheet.

Operating in a global self storage market

Self storage remains a growth sector globally. In the UK, occupancy growth and increasing profits indicate demand is growing faster than supply. This is despite supply levels increasing by approximately 2.4 million square foot (sqf) or 70 new properties in 2017[1].

AVERAGE SQF OF AVAILABLE SPACE PER PERSON



With more than 1 500 self storage properties[1], it is our view that the UK market is more than 10 years ahead of the South African market in its life cycle and stage of development. However, it is a growing and undersupplied market relative to many of its peers. With approximately 30% of UK self storage properties owned or managed by large operators (10 or more properties)[1], we believe the UK displays attractive consolidation opportunities over the medium term. For more information on the UK self storage industry, refer to page 17.

While Brexit has created uncertainty in the UK, the strength of the self storage sector has ensured the industry continues to perform attractively. This is evidenced by 2% and 8% growth in average rental rates and the total amount of space used by customers in 2017[1].

Oxford Economics has provided a reasonably confident outlook for the UK economy, forecasting growth of 1.8% in 2018 and 1.6% in 2019. Despite this, we remain vigilant in monitoring the UK operating environment and are prepared for any shifts that could negatively impact growth.

Post-acquisition of Storage King, approximately 35% of our business is exposed to UK property assets. We envisage that over the short to medium term, our UK asset exposure will remain in the target range of approximately 30% to 40%. Stor-Age remains a South Africa-focused business, with the added benefit of a significant portion of our underlying earnings serving as a hard currency Rand-hedge from an attractive growing first world market.

PERFORMANCE BACKED BY SOLID GOVERNANCE

At Stor-Age, our decision-making is guided by our four Core Values of Excellence, Sustainability, Relevance and Integrity.

We are aware that our actions taken today will have an impact on the risks and opportunities that present in the short and medium term. This is particularly relevant to the sustainability of Stor-Age – a relatively young business that is continuing to grow and evolve.

Understanding the impact of this growth on our organisation and employees therefore remains top of mind at board and executive level.

[1] *The Self Storage Association UK Annual Industry Report, 2018.*

We work tirelessly to ensure our organisational structures and employees are equipped to grow in tandem with our business. This includes, for example, our ongoing investment in employee learning and development, and our strategic focus on technology.

As discussed in more detail on page 23, our growth strategy is on track to 2020 – and the group is already in the process of formulating our thinking towards 2025. This will ensure that when the time comes, we are appropriately positioned to deal with the task at hand.

With regard to governing a multinational business, we have established a clear framework of authority to guide our decision-making within the context of a well-defined medium-term strategy for our UK business.

In South Africa, the board made significant progress on our transformation journey. We launched a detailed three-year transformation plan, effective April 2018. This plan will assist us in our quest to achieve compliance with the recently amended Property Sector Code, which supports transformation within the property sector. Read more about this plan from page 39 of this report.

We also welcome two new members to our board – Phakama Mbikwana and Kelly de Kock. In addition to adding diversity, we look forward to their contributions to the skill set, expertise and independence of the board.

In line with our Core Values, the board and executive team promote and support ethical standards of business conduct and corporate governance. We endorse the principles of King IV™, and more information about our application of King IV™ can be found in our corporate governance report from page 39.

The board further undertook a detailed self-evaluation during the year, a process that was managed and co-ordinated by our independent auditors. Each board member was given an opportunity to comment on eight key performance areas, expanded into 40 specific questions around the functioning of the board. Members were also given the opportunity to comment on the performances of their peers across a number of relevant categories. Some very helpful insights emerged from this process, and these will undoubtedly help to strengthen the board's performance and competence.

OUTLOOK AND THANKS

With an excellent portfolio, a robust and sophisticated operational platform, and a pipeline of exciting acquisition opportunities, Stor-Age is well positioned across the South African and UK markets to continue to deliver attractive, risk-adjusted growth in distributions and underlying portfolio value.

I would like to thank my fellow non-executive directors, and congratulate the management team and all employees on another successful year. Thank you for the energy, commitment, skill and competence you bring to the operation of this business.

Guided by a well-articulated vision and mission, the disciplined execution of Stor-Age's strategy continues to cement our position of market leadership, and we remain excited about the group's growth prospects, to the benefit of all stakeholders.

Paul Theodosiou
Chairman
11 June 2018

Stor-Age at our core – put simply, Stor-Age exists because we solve people's and business' space problems.

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

Our four Core Values guide and inspire every single thought, action and decision: Excellence, Sustainability, Relevance and Integrity. Read more about how our Core Values drive our thinking.

OUR BUSINESS

WHAT WE DO

INTRODUCING STORAGE KING

HOW WE DO IT

OUR GROWTH STRATEGY

OUR BUSINESS

WHAT WE DO

Our Trading Portfolio comprises 63 self storage properties across South Africa and the United Kingdom, with a combined value of over R4.9 billion.

Stor-Age owns and operates 50 of these properties, covering 321 000 m^2 GLA – our Listed Portfolio. Stor-Age's other 13 properties cover 84 000 m^2 GLA and make up our Managed Portfolio, from which we receive property and asset management fees. Stor-Age holds a pre-emptive right to acquire all properties in the Managed Portfolio, representing a significant growth pipeline.

We manage more than 29 500 individual leases in our Trading Portfolio. In South Africa we experience a churn rate of approximately 5% per month and benefit from more than 1 500 new tenants moving in on average every month. In the UK we experience a churn rate of approximately 8% per month and benefit from more than 550 new tenants moving in on average every month.

Our average unit size in the UK (6 m^2) is considerably smaller than our average size in South Africa (13 m^2). The smaller average unit size in the UK contributes directly to the higher churn rate of 8%.

DEVELOPING AND ACQUIRING PROPERTIES

ACQUISITION CAPABILITY

Our leading corporate platform, skilled operational management team, industry relationships, and specialist sector experience ensure that Stor-Age is well-positioned to identify and capitalise on strategic acquisition and development opportunities with attractive growth potential. This is reflected by our successful acquisitions since listing.

Our ability to close transactions and integrate trading stores seamlessly onto the Stor-Age operating platform has been consistently demonstrated. Since the start of 2017, we successfully completed five transactions to complement our ongoing success in the South African market. This includes three significant multi-property transactions, including the offshore acquisition of Storage King in November 2017.

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

DEVELOPMENTS

Stor-Age develops investment-grade self storage properties in visible, convenient and accessible locations where there are favourable demographics and where suitable acquisitions are not available. The decision is based on the cost of development versus the cost of

Third largest self storage operator in South Africa

Portfolio of six properties – 41 800 m^2 GLA

Acquisition completed February 2017

Largest self storage operator in KwaZulu-Natal

Portfolio of four properties – 22 400 m^2+ GLA

Acquisition completed November 2017

Sixth largest self storage brand in the United Kingdom

Portfolio of 14 properties – 57 000 m^2 GLA

Additional 12 properties trade under the licence of Storage King

Acquisition completed November 2017

acquisition, the demographic market analysis and the existence of barriers to entry. Our model for rolling out new properties and expanding existing ones is well developed with clearly defined key success criteria.

During the year, we opened a high-profile Big Box property in Randburg as part of the Managed Portfolio. This property will offer 7 000 m²+ GLA on full fit-out. We also began construction of two new properties in Bryanston and Craighall Park using the Certificate of Practical Completion ("CPC") model. On completion, both of the properties will offer a combined 12 750 m² GLA on full fit-out. The CPC model will see Stor-Age assuming beneficial ownership of each of the properties developed on this model on the day of their opening.

Read more about the CPC model in the CEO's report, on page 29.

BARRIERS TO ENTRY AND DEFENSIVE NATURE OF OUR PORTFOLIO

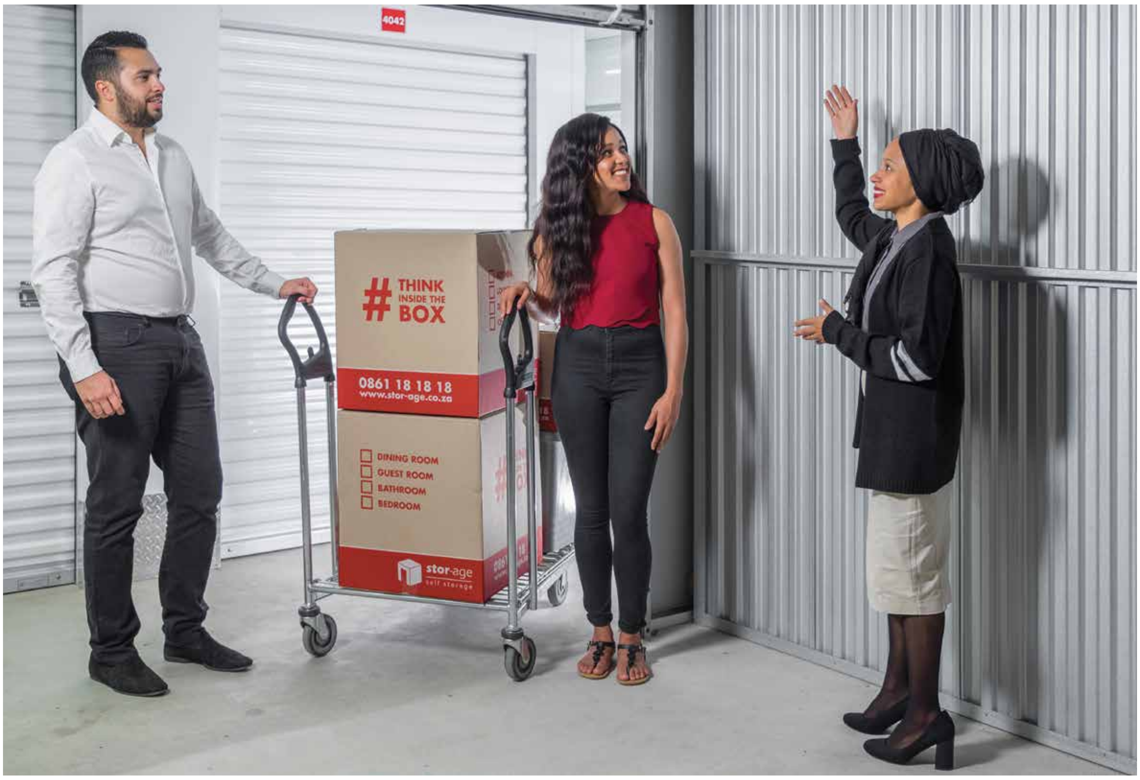
The barriers to new supply in key target nodes are significant. The industry was historically positioned in industrial or urban-edge areas. As a result, there are limited premium grade self storage assets in prime urban and suburban nodes where population density and average household income are key.

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

OUR PROPERTY PORTFOLIO IN SOUTH AFRICA

Our South African portfolio is predominantly purpose built with a national footprint. The 59 properties are split between 49 trading properties and 10 new developments in our pipeline. Our 49 trading properties will offer an estimated 346 000 m² GLA once fully fitted-out. Our pipeline of 10 new properties offers further GLA of 70 000 m² on full build-out.

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



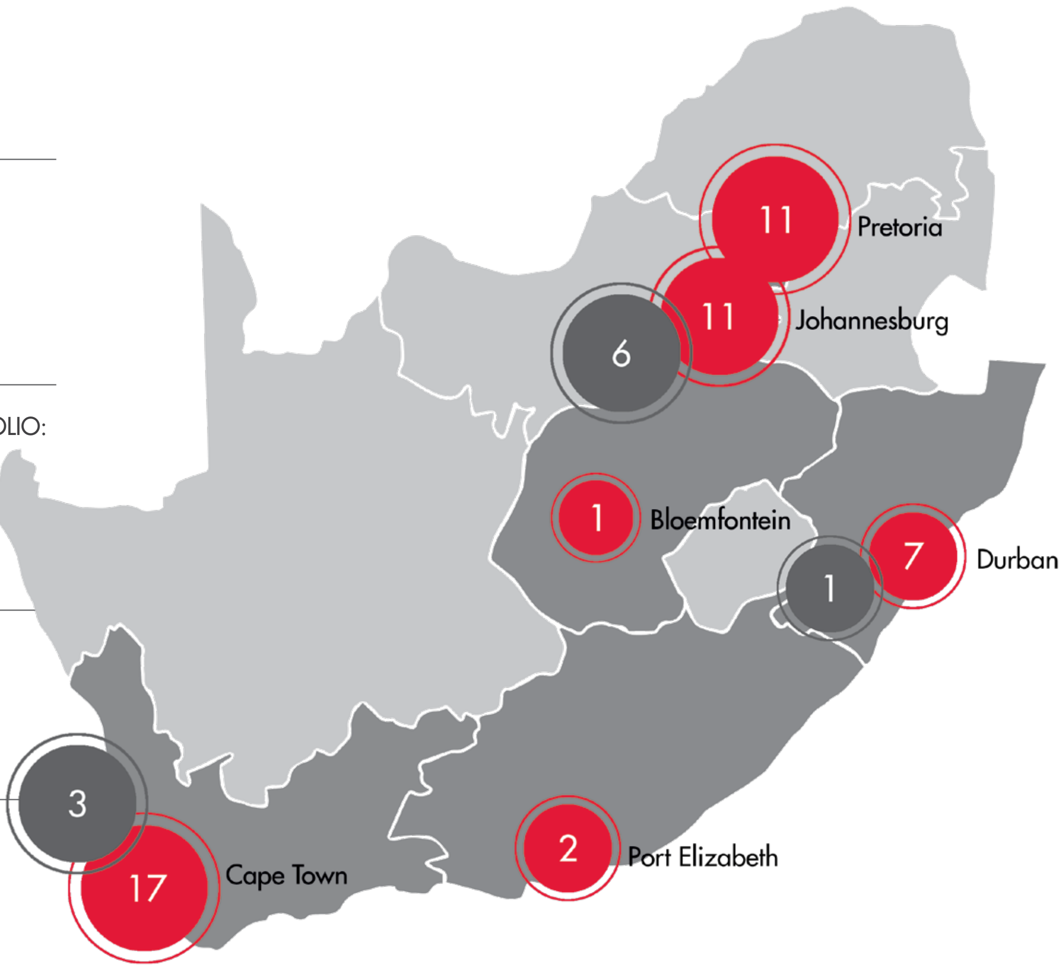
59 Our portfolio of stores is unrivalled in South Africa, and comprises 59 properties across an extensive national network.

TRADING PORTFOLIO:
49 properties
R3.5 billion
348 000 m² GLA
23 500+ tenants

LISTED PORTFOLIO:
36 properties[1]
R2.5 billion
264 000 m² GLA
17 000+ tenants

MANAGED PORTFOLIO:
13 properties
c. R1.050 billion
84 000 m² GLA
6 500+ tenants

PIPELINE:
10 properties
c. R1.0 billion
70 000 m² GLA



Trading Portfolio
Pipeline

MAINTAINING OUR PROPERTIES

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

We have a bespoke, online-based Facilities Management System for store-based employees to log, track and manage all maintenance requests until closed. In conjunction with our store-based employees and area managers, our national facilities manager and city-based regional facilities managers oversee property maintenance with the assistance of dedicated facilities teams in each city.

[1] *Includes All-Store – acquired 6 April 2018*

INTRODUCING STORAGE KING

In November 2017 Stor-Age acquired a 97.3% interest in Storage King, the sixth-largest self storage brand in the United Kingdom.

The acquisition represented an opportunity to acquire a portfolio of well-located properties and a growth platform with well-invested infrastructure and an experienced management team.

The team have considerable industry experience and a track record of demonstrable operational management, improvement and acquisitive growth.

26 Storage King operates 26 well-located properties throughout England.

Overview of Storage King

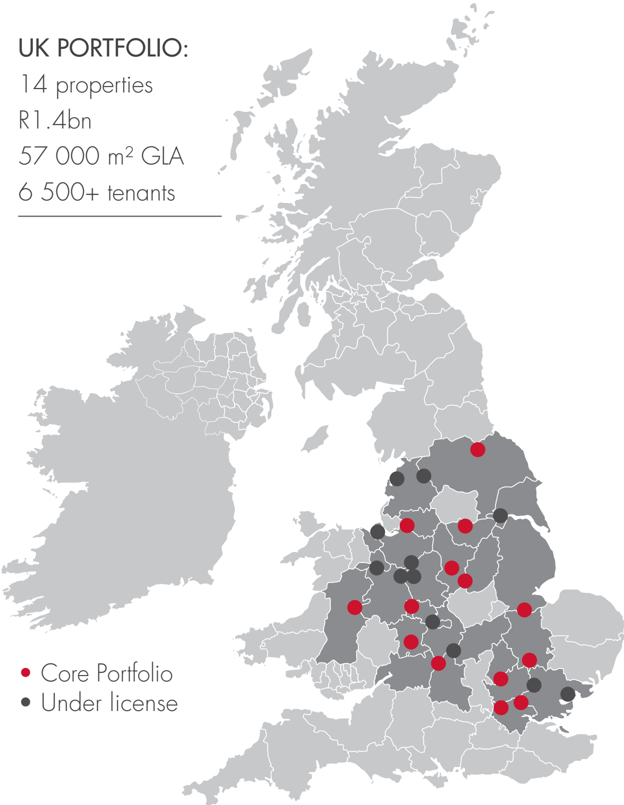
- 6th largest operator in the UK by number of stores
- Owns 14 properties ('Core Portfolio') – nine freehold and five leasehold, with an average 14.5 year unexpired lease-term
- In addition to the Core Portfolio, a further 12 properties trade under license of the Storage King brand, generating license and management fee revenue
- Highly scalable, well-invested infrastructure and experienced management
- Additional upside growth potential – operational cost savings and revenue enhancement
- Well positioned to secure upcoming opportunities via long-established relationships with independent operators

Portfolio overview

- Well located, with a bias towards the South-East and East
- Near key market towns and major arterial roads

GLA	614 000 sqf
Average occupancy	78.2%
Average rental rate	£21.13 per sqf pa
Average store size	44 000 sqf

UK PORTFOLIO:
14 properties
R1.4bn
57 000 m² GLA
6 500+ tenants



Exceptional platform opportunity

- Established management team in place, with significant 'on the ground' experience
- Established operating platform, high quality property portfolio and pipeline of opportunities

The UK market presents a strong growth opportunity.

1 505
Self storage properties, offering approximately 44.6 million sqf of space

76.1%
Occupancy on current lettable space

8.8%
Y-o-Y increase in total space occupied

29 600 sqf
Average size of store

44.6m sqf
Total space available to customers

2.4m sqf
Added in 2017, with 70 new stores added

30%
Properties owned or managed by large operators

48%
The UK holds 48% of total European self storage market

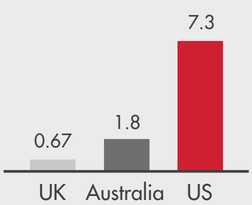
Occupancy and profitability growth indicates demand is growing faster than supply

Source: The Self Storage Association UK annual industry report, 2018

> "The UK self storage industry is well-established and competitive. However when compared to the US and Australian markets, it represents a relatively immature market with significant growth opportunities, supported by attractive sector fundamentals."

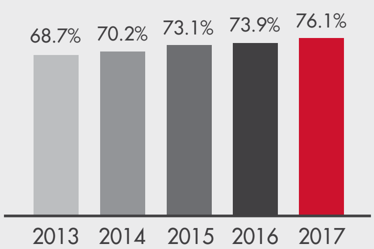
UK industry statistics

AVERAGE SQF OF AVAILABLE SPACE PER PERSON



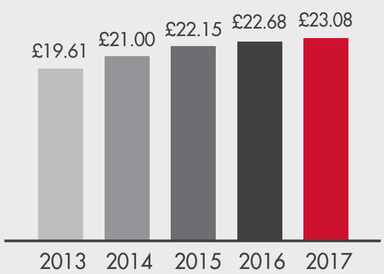
UK supply per capita only a third of Australia

OCCUPANCY RATE ON CURRENT LETTABLE AREA



Occupancy levels (based on the amount of space currently available to customers) continue to increase across the industry

AVERAGE NET ROOM RATE PER YEAR IN POUNDS PER SQF



Average net rental rates for the industry have been slowly but steadily increasing over the past five years, with a 2% increase in 2017

HOW WE DO IT

OUR SOPHISTICATED OPERATIONS PLATFORM

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

Our web-based tenant management system provides real-time information on the operating and financial performance of each property. The system has a unique built-in customer relationship management ("CRM") tool. This tool enables all enquiries to be logged and tracked until closed, with management able to remotely monitor employees' efforts in this process. On average, more than 5 000 enquiries are recorded and followed up every month.

Pricing is dynamic and varies according to unit size, demand, the stage of lease-up, and location. Internal space across all properties can be reconfigured to produce variations of unit sizes in order to meet the demand profile and optimise the revenue streams from the property.

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

1 Systems including processes, controls and responsibilities

- Defined in operating standards across the business to ensure consistency and continuously updated for improvements in operating capability
- Increasing use of technology and automation for continuous improvement and improved efficiency

2 People

- Strategic focus from inception
- Significant emphasis on recruiting the right people and training, developing and managing employees to achieve their highest potential
- E-learning platform, Edu-Space, complements key face-to-face learning programmes
- Incentivise outperformance at all levels

DEVELOPING OUR BRAND STRENGTH

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

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

Given the innate complexity and cost of online sales, our effective and innovative internet technology and digital marketing have enhanced our brand reach across our growing national and local store base, and allow us to spread our marketing costs over a growing platform. This has further raised the barrier to entry to competition.

LEADING SALES, MARKETING AND E-COMMERCE

We create unique touch points for our customers based on their location and which specific online search term is used. This enables us to create a cohesive, previously unavailable, brand experience for our customers.

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

Our interactive and responsive website is continually refined and updated, enabling it to continue to gain traction and encourage web prospects to enter into our 'digital sales funnel' and convert into a sale. More than 80% of total web enquiries originate from smartphones and tablets. Our website is therefore designed to be simple and uncluttered.

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

The innovation has not stopped, and we continue to find different ways of using data analytics to acquire customers, enhance revenue and reduce our operating expenses – while providing a higher-quality experience to our customers.

A new smartphone-driven on-boarding process has been under development for the last six months. This will ensure that our customers receive a consistent user-experience, whether they interact with our brand in store or while browsing the web. It will also assist us to achieve a paperless in-store operating environment.

We have eight full-time employees based at our contact centre to support our sales strategy.

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

> "We have embraced the digital age and regard our online platform (management and tenant) as a key differentiator and increased barrier to competition."

CONTACT CENTRE PERFORMANCE

38 000+
Calls answered

21 000
New enquiries

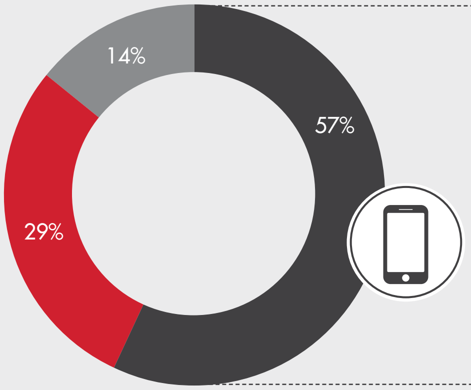
2 800+
Live chats

Social media remains a key marketing and CRM medium for the group. We are mainly active on Facebook (81 800 followers as at 31 March 2018, ranking us as the fourth most followed self storage business in the world) and Twitter, but also on Instagram, Pinterest, LinkedIn, Google Plus and YouTube. Through specific call-to-action buttons, we are able to engage with our customers in real time. Our well-established, active, online brand personality and presence play a crucial role in maintaining Stor-Age as the top-of-mind choice for a space solution.

We further use our social media presence to support community projects, such as the Santa Shoebox Project. Our #6BForMe campaign was launched across different social media platforms during the year to create national awareness of the water crisis facing Cape Town – read more about this from page 26. Refer to the social sustainability section on pages 60 to 68 for more detail on our other corporate social investment initiatives.

HOW WE DO IT (continued)

The Stor-Age website – whether accessed by desktop, tablet or smartphone – accounts for 57% of all enquiries. The telephone accounts for 29% of enquiries as the first point of contact. Walk-in enquiries, where we have had no previous contact with a customer, account for 14%.



Of all website enquiries, 80% are generated from a smartphone or tablet. Overall, whether it is an enquiry or not, 49% of visits to our website are generated from a smartphone.

STOR-AGE ENQUIRIES

• Website • Telephone • Walk-ins

MEASURING CUSTOMER SATISFACTION

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

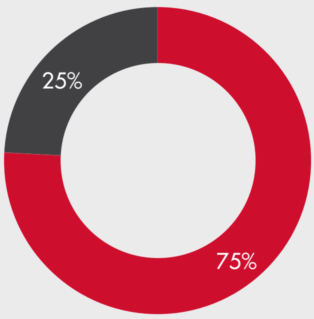
In 2017, we changed our customer satisfaction measurement to NPS to more accurately gauge customer satisfaction. During the year, we received over 3 400 responses. The 'welcome survey' received a response rate above 7.4%, while the 'exit survey' received a response rate of over 19.2%. Our overall NPS for the year was 70. This indicates that our customer-centric approach is 'world class' when compared to global NPS standards and other consumer-facing businesses.

Results and feedback from our customer satisfaction surveys drive our employee learning, development and training programme – read more about this from page 64.

The operational strength and local market knowledge of Storage King's management team will be complemented by our digital marketing and e-commerce expertise.

We have developed a comprehensive marketing strategy for Storage King, to be rolled out in the 2019 financial year. This strategy will include opportunities for the UK business to leverage off our sophisticated and leading operations platform.

OUR CUSTOMERS BY NUMBER



• Residential
• Commercial

OUR PEOPLE

Stor-Age has a flat operational structure that recognises that our store-based teams are pivotal to achieving our strategic objectives, including driving occupancy, revenue and cash flow growth in the portfolio. To foster a partnership culture within the business, management spends significant time at the properties and is accessible to all employees.

Our learning, development and training programme, delivered online and in person, develops core and soft skills to promote individual advancement. Our performance management system supports this through regular appraisals and feedback sessions.

Our investment in a leading e-learning platform in 2017 (Edu-Space) has provided additional benefits to the business, such as increased flexibility, efficiency and productivity, as well as reduced costs. Our e-learning framework is outlined below:

26
In-house courses designed in 2018

947
Hours of online training completed in 2018

E-LEARNING FRAMEWORK

HOW WE DO IT (continued)

ENSURING SECURE STORAGE

We aim to provide the ultimate in secure storage. This includes ensuring our customers' peace of mind when it comes to their personal security and the security of their possessions.

As part of our security measures, we perform weekly manual padlock counts for every unit at each store nationwide. This count is then reconciled to our customer records to ensure accuracy and identify any security issues that may arise.

Driven by our commitment to Excellence, we identified the opportunity to enhance this manual process during the year. We subsequently launched our new automated Digital Padlock Reconciliation – a digitised process that automatically reconciles to the operating system. This digital recon is performed on tablets by our store-based operations employees. An additional feature enables senior management visiting our stores to perform synchronised counts that overlap with existing reports. This ensures transparency and accuracy of results. In addition, the system significantly boosts employee efficiency.

Since the Digital Padlock Reconciliation has been rolled out, there have been more than 1 600 counts performed for just under 819 000 units.

Access to our storage facilities is automated and requires personal verification. Strategically located cameras provide CCTV surveillance, which is bolstered by alarm systems and electrified perimeter fencing, as well as infrared beams at certain facilities.

ENHANCING OUR CYBER SECURITY

In response to the global increase of ransomware and other cyber security attacks, we continue to enhance our layered network security systems to strengthen defences.

We have partnered with reputable, specialist service providers to ensure continued cyber security measures are maintained at the highest level. Together with a cloud-based approach for essential services, our information communication and technology objectives of avoiding redundancy, enhancing security and ensuring continuity, remain strategic priorities.

Our external and internal users are continuously monitored to ensure the most effective use of resources and to limit opportunities to breach the company's cyber defences. Our cyber security strategy, suppliers and network design are reviewed regularly to stay abreast of leading best practice and remain relevant in the use of technology.

OUR GROWTH STRATEGY

OUR GROWTH STRATEGY FOR THE SOUTH AFRICAN MARKET

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

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

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

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

managing financial risk through prudent capital management policies

The strategy seeks to maintain Stor-Age's position as the leading and largest self storage property fund and brand in South Africa:

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

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

Based on our research, we believe there is sufficient demand to develop a 60+ property portfolio across South Africa's major cities as part of our current five-year plan.

OUR GROWTH STRATEGY (continued)

OUR GROWTH STRATEGY FOR THE UK MARKET

Our business plan for Storage King is guided by our strategic and long-term focus on growing and optimally positioning our UK property portfolio.

Post-acquisition, we focused on key high-impact foundational areas to position Storage King optimally for future growth. This included identifying Stor-Age head office support services for full integration into the Storage King platform. In addition to the property strategy outlined below, we also developed and implemented a marketing strategy to boost Storage King's online visibility and drive the optimisation and reach of all marketing initiatives.

In the medium term, we have aligned our strategy for the UK market with our current five-year growth plan ending in 2020. The strategy seeks to grow the portfolio through a combination of acquiring existing self storage properties, and developing new properties in key target areas. We have identified a growth target of three to five properties per annum.

Key features of the growth plan include:

Acquiring existing self storage properties that meet Storage King's acquisition criteria:

- Good locations in strategic and regional cities
- Within/close to attractive urban or suburban nodes
- Ideally within/close to a retail corridor
- Ideally located with main road frontage to passing traffic
- 50+ independents identified
- Minimum requirements targeted
  - 30 000+ sqf maximum lettable area (MLA)
  - 75 000+ population, 20 minute drive time

Developing investment grade self storage properties in prominent, visible, convenient and accessible locations:

- Key locations in strategic and regional cities
- Big Box (greenfield) – high density retail or commercial type nodes, within attractive urban/suburban areas and with main road frontage to passing traffic (typically multi-storey, three+ floors)
- Conversions (brownfield) – conversion of existing buildings in retail or commercial type nodes in close proximity to dense urban areas
- Minimum requirements targeted
  - 45 000+ sqf MLA
  - 100 000+ population, 20 minute drive time

LEASEHOLD OWNERSHIP

Storage King maintains a flexible approach to leasehold and freehold property ownership, which enables it to grow the business, secure prime locations and position the portfolio optimally.

While Storage King's approach to leasehold property valuation is based conservatively on future cash flows until the next contractual lease renewal date, it has a demonstrable track record of successfully re-gearing leases several years before renewal. Storage King benefits from the Landlord and Tenant Act, which protects its right of renewal except in the case of redevelopment.

In addition, the vast majority of Storage King's leasehold properties are located in retail parks and/or have building characteristics that make their current usage either the optimal or best use of the property.

Furthermore, as property investors, Storage King's landlords value the quality of Storage King as a tenant and often extend the length of the leases in their portfolios. This enables Storage King to maintain favourable terms.

Ultimately, maintaining a flexible approach to leasehold ownership as part of a broader portfolio assembly strategy has allowed Storage King to operate from properties that would have been unavailable otherwise.

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

CASE STUDY: #6BFORME – GETTING INVOLVED, MAKING A DIFFERENCE

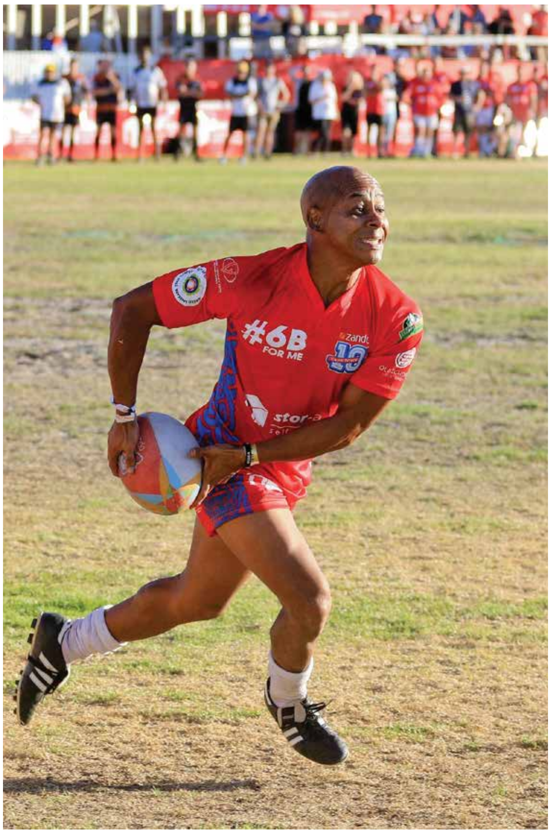
Severe drought in the Western Cape has the City of Cape Town in the grip of a water crisis. Level 6B water restrictions came into effect on 1 February 2018, with residents allocated a mere 50 litres of water per person per day.

As the leading self storage company in South Africa, Stor-Age decided to take action and get involved. With our national footprint, significant digital and marketing capability, and strong presence in South Africa's four key metropoles, we were in the perfect position to make a difference.

We launched an initiative called #6BForMe in February. The goal was simple, yet effective:

#6BForMe: Leverage our strong online presence to create awareness of the water restrictions	Set up water collection points at Stor-Age properties nationwide
#6BForMe: Urge South Africans around the country to ask, "How can I help?" – and to get involved and donate store-bought, sealed water	Leverage the group's distribution network to deliver water throughout the province – this was done in partnership with Logistics Solutions and the City of Cape Town to ensure the water reached those most in need

Once we developed the idea, we needed to make it heard.



We partnered with the Cape Town 10's Tournament – one of the biggest ten-a-side rugby tournaments in the world and one of South Africa's foremost sport and lifestyle events. This provided the perfect platform to launch the #6BForMe campaign.

The tournament was hosted over the first weekend of February, which coincided with the level 6B restrictions coming into effect. We could therefore bring the campaign to a wide audience. We included brand ambassadors and local sporting celebrities to promote the campaign and drive awareness and action.

The campaign was:

- Broadcast on national radio and television
- Publicised in print and on social media
- Advertised across various digital media platforms

> "The extensive press coverage spurred South Africans across the country to take action and donate water at one of our many stores. Over 10 000 litres of water was collected and delivered to the City of Cape Town."

WHAT THIS CAMPAIGN MEANT FOR STOR-AGE:

- This campaign created an opportunity to showcase our properties to existing and potential customers – while alleviating the pressure of the drought.
- #6BForMe generated a feel-good, positive awareness of our brand. Members of the public were also directed to the dedicated #6BForMe website (www.6bforme.com), which increased brand awareness – while being informative (10 000+ page visits).
- Collaboration with strategic partners, such as Logistics Solutions, ensured we managed costs – while driving impact.
- We estimate this campaign delivered R1m+ in public relations' value for the group – while supporting our communities.

BRINGING OUR CORE VALUES TO LIFE

We believe in striving for excellence in everything we do – in our thoughts, our decision making, and our actions.
#6BForMe was the outcome of purposeful collaboration and teamwork – testament to the passion and dedication of our employees.

We believe that every action taken today will have a direct impact on the actions we can take tomorrow.
#6BForMe created public awareness about how to conserve water in the face of water scarcity. It also created brand awareness and generated financial returns for our business. This success contributes to our long-term sustainability – and to our ability to support communities now and into the future.

We aim to be relevant in everything that we do.
The campaign gave us the opportunity to be active in our communities, and to make a difference in the lives of people affected by the drought. #6BForMe created awareness of a crisis relevant to everyone living in the City of Cape Town and South Africa.

We feel strongly about doing the right thing, first time, all the time.
The campaign was the result of mutual concern about the impact the water crisis could have on our communities, customers and country. In response, we took quick action to rally people behind the crisis.

OUR PERFORMANCE

CEO'S REPORT

FINANCIAL REVIEW

OUR PERFORMANCE

CEO'S REPORT

A highly specialised, income-paying self storage REIT, Stor-Age delivered another set of excellent results through the disciplined execution of our five-year strategy, which included high-quality acquisitions and attractive dividend growth.

Growth in the local portfolio over the past 12 months was significant and in line with our strategy to cement our position within the four major South African metropoles.

Our acquisition of Unit Self Storage in Cape Town and StorTown in Durban during the year provided additional scale from a balance sheet and trading perspective, while the acquisition of Storage King marked a strategic entry point and platform growth opportunity in a growing first world market.

> “We remain sector leaders in South Africa, offering an exceptional property portfolio that is unmatched in value, lettable area, number of tenants, location and geographic footprint.”

OUR PERFORMANCE

Our total shareholder distribution of R286 million translated into a dividend per share of 97.83 cents. This represents 11.1% growth compared to 88.01 cents in the prior period. Distribution growth was driven by like-for-like growth in rental income and net property operating income of 10.6% and 9.9% respectively. In addition, the acquisition of Storage King and the associated capital raise positively contributed to distribution growth.

Self storage remains a needs-driven product and an asset class with highly defensive characteristics. This is evidenced by the level of enquiries we continue to receive, reflecting demand for the product and the quality and resilience of our brand and property portfolio.

Never satisfied, we continuously seek to improve the operating standards across our portfolio. The shift to using NPS to measure customer satisfaction aligns us with a global standard against which we can benchmark customer loyalty and our standards of customer service with leading consumer-facing companies around the world. Customer service feedback further informs our training and operating standards, and supports our culture of striving for Excellence and exceeding expectations in everything we do.

GROWING OUR PROPERTY PORTFOLIO

Stor-Age seeks investment opportunities where we can achieve strong market penetration, leverage and further benefit from our economies of scale, enjoy limited competition, and produce high operating margins.

Our property growth strategy, while aggressive in its targets, is tempered with a commitment to high-quality self storage assets. We believe that by focusing on assembling a portfolio at the quality end of the spectrum, we will not compromise the sustainability of our business by chasing short-term growth targets.

Our current five-year growth plan, now in its third year, sets broad targets to 2020. More importantly, it details how and where we intend to execute high-quality acquisitions and new developments to further grow our asset base. This includes highly strategic planning and execution at both the macro and micro level.

SOUTH AFRICA

In South Africa, we are growing our property portfolio by acquiring existing self storage properties from third parties and incorporating them directly into Stor-Age, and by developing new self storage properties in prime locations. Driven by the trail of acquisitions during the year, our investment property increased by 87% to R3.85 billion.

In addition to a well-established tenant base and trading history, the acquisition of Unit Self Storage added an additional 5 400 m² of complementary GLA to the group's existing portfolio. All-Store Self Storage represented a similar acquisition opportunity in the Cape Town self storage market, adding an additional 5 500 m² GLA after year end in April 2018.

CEO'S REPORT (continued)

The acquisition of StorTown presented a strategic opportunity to grow and strengthen our offering in Durban, one of our four key target cities. We acquired a portfolio of four properties, comprising 22 400 m^2 GLA, which boast a broad geographical store offering.

There is significant opportunity in the South African market to develop high-profile properties in prime locations. However, self storage development is speculative by nature, with significant risk and cost attributable to the lengthy lease-up period until properties reach a stage of maturity. The current development of these properties within Stor-Age would therefore be dilutionary and negatively impact the group's distribution growth profile.

To mitigate this risk in the medium term and still enable us to take timeous advantage of growth opportunities within the sector, we entered into agreements with Stor-Age Property Holdings Proprietary Limited for the development of self storage properties in Bryanston and Craighall during the year. These agreements are managed in terms of a development and acquisition structure known as a Certificate of Practical Completion (CPC). This structure results in the risk and reward of ownership effectively passing to Stor-Age on "practical" completion of the development.

> "Together, these acquisitions have enlarged our high-quality and defensive portfolio of prime self storage properties in South Africa, and will contribute to creating and sustaining attractive long-term returns for our shareholders."

The CPC structure is rooted in the United States' self storage REIT "Certificate of Occupancy" deals, for which there is recent and favourable international precedent. The CPC structure reduces the development and lease-up risk for Stor-Age and provides an opportunity to develop high-profile properties in prime locations. In addition, the CPC is subject to strict independent and regulatory controls.

Ultimately, in the long-term once sufficient balance sheet scale is in place, it remains the intention of Stor-Age to assume the full development and lease-up risk for new properties.

In the interim, the CPC structure allows us to remain on track with our five-year growth strategy, further enabling us to extend our position of market leadership in South Africa.

INTERNATIONAL

Sector specialists

While each market has its own local nuances, self storage displays homogenous product characteristics across developed and developing world markets.

Since the inception of our business over a decade ago, we have spent significant time in more mature first world self storage markets, primarily the US, UK and Australia. Our primary motivation was to establish ourselves as true sector specialists and fast track our sector knowledge to capitalise on local market opportunities. As an additional benefit, we gained valuable country-specific sector insights, and established significant relationships and networks with publicly-traded and privately-operated peers.

In the instance of the UK, our relationship with key members of Storage King's senior management team dates back to 2008. As a result of this established network, the acquisition was negotiated off-market allowing for efficient due diligence.

Technology as an enabler and the trends shaping our business

At its core, self storage is a real estate business with an operational overlay that benefits from country-specific scale and the relative strength of its brand. Despite this, it primarily remains a micro-market, micro-managed and localised business trading in a defined catchment area. As evidence of this, the 2018 Self Storage Association UK Annual Industry Report found that 68% of customers travel 20 minutes or less to their self storage property.

The lifeblood of a self storage business is enquiry generation, which was traditionally generated by how visible properties were to potential users. Visibility remains critical, however a strong online presence, a contemporary web user-experience, and a highly effective multi-channel online sales platform are as important these days, if not more so.

Stor-Age enjoys significant online visibility on Google and benefits from being one of the most actively followed self storage businesses on Facebook in the world. Our ability to harness the global omnipresence of platforms such as these demonstrates the strength of our in-house digital marketing capability. This capability is also a skill set with a niche sector-specific overlay that is seamlessly transportable across borders, and remains a significant strength regardless of where we operate.

> "As true sector specialists, we've identified the opportunity to leverage modern-day technology and the increasing importance of online capability to unlock value for shareholders."

Beyond this, the current rate and pace of technological change and innovation in society is immense. As a result, how we conduct and manage our business is in a state of perpetual change, and we invest significant time and resources to ensure we are appropriately positioned.

Combined with shifting consumer and societal trends, technology is undoubtedly having an impact on the built environment. This will accelerate over the medium to long term; there is little doubt that trends in artificial intelligence, machine learning, big data and augmented reality among others will impact our sector in the years to come. Understanding these trends and their implications will ensure we are well positioned to capitalise on new opportunities as they present themselves.

While aware of the strategic need for forward looking ideas and innovative thinking, we also recognise the importance of remaining focused on the disciplined execution of our strategy to create value for shareholders, now and into the future.

CEO'S REPORT (continued)

"In line with this localised approach, we will continue to trade as Storage King over the medium term as we seek to leverage local market knowledge and complement in-place management skills with a range of corporate support services."

UK market opportunity and strategy

Storage King in the UK offers scale, track record, a high quality property portfolio and a skilled and experienced operational management team.

While the UK offers attractive underlying levels of earnings growth, it remains a highly competitive market that is further impacted by the economic uncertainty created by Brexit.

To mitigate these risks we deliberately pursued a market entry opportunity with a local in-place management team with a demonstrable track record of excellent operational performance. In addition, we structured the transaction so the existing management team remained in place post-acquisition. The management team co-invested on the same terms as Stor-Age for an effective 2.6% equity interest in the UK business. This was achieved by reinvesting a significant portion of their "management carry" from the previous owners' exit.

Disciplined and intelligent execution of key strategic objectives continues to underpin the integration of the two business platforms. Working together with the UK management team, we first sought to understand the current business practices and culture before formulating a localised business plan – this plan is unpacked in more detail from page 24 of this report.

This approach safeguards our ability to achieve attractive results and deliver sustainable growth for our shareholders over the short, medium and long term.

Ultimately, our business strategy is led by our property strategy. Accordingly, we began drafting the property growth strategy for the UK upon the acquisition being made effective. This strategy aligns with our current five-year strategy, and while detailed at a geographic and property level, it will also enable us to be opportunistic and nimble in our execution.

Most importantly, Storage King has critical mass and established, scalable operations, along with a high-calibre and vastly experienced self storage operations management team. The business offers a pipeline of opportunities and an attractive level of underlying earnings growth through rental rate and occupancy increases year on year.

Going forward, we are confident the shared niche focus on self storage, in-place country-specific experience and local sector knowledge, as well as our complementary operational and management synergies, will enable us to extract maximum growth from the UK platform. We will achieve this while continuing to deliver sustainable and attractive risk-adjusted earnings growth in the medium term.

OUR PEOPLE

Backed by the strength of our brand and sophisticated operational platform, our employees are fundamental to and drive the ongoing growth and success of Stor-Age. We are fortunate to have an exceptional team of dedicated, high-calibre people who work to build on the legacy of the family business that lies at the heart of our company. Our flat, non-hierarchical structure, with fully accessible management, endeavours to reward everyone for their contribution to the growth and success of our business.

In line with our Core Value of Excellence, we set our standards exceptionally high across the business. In pursuit of Excellence, ongoing training, learning and development are at the heart of our culture.

To better understand our culture, we conduct two anonymous employee surveys each year. I am pleased to report that in the current year, more than 95% of our employees indicated they are proud to be part of the Stor-Age team.

OUTLOOK

Looking back on Stor-Age's progress since its listing, we are pleased and proud of what we have achieved – particularly in a tough and unpredictable domestic environment.

The move into a growing, first-world self storage market represents a major strategic milestone for the business. We are defensively positioned across an emerging and first-world market, and our ability to take advantage of our relative market position is enhanced by the fact that we have established ourselves as dynamic sector specialists.

While there are undoubtedly challenges to be faced, we have the benefit of operating in a growth sector, a core product that continues to display its recession resilience, and a healthy, conservatively geared and hedged balance sheet. Stor-Age is well positioned to continue growing and delivering attractive returns sustainably.

Gavin Lucas
CEO
11 June 2018

FINANCIAL REVIEW

The results for the year include the trading results for the full 12 months of Storage RSA and Unit Self Storage, while StorTown and Storage King have been included for part periods from their respective acquisition dates.

FINANCIAL RESULTS

Revenue and earnings show significant increases from the previous year reflecting both organic growth and the impact of acquisitions. The total dividend for the year is 97.83 cents per share, an increase of 11.1% year-on-year. The group continued to deliver real gains in rental rates and occupancy driving sustainable earnings growth in a challenging economic environment.

The table below sets out the group's underlying operating performance of the like-for-like portfolio as well as of acquisitions for a more meaningful overview.

	31 March 2018				31 March 2017			% change	
	SA Like-for-like R'000	SA acquisitions R'000	Storage King R'000	Total R'000	SA Like-for-like R'000	SA acquisitions R'000	Total R'000	SA Like-for-like	Total
Property revenue	177 824	63 575	68 778	310 177	162 920	3 743	166 663	9.1%	86.1%
Rental income	171 525	62 132	61 702	295 359	155 128	3 673	158 801	10.6%	86.0%
Ancillary income	5 299	1 443	7 076	13 818	4 792	70	4 862	10.6%	184.2%
Licence fees	1 000	–	–	1 000	3 000	–	3 000	(66.7%)	(66.7%)
Direct operating costs	(39 895)	(13 308)	(23 714)	(76 917)	(37 404)	(944)	(38 348)	6.7%	100.6%
Net property operating income	137 929	50 267	45 064	233 260	125 516	2 799	128 315	9.9%	81.8%

Like-for-like reflects the same store portfolio trading for a full 12-month period in both the 2017 and 2018 financial years SA acquisitions include Storage RSA, Unit Self Storage and StorTown

> Property revenue increased by 86.1% to R310.2 million and like-for-like rental income increased by 10.6%.

Rental income for the year was R295.4 million (2017: R158.8 million), an 86.0% increase on the prior year. On a like-for-like basis (i.e. excluding acquisitions) rental income increased by 10.6% from R155.1 million to R171.5 million, driven by a 1.8% increase in average occupancy levels and an 8.8% increase in the average rental rate.

Total occupancy in the South African portfolio grew by 27 200 m² over the year (organically 4 700 m²; Unit Self Storage and StorTown acquisitions 22 500 m²). The closing rental rate was R91.6/m². Excluding acquisitions in the year, the closing rental rate increased by 9.2%, reflecting our balanced approach to revenue management and occupancy growth.

The overall trading performance of Storage RSA (acquired on 28 February 2017) was in line with expectations. The integration of the business onto the Stor-Age operating platform has been largely completed.

Other income comprises licence fee income relating to the opening of new stores in the unlisted Managed Portfolio and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income. Licence fee income of R1.0 million relates to the opening of the Randburg property in the unlisted Managed Portfolio in July 2017 (in the prior year, three new stores opened in this portfolio resulting

in licence fee income of R3.0 million). Ancillary income of R13.8 million (2017: R4.9 million) reflects the positive contribution of acquisitions. On a like-for-like basis, ancillary income increased by 10.6%.

Direct operating costs comprise mainly store-based staff salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level. These costs are generally 'embedded' or of a fixed nature and, in the like-for-like portfolio, the weightings of the various components of the cost base were broadly consistent with the prior year. The increase in direct operating costs to R76.9 million (2017: R38.3 million) reflects the impact of acquisitions. The 6.7% increase in like-for-like operating costs is broadly in line with inflationary growth.

Net property operating income of R233.3 million (2017: R128.3 million) reflects both organic growth and the benefit of acquisitions. On a like-for-like basis, excluding acquisitions and licence fee income (considered non-recurring in nature), net property operating income increased by 11.8%. Stor-Age's increased scale and revenue growth, as well as a disciplined approach to cost management, translates into real earnings growth.

Storage King contributed R45.1 million to net property operating income. On an overall basis, earnings were materially in line with the forecasts set out in the September 2017 circular relating to the acquisition. Year-on-year net self storage rental income increased by 9.0%, including organic like-for-like growth of 6.2%, supported by a closing occupancy of 78.2% and rental rate of £21.13 per square foot at year end, marginally lower than at the acquisition date. The UK self storage industry experiences a higher degree of seasonality compared to the South African market, which sees a traditionally slower trading period in the winter months. Excluding the acquisition of the Crewe property, occupancy grew organically by 900 m² over the year to March 2018.

Management fees comprise property and asset management fees charged on the unlisted Managed Portfolio and development fees on properties being developed under the CPC structure. The management fees from the unlisted Managed Portfolio increased given the three new stores that commenced trading end-2016, the opening of Randburg in July 2017 and higher occupancy levels which drove higher revenue. In addition the CPC structure resulted in development fees of R3.9 million. Read more about the CPC structure from page 30.

Administrative expenses relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration. The increase in administrative expenses from R25.0 million to R36.9 million relates mainly to the Storage King acquisition and the full year support function costs for Storage RSA. Excluding the Storage King acquisition, administrative expenses increased by 18.7%, which is partly attributable to the underlying growth in the business, a greater investment in technology, centralisation and automation, and the employment of additional staff.

FINANCIAL REVIEW (continued)

Interest income comprises interest received on the share purchase scheme loans (R10.6 million), cross currency interest rate swaps (R10.6 million) and call and money market accounts (R2.4 million). The increase in interest income from R13.0 million to R23.6 million relates mainly to the cross currency interest rate swaps entered into in November 2017 in respect of the Storage King transaction.

Interest expense comprises mainly interest on bank borrowings and the increase is due to higher average debt levels during the year and the GBP-denominated debt arising from the Storage King acquisition. Further details of bank borrowings are set out in Capital Structure below.

Profit for the year of R587.2 million includes a fair value adjustment to derivative financial instruments of R178.5 million (2017: R1.8 million expense), comprising a realised gain of R56.3 million on a forward exchange contract relating to the Storage King acquisition and unrealised mark-to-market gains of R122.2 million relating to forward exchange contracts, interest rate swaps and cross currency interest rate swaps.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to enable the group to expand the portfolio and achieve our strategic growth objectives.

The group currently has South African loan facilities of R995.0 million available. The respective maturities of the various facilities range from December 2019 to November 2022 and accrue interest at an average margin of 1.29% below prime. Further details are set out in note 14 of the annual financial statements.

Details of the group's borrowings are summarised below:

	SA R million	UK R million	Total R million
Total debt facilities	995.0	406.0	1 401.0
Undrawn debt facilities	642.4	–	642.4
Gross debt	352.6	406.0	758.6
Net debt	227.5	392.2	619.7
Investment property[1]	2 490	1 363	3 853
Subject to fixed rates			
– Amount	250.0	369.1	619.1
– % hedged on gross debt	70.9%	90.9%	81.6%
– % hedged on net debt	109.9%	94.1%	99.9%
Effective interest rate	9.10%	4.32%	6.54%
Gearing (LTV ratio)[2]	9.1%	28.8%	16.1%

[1] *Investment property reflected as gross investment property of R4 034 million less finance lease obligations relating to leasehold investment property of R181 million*

[2] *LTV ratio defined as the ratio of net debt as a percentage of investment property (net of finance lease obligations relating to leasehold investment property)*

The acquisition of Storage King was structured with a £25.0 million LIBOR-linked facility. The facility has a five-year term and 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. The balance at 31 March 2018 was £24.5 million (R406.0 million).

The interest rate risk on the loan is hedged at 90% of the gross debt, in line with the amortisation profile, with underlying LIBOR fixed at 1.051%.

At 31 March 2018, Stor-Age's total gross borrowings amounted to R758.6 million (2017: R256.2 million) with 82% (2017: 78%) subject to fixed rates, and total undrawn borrowing facilities of R642.4 million (2017: R393.8 million). On a net debt basis 100% of borrowings were subject to fixed rates (2017: 82%).

The effective interest rate at 31 March 2018 was 6.54% (2017: 9.36%).

In October 2017 the group raised R1.276 billion of equity capital in an oversubscribed book-build to fund the Storage King and StorTown transactions. Stor-Age also conserved R116 million cash under the Dividend Reinvestment Programme.

The conservative capital structure reflected net debt of R619.7 million at 31 March 2018 (2017: R244.6 million) and a gearing ratio (LTV) of 16.1% (2017: 11.9%).

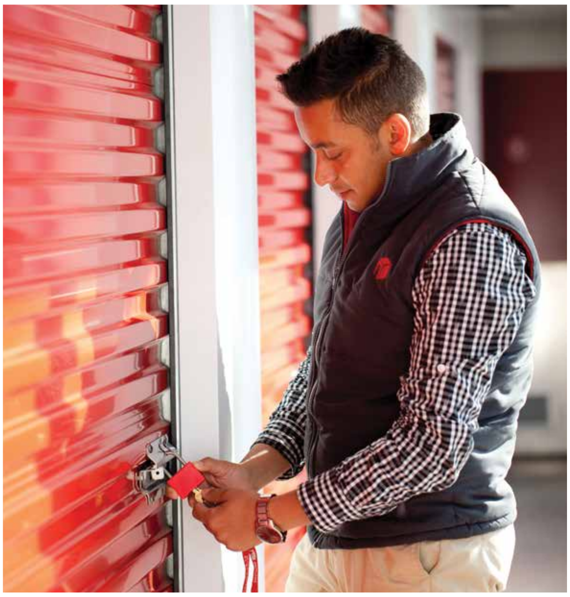
Net asset value (net of minority interest) per share was R11.49 (2017: R10.70) and net tangible asset value per share (net of minority interest) was R11.01 (2017: R10.21).

INVESTMENT PROPERTIES

Investment property increased from R2.050 billion at 31 March 2017 to R3.853 billion at year end. The increase related mainly to the acquisitions of Storage King (R1.711 billion), StorTown (R145 million) and Unit Self Storage (R42 million). The fair value adjustment to investment properties was R203 million.

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 board, using the same methodology applied by the external valuers.

Further details on the basis of valuation are set out in note 3 of the annual financial statements and a summary of the portfolio is set out on pages 162 to 163.



ACCOUNTABILITY AND SUSTAINABILITY

ACCOUNTABILITY AND SUSTAINABILITY

CORPORATE GOVERNANCE

Stor-Age is committed to sound ethical standards and the principles of good corporate governance.

The board is ultimately responsible for guiding our strategy and for approving policies and practices that ensure we conduct business according to the company's Core Values of Excellence, Sustainability, Relevance and Integrity. It does this within an appropriate framework of governance and oversight to ensure stakeholder interests are safeguarded.

BOARD FOCUS AREAS FOR THE PAST FINANCIAL YEAR

Board focus areas	Actions undertaken by the board
Transformation	The board invested resources to better understand the newly legislated Property Sector Code, and subsequently developed a three-year Transformation Plan to guide its transformation objectives. The board appointed a transformation committee that comprises senior and middle management to oversee implementation of the plan.
Diversity	The board ran a recruitment process to appoint two new female members to the board.
International expansion	The board appointed Investec Corporate Finance to advise on the group's move into the UK market.
Disciplined execution of the five year strategy to 2020	The board oversaw the continued execution of the group's property growth strategy. This includes researching and formulating a medium-term property growth strategy for the UK market as well as initiating discussions with the senior management team to begin formulating its thinking towards 2025.

FROM KING III TO KING IV™

We implemented King IV™ after thorough consideration of the recommended practices. As a relatively young and growing business, we endeavour to evolve our corporate governance practices, policies and procedures in tandem with our business, taking guidance from the recommended practices outlined in King IV™.

Our application of King IV™ is set out in a separate document available on our website – investor-relations.stor-age.co.za.

This document provides high-level references to our disclosures per principle (including non-compliance, where relevant).

Overall, the board is satisfied with the application of the principles and believes that it effectively discharges its responsibilities to achieve the good governance outcomes of an ethical culture, good performance, effective control and legitimacy with stakeholders.

CORPORATE GOVERNANCE (continued)

GOVERNANCE STRUCTURE

The board is ultimately fully responsible for the strategic direction, control and management of the company and is satisfied that it has fulfilled its responsibilities according to its charter for the year. To assist it in fulfilling these responsibilities, the board has appointed subcommittees.

BOARD

Gavin Lucas (CEO)
Stephen Lucas (FD)
Steven Horton (Executive Director)
Paul Theodosiou** (Chairman)
Gareth Fox**
Sello Moloko**
Graham Blackshaw*
Kelly de Kock**^
Phakama Mbikwana**^

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE	INVESTMENT COMMITTEE
See full report on pages 48 to 51	See full report on pages 52 to 57	See full report on page 58 to 59	See full report on page 59
MEMBERS	**MEMBERS**	**MEMBERS**	**MEMBERS**
Gareth Fox** (Chair) Sello Moloko** Paul Theodosiou**	Gareth Fox** (Chair) Stephen Lucas[1] Paul Theodosiou**	Graham Blackshaw* (Chair) Gavin Lucas Sello Moloko** Phakama Mbikwana**^	Paul Theodosiou** (Chair) Graham Blackshaw* Steven Horton Gavin Lucas
By invitation	**By invitation**	**By invitation**	**By invitation**
Gavin Lucas Stephen Lucas Kelly de Kock**^ Representatives of the external auditors	Gavin Lucas	Stephen Lucas	Stephen Lucas
Roles and responsibilities			
Assists in overseeing integrated annual reporting and ensuring the financial integrity of the annual financial statements and other financial reports. This includes oversight of external audit, assurance and the effectiveness of the finance function	Ensures adoption of a fair and transparent remuneration policy	Monitors compliance with the company's social and ethical responsibilities, including social and economic development, labour and employment, the environment, stakeholder engagement and good corporate citizenship	Assists with decision-making regarding the acquisition, development or disposal of property assets
Focus areas during the year			
Implementation and adherence to King IV™	Conducted a salary benchmarking exercise	Research and formulate the Transformation Plan	Local market acquisitions and developments; international expansion and structuring
Independent non-executive directors			
4/4	2/3	2/4	1/4

*Non-executive director | ** Independent non-executive directors | ^ Effective 2 May 2018*

[1] *Replaced by Kelly de Kock effective 1 August 2018*

For more information on the qualifications and experience of subcommittee members, refer to page 43.

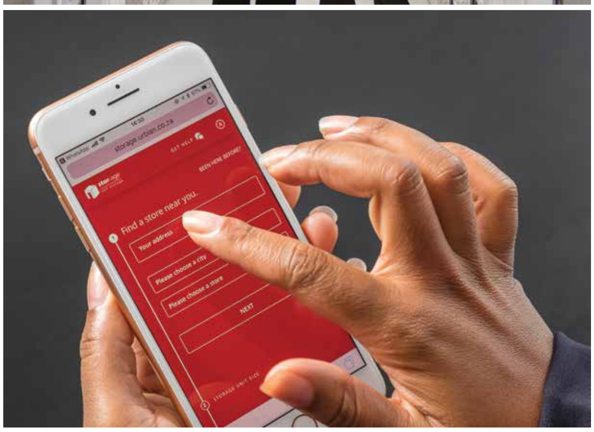
The board exercises control through a governance framework. This includes reviewing detailed reports presented to it and its subcommittees, and oversight of our continuously updated risk management programme to ensure effective management and control of the risks facing the business. The board and subcommittee structure is supported by appropriate internal governance practices and procedures. These promote an efficient, objective and independent decision-making culture that considers the interests of all stakeholders.

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

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

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

- The CEO is responsible and accountable for the overall operations of the group and implementation of the strategy and objectives adopted by the board.
- The CEO's notice period is two months and there are no contractual conditions related to the CEO's termination. The CEO has no other professional commitments outside of Stor-Age.
- The independent chairman is responsible for ensuring proper governance of the board and its subcommittees, ensuring that the interests of all stakeholders are protected, and facilitating constructive engagement between the executives and the board. The chairman does not chair any other listed company.



CORPORATE GOVERNANCE (continued)

BOARD AND SUBCOMMITTEE MEETINGS

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

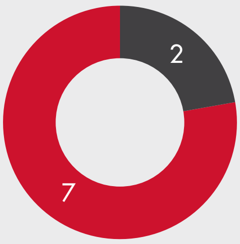
Director	Status	Sub-committees	Meetings attended	Meetings eligible	% attendance	Board	Audit and risk committee	Social and ethics committee	Investment committee	Remuneration committee
Paul Theodosiou** (Chairman)	N-E	ARC; RC; IC	14	14	100%	5	3	n/a	5	1
Graham Blackshaw*	N-E	IC; SEC	12	12	100%	5	n/a	2	5	n/a
Gareth Fox**	N-E	ARC; RC	7	9	78%	4	3	n/a	n/a	1
Sello Moloko**	N-E	ARC; SEC	9	10	90%	4	3	2	n/a	n/a
Gavin Lucas	Ex	IC; SEC	11	12	92%	5	n/a	2	4	n/a
Stephen Lucas	Ex	RC	6	6	100%	5	n/a	n/a	n/a	1
Steven Horton	Ex	IC	10	10	100%	5	n/a	n/a	5	n/a
Actual attendance			69			33	9	6	19	3
Eligible attendance				73		35	9	6	20	3
% attendance					95%	94%	100%	100%	95%	100%

* *Non-executive director*
** *Independent non-executive director*

COMPOSITION OF THE BOARD

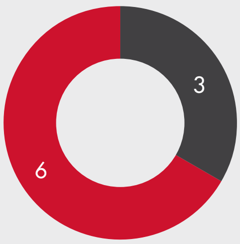
The board is satisfied that it consists of an appropriate mix of individuals to ensure an adequate level of knowledge, skills and expertise – enabling it to contribute meaningfully to the management of the company. However, it seeks to improve diversity further.

GENDER DIVERSITY



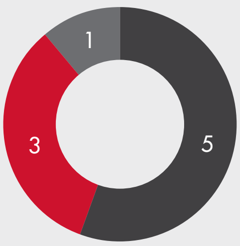
- Female
- Male

RACIAL DIVERSITY



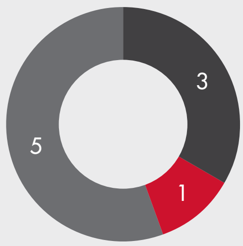
- Black
- White

DIRECTORS



- Independent
- Executive
- Non-executive

AGE



- 50 – 60 years
- 40 – 50 years
- 30 – 40 years

BOARD SKILL SET AND EXPERTISE (NUMBER OF DIRECTORS)

8 Finance	6 Corporate governance
5 Mergers and acquisitions	6 Strategy
4 Property (management and development)	4 Stakeholder engagement
3 Construction	6 Environmental laws and legislation

In terms of tenure, all board members as at 31 March 2018 were appointed to the board in November 2015 following the company's listing on the JSE. Only the executive directors were involved in the operations of Stor-Age prior to the listing.

> "To reduce gender- and race-related under-representation by 2021, Stor-Age developed a three-year Transformation Plan. This plan will also assist us to achieve compliance with the recently amended Property Sector Code, and outlines ten key milestones to drive transformation in the business."

A highlight post year end was the appointment of two new black female board members – Phakama Mbikwana and Kelly de Kock. Both joined the board as independent non-executive directors, effective 1 May 2018. Phakama Mbikwana joined the group's social and ethics committee. Kelly de Kock will join the audit and risk committee and the remuneration committee.

We further strive to increase racial diversification at board level – our Transformation Plan will be critical in assisting us to implement a broad-based strategy to achieve sustainable business transformation.

During the year, Stor-Age appointed an independent third-party, Questco Corporate Advisory, to run a formal recruitment and selection process to facilitate the appointment of the two new board members. There were no other changes to the board during the year.

CORPORATE GOVERNANCE (continued)

DIRECTORS

EXECUTIVE DIRECTORS

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

An entrepreneurial property developer backed by an experienced management team of professionals with a range of skills including investment banking, finance, property and construction, Gavin founded the Stor-Age Group in 2005. Leading the organisation by providing a common vision and mission, Gavin is responsible for the strategic direction of the group, coordinating plans to meet strategic goals, overseeing the overall operations, and stakeholder engagement.

Appointed to the board in November 2015.

Stephen Lucas Financial director – CA(SA), CFA

Stephen is one of the founding shareholders of Stor-Age and has worked alongside Gavin and Steven in developing the Stor-Age business since its inception. Stephen focuses on the group's financial and operational management, human resources and developing and executing the operations strategy. He also has previous advisory experience in corporate finance and transaction support.

Appointed to the board in November 2015.

Steven Horton CA(SA)

Steven is head of property and directs the group's property growth strategy. He oversees the procurement of all opportunities and the development planning, development and property management of the portfolio. Steven drives Stor-Age's acquisition and expansion efforts in South Africa and the UK.

Appointed to the board in November 2015.

NON-EXECUTIVE DIRECTOR

Graham Blackshaw BA LLB

A former lead development partner in the Faircape group of companies, Graham played an integral role in driving the formation of the Stor-Age joint venture between Acucap, Faircape and Stor-Age Property Holdings in 2010. A qualified attorney, Graham practiced law at Herold Gie and Broadhead before joining the Cape of Good Hope Bank, where he went on to head up the Property Lending Division.

Appointed to the board in November 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Paul Theodosiou Chairman – CA(SA), MBA (UCT)

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

Appointed to the board in November 2015.
Appointed to the audit and risk committee in November 2015.

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

Sello is the co-founder and executive chairman of Thesele Group and has more than 24 years' experience in financial services. He is the former non-executive chairman of Alexander Forbes Group Holdings Limited, former CEO of Old Mutual Asset Managers and former deputy CEO of Capital Alliance Asset Managers. He is currently the chairman of Sibanye Gold Limited, and a non-executive director of Telkom and General Reinsurance Africa. He is also a former director of the Industrial Development Corporation and listed companies Gold Fields, Makalani Holdings, Acucap Properties and Sycom Property Fund.

Appointed to the board in November 2015.
Appointed to the audit and risk committee in November 2015.

Phakama Mbikwana BCom

Phakama graduated from Rhodes University in 2002, after which she completed a Bridging Certificate in the Theory of Accounting at Rand Afrikaans University. She also holds an International Executive Development Programme Certificate from US based Duke Corporate, an affiliate of Duke University. She is the founder and current sole member of Dandelion Capital, a company seeking to invest in diverse sectors in order to drive growth and influence strategy. Until recently, she held the position of Head of Construction and Related Sectors at Barclays Africa, and prior to that she held roles at Standard Bank Group, Investment Solutions, Alexander Forbes Multi Asset Management and Nedbank Corporate.

Kelly de Kock CA(SA), CFA, MBA (UCT)

Kelly is specialised in the areas of corporate finance and investor relations, as well as mergers and acquisitions. She has more than 11 years' commercial experience in the financial services sector and currently holds the position of Chief Operating Officer at Old Mutual Wealth Trust Company. She previously held the positions of Head of Institutional Business Development at Kagiso Asset Management and Investor Relations Manager: South Africa at Old Mutual plc.

Appointed to the board in May 2018.

Gareth Fox CA(SA)

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

Appointed to the board in November 2015.
Appointed to the audit and risk committee in November 2015.

CORPORATE GOVERNANCE (continued)

BOARD RECRUITMENT AND TRAINING

In line with the board's appointment process, all new appointees are required to possess the necessary skills to contribute meaningfully to the board's deliberations and to enhance the board's composition in accordance with recommendations, legislation, regulations and best practice. An induction programme is provided for new directors by the company's sponsor.

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

Directors and committee members receive comprehensive information that allows them to properly discharge their responsibilities. The sponsor is responsible for ongoing director development. The board is satisfied that the arrangements for training and accessing professional corporate governance services are effective.

BOARD ROTATION

A third of the non-executive directors must resign and stand for appointment at each annual general meeting. Details of directors making themselves available for re-election at the forthcoming annual general meeting are set out on page 75.

BOARD ETHICS AND EFFICIENCY

The board conducted a self-evaluation during the year. Read more in the Chairman's Letter on page 11.

The board is satisfied that the self-evaluation conducted during the year improved its performance and the effectiveness of the governing body. To further improve its performance evaluation going forward, the board will reassess its self-evaluation criteria to include ethics and behaviour aligned to Stor-Age's Core Values of Excellence, Sustainability, Relevance and Integrity.

COMPANY SECRETARY

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

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

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

During the year, the board considered the arrangements of the company secretary and confirms it is satisfied that these arrangements are effective. The board is further satisfied that Mr Steyn is suitably qualified and experienced.

IT GOVERNANCE

The business potential of digital technologies and enhanced connectivity is in tension with the greater vulnerability of being connected to a global network such as the internet. We have noted the global increase of ransomware and other cyber security attacks. Subsequently, a number of enhancements were made to our layered network security systems during the year to strengthen defences.

While there were no major incidents during the reporting period, it is no reason for complacency. An independent consultant was appointed to assess the group's network cyber security measures by attempting to breach its defences. We also chose reputable, specialist service providers as business partners to ensure continued cyber security measures are maintained at the highest level.

We regularly restore daily backups to confirm the validity of the backup and that there was no data corruption. Each location joined to the network has a primary and secondary last mile connection to ensure maximum uptime. Internal and external users are continuously monitored to ensure the most effective use of resources and to limit the opportunity to breach the group's cyber defences. Our strategy, suppliers and network design are reviewed on a regular basis to stay abreast of leading best practice and remain relevant in the use of technology. External specialists are appointed by the board when considered necessary.

While satisfactory, the board will focus on strengthening its IT policy in the year ahead to further enhance the effectiveness of the group's technology and information governance.

APPROACH TO COMPLIANCE

The board recognises its responsibility to ensure compliance with and adherence to all applicable laws and industry charters, codes and standards, as outlined in its charter. When necessary, the board appoints corporate advisers with sector-specific knowledge and insight to assist with managing the group's compliance requirements. The board is supported by the executive management team, who are considered to be adequately qualified and experienced to provide direction on possible compliance contraventions.

The social and ethics committee monitors compliance with the company's social and ethical responsibilities, including social and economic development, labour and employment, the environment, stakeholder engagement and good corporate citizenship.

At an operational level, Stor-Age ensures stringent guidelines are implemented and managed to control our risk and ensure that high levels of health and safety, as well as Stor-Age's own standards, are maintained.

Key areas of focus during the year included compliance with BBBEE and the Property Sector Code. Developments in the Protection of Personal Information Act and Consumer Protection Act remain areas of focus in the upcoming year.

AUDIT AND RISK MANAGEMENT REPORT

Risk management is integral to the effective implementation of our strategy. We proactively manage risk to remain a competitive and sustainable business. This enhances our operational effectiveness and enables us to create continual value for the benefit of our employees, shareholders and other stakeholders in line with our growth strategy.

The group's risk management framework is overseen by the audit and risk committee, which has an ongoing responsibility to monitor risk management processes by:

1. **Identifying** risk factors that may have a material impact on the business
2. **Assessing** risks based on their potential impact on the business, including the likelihood of the risk occurring
3. **Formulating** a mitigating response for each area of impact
4. **Monitoring** progress
5. **Reviewing** identified risks on an ongoing basis and revising responses accordingly

Executive management has an ongoing responsibility to monitor its risk management processes and report to the audit and risk committee and board accordingly.

Day to day risk management is the responsibility of operational, senior and executive management, and is underpinned by risk reviews conducted across all functional areas of the business.

KEY RISKS AND EFFECTIVE MITIGATORS

Key risks	Mitigators	Risk trend (impact and likelihood)
1. Treasury risk Adverse interest rate movements could result in the cost of debt increasing.	• The group's policy is to fix approximately 80% of total borrowings, and we use swap instruments to hedge our interest rate exposure. At 31 March 2018, 100% of net borrowings were fixed for 2.5 years • Gearing remains low at 16% on a net-debt basis as at 31 March 2018. Our total undrawn borrowing facilities amount to R642 million • Executive management reviews current and forecast projections of cash flow, borrowings, interest cover and covenants monthly • We are highly cash generative, and debt is serviced by our strong operational cash flows	Stable
2. Weak/negative economic growth Macro-economic weaknesses could inhibit the self storage market's growth in line with our projections, resulting in reduced demand and lower income.	• A 'needs' driven product for life-changing events which prevails in all economic cycles • A prime portfolio of properties • Focus on large economically resilient metropolitan cities where growth drivers are strongest and barriers to competition at their highest • Strong operational management and platform • Continuing innovation to deliver high levels of customer service • Strong cash flow generation, high operating margins, low gearing and conservative hedging policies • 23 500+ tenants spread across a geographically diversified South African footprint (developing market) and the UK (first world market) • A tested strategic development process that draws on internal analyses, independent research and global trends and best practice	Stable
3. Cape Town drought and the impact of Day Zero* Limited or no water supply may severely disrupt trading conditions and overall economic growth in the region.	• We established a water crisis committee to coordinate an integrated and efficient response • We installed water storage facilities at stores in affected areas • Customer access to ablution facilities was limited and we ensured the availability of alternative sources of safe drinking water • Water consumption was monitored • The group ensured regular communication with employees on the importance of water savings and the actions needed to reduce consumption	Increasing

* *New risks identified in 2018*

AUDIT AND RISK MANAGEMENT REPORT (continued)

Key risks	Mitigators	Risk trend (impact and likelihood)
4. Acquisition risk* The group concluded three significant transactions in the past 12 months – an inability to successfully integrate these acquisitions could result in lost income.	• We established internal work streams to discuss and address challenges, as well as formulated a growth strategy for each business • We focused on managing leadership changes to ensure minimal disruption to the existing businesses	Increasing
5. Operating in an offshore jurisdiction* The acquisition of Storage King in the UK exposes the group to currency, interest rate and tax risk that may impact or result in the variability of earnings. Economic uncertainty post-Brexit may also result in unpredictable trading conditions.	• The board formulated and approved hedging policies with respect to the repatriation of foreign earnings • Interest rate risk is currently fixed at 90% of gross debt • We consulted with professional advisers to ensure tax compliance in the UK • The UK management team remained in-place post the acquisition and co-invested alongside Stor-Age in Storage King	Increasing
6. Property investment and development An inability to acquire or develop new self storage properties which meet management's criteria may impact the growth of the portfolio.	• The group has an acquisition pipeline through the Managed Portfolio • We have a pre-emptive right of acquisition over properties in the Managed Portfolio • We already earn management fees from 13 trading properties in the Managed Portfolio • 10 additional development opportunities have been secured in the pipeline • The fragmented South African self storage market potentially provides acquisition opportunities • A new CPC model was introduced, which reduces the development and lease up risk for Stor-Age and provides an opportunity to develop high-profile properties in prime locations without diluting the group's distribution growth profile over the short to medium term • We researched and developed the UK property growth strategy	Decreasing
7. Valuation risk External market factors or poor performance may lower our properties' values.	• Independent valuations are conducted by experienced independent, professionally qualified valuers • A diversified portfolio is let to a large number of tenants across a broad national and international footprint • Low levels of gearing provide enhanced headroom on valuations and significantly reduce the likelihood of covenant breach	Decreasing

* *New risks identified in 2018*

Key risks	Mitigators	Risk trend (impact and likelihood)
8. HR risk Our people are critical to our success. Failure to recruit and retain employees with appropriate skills may lead to high employee turnover and loss of key personnel and, consequently, lower performance.	• Competitive remuneration packages and financial rewards • Learning and development programme with performance reviews to develop employees to the highest potential • A culture where management is accessible at all levels and employees are encouraged to improve and challenge the status quo • Ongoing communication to ensure an engaged workforce • A succession planning strategy including talent retention	Decreasing
9. Utility costs Significant increases in utility costs, particularly property taxes and electricity, may put pressure on operating margins.	• Electricity and water usage is monitored monthly • We use external professionals to assist with monitoring and objecting to valuation revisions where necessary • We make use of energy-efficient lighting, solar power and collect and re-use rainwater for irrigation	Stable
10. Credit risk The group is exposed to tenants' credit risk which may result in a loss of income.	• Customers are required to pay a deposit on move-in in South Africa • Our diversified tenant base minimises any reasonably expectable material exposure risk • 80% of our current customers in South Africa pay by debit order (certain commercial customers are permitted to pay monthly in advance by EFT, and a segment of the customer base was inherited in previous acquisitions where payment by debit order was not required) • Clearly defined policies and procedures are in place to collect arrear rentals • A central team of collection specialists in South Africa assists each store with arrears	Decreasing

LOOKING AHEAD

As an outcome of the group's risk management process, we identified material changes in the risks affecting the business. These relate primarily to the impact of ongoing drought in Cape Town, as well as managing the integration risk related to the significant acquisitions undertaken during the year. This includes managing currency, interest rate and tax risks in an offshore jurisdiction to ensure financial targets are achieved.

Ultimately, the directors consider whether Stor-Age and its subsidiaries have adequate resources to continue operating for the foreseeable future.

The company has reasonably satisfied the liquidity and solvency test as required by the Companies Act of South Africa. The directors have further satisfied themselves that the company and its subsidiaries are in a sound financial position and have access to sufficient facilities to meet their foreseeable cash requirements.

The board, via the audit and risk committee, has considered the effectiveness of the risk assessment and management process and is satisfied as to the effectiveness thereof.

Gareth Fox
Audit and risk committee Chairman
11 June 2018

REMUNERATION COMMITTEE REPORT

THE CHAIRMAN'S STATEMENT

The board and remuneration committee are pleased to present the remuneration report, which sets out our remuneration philosophy, policy and the outcomes for executive and non-executive directors. This report is aligned to best practice, taking into account King IV™ and the JSE Listings Requirements.

We have presented the remuneration report in three parts with part one being the chairman's statement providing context to decisions taken by the remuneration committee; part two setting out the remuneration policy and philosophy; and part three providing details of actual remuneration for the year under review.

INTRODUCTION

The past 18 months have seen significant organic and acquisitive growth in Stor-Age's portfolio, and our position as sector specialists remains critical if we are to achieve our future growth ambitions. In light of this, we recognise the importance of ensuring competitive remuneration structures to attract and retain talented employees with the appropriate skills to execute our business strategy.

During the year, the remuneration committee:

- considered salary levels against the market, as well as company and individual performance, and approved salary increases;
- reviewed non-executive director remuneration (to be approved by shareholders);
- reviewed and approved the 2018 remuneration report;
- considered the concept of fair and responsible remuneration and its application within Stor-Age;
- considered methods for the investigation and rectification of pay disparities within Stor-Age, as well as the result of equal pay for work of equal value;
- conducted total remuneration benchmarking for executive directors; and
- commenced with a review of the remuneration mix, looking specifically at the introduction of variable remuneration and alternative long-term incentive schemes.

The remuneration committee mandated management to obtain the support, advice and opinion of PwC as an external adviser on various remuneration-related matters during the period under review. The assistance of PwC in this regard was satisfactory, and the remuneration committee is of the view that they operated independently.

FORWARD-LOOKING CONSIDERATIONS

“We are of the view that Stor-Age is now entering a new phase of managing its growth trajectory and is maturing as a listed company.”

Since listing in November 2015, Stor-Age has consistently delivered strong trading results. The current executive directors, being the founders of the business, have played a significant role in this growth. Over the past three years, the executive directors have received a basic salary with no variable remuneration, and received a modest 6.0% increase in the year under review despite an exceptional performance. Further, no increase was awarded in 2016. Executive director remuneration is considerably lower when compared to our peers in the REIT sector.

Stor-Age's future success depends on attracting and retaining talented, experienced and motivated individuals. Outside of the executive directors, we have assembled a senior management team equally fundamental to maximising shareholder value and ensuring sustainable growth. The development and retention of this talent, particularly the specialist skills specific to the self storage sector, are critical to realising long-term value creation.

It is therefore necessary for us to enhance our remuneration structures with a variable portion, including both short- and long-term incentives, which retains, motivates and rewards employees appropriately. The remuneration committee is subsequently reviewing the current remuneration structure against best practice and, where appropriate, will consult with shareholders regarding future proposals.

CONCLUSION

“We express our gratitude for the continued support received from our shareholders and are committed to upholding the trust earned among our stakeholders.”

At the annual general meeting (“AGM”) held in 2017, Stor-Age received an 83.6% non-binding advisory vote in favour of our remuneration policy.

In line with King IV™, Stor-Age will table the remuneration policy and implementation report for two separate non-binding advisory votes at the AGM. If shareholders do not approve both by more than 75%, the board will institute a formal engagement process with interested shareholders to assess their views and determine the actions needed to resolve concerns.

Stor-Age has delivered another set of pleasing results in 2018. We look forward to embarking on a journey to better align our remuneration practices with our strategy, and to ensure our remuneration policies and practices are transparent and fair. We trust our efforts will be welcomed by shareholders and reflect, yet again, a favourable outcome at the AGM.

Gareth Fox
Remuneration committee Chairman
11 June 2018

THE REMUNERATION POLICY

This remuneration policy is subject to an advisory vote by shareholders at the AGM to be held on 23 August 2018.

REMUNERATION GOVERNANCE

The remuneration committee was appointed by the board and has delegated authority to review and make decisions regarding Stor-Age’s remuneration policy and the implementation thereof. The remuneration committee is governed by its terms of reference as formally adopted by the board. Its responsibilities include, among other things:

- overseeing the board’s formulation, review and approval of the remuneration policy for employees and executive directors in line with Stor-Age’s strategic goals;
- assisting the board to ensure that executive directors are remunerated fairly and responsibly and in line with remuneration for employees throughout Stor-Age;
- recommending to the board the proposed allocations of Stor-Age’s share purchase and option scheme;
- approving the executive directors’ basic salary and increases thereto, as well as approving the increases for employees throughout Stor-Age; and
- approving remuneration payable to non-executive directors in their respective roles as members of the board or its subcommittees.

The remuneration committee members are set out on page 40 and their meeting attendance on page 42 of this report. Other board members, external consultants and key individuals may attend remuneration committee meetings by invitation and contribute to remuneration-related matters. However, they may not vote on any matters.

REMUNERATION COMMITTEE REPORT (continued)

REMUNERATION PHILOSOPHY

Stor-Age's remuneration policy seeks to attract and retain high-calibre and appropriately skilled employees and executive directors. Stor-Age's philosophy is that employees should be fairly remunerated and rewarded for their contribution. An integral part of this philosophy is to align the interests of employees with those of Stor-Age's shareholders by providing meaningful equity participation.

Historically, Stor-Age has provided executive directors with a basic salary. As founders of the business, the remuneration philosophy reflected the executive directors' commitment to its long-term success and, to a large extent, their desire to prove the sustainability of the business model in the initial years post the listing.

As Stor-Age has matured and grown its portfolio, this philosophy should adapt in line with the next phase of Stor-Age's life cycle. As set out in the chairman's statement, the remuneration committee and management are currently working together to determine the appropriate remuneration structures for this next phase.

BASIC SALARY

Taking into account market trends and competitiveness, the remuneration committee and the board regularly review the appropriate remuneration mix to ensure it supports Stor-Age's strategic objectives. Currently, the remuneration mix for executive directors consists of a basic salary only.

The basic salary is a pre-determined cash amount without any further benefits. The basic salary paid to the executive directors is set out in note 26.4 of the annual financial statements. The annual increase to the basic salary of executive directors is determined alongside the increases for basic salaries of employees throughout Stor-Age.

Benchmarking exercises are conducted to analyse the market-relatedness and competitiveness of the basic salary and the remuneration mix as a whole. In 2018, the remuneration committee appointed an external consultant, PwC, to benchmark executive director remuneration. The results thereof were taken into account to determine the increase to the basic salary of executive directors for the year ending 31 March 2019.

SHORT-TERM INCENTIVES

As mentioned above, executive directors do not currently participate in any short-term incentive schemes.

SHARE PURCHASE AND OPTION SCHEME

Stor-Age introduced a share purchase and option scheme ("share purchase scheme") on listing. This serves as a mechanism to create ownership opportunities for the executive directors and selected senior and middle management employees (including store operations managers). Selected individuals are offered the opportunity to acquire Stor-Age shares by way of an interest-bearing loan. To be eligible, these individuals must be employed by Stor-Age for more than one year and have an above-average performance rating.

The share purchase scheme provides for the grant of options and for the purchase of shares on market-related terms. No options have been granted to date.

The share purchase scheme is aligned with our Core Value of Sustainability. Broadening employee participation in the share purchase scheme further supports the board's objective of building a sustainable organisation. It enables employees to share in Stor-Age's success and creates alignment between employees and shareholders to maximise shareholder value. No non-executive directors have participated in the share purchase scheme and, in line with best practice, participation will not be extended to non-executive directors.

Post the finalisation of Stor-Age's year-end results, the executive directors make an annual recommendation to the remuneration committee to allocate shares to new and existing participants. The remuneration committee evaluates the merits of the recommendation and, where appropriate, approves the allocation of shares.

The share purchase scheme is essentially a 'management buy-in' plan and exposes participants to real financial risk of share price growth and the repayment of the full loan for the purchase of the shares. This includes instances where the share price decreases from purchase date.

The features of the share purchase scheme are as follows:

- Ownership of the share purchase scheme shares vest immediately.
- The shares are pledged as security against the loan.
- The loan bears interest at a fixed interest rate per annum, compounded monthly and capitalised to the loan. The interest rate is determined by reference to the forecast annual distribution per share, expressed as a percentage of the share price, at the time of the award.
- Dividends received on the shares held by the beneficiaries are applied to the interest payable.
- The maximum period for the repayment of the loan is ten years. The loan is repayable in cash.

During the year under review, 3 510 000 shares were issued to participants under the share purchase scheme. Further details are set out in note 4 of the annual financial statements. At 31 March 2018, 15 589 440 shares were issued under the share purchase scheme. This represents 5.1% of total shares in issue at the date of this report.

ALL EMPLOYEE REMUNERATION

All employees receive a basic salary at a level appropriate for the role and responsibilities. Stor-Age regularly reviews the basic salary of all employees to ensure it remains market related. Employee salaries (excluding directors) are reviewed annually, taking account of individual and overall company performance, as well as an employee's experience, qualifications and responsibilities.

Store-based operations employees are paid commission in addition to their basic salaries. This is based on performance relative to their budgets and achieving pre-defined targets. Other permanent employees (excluding directors) receive a component of variable remuneration dependent on their respective employment grade and individual performance.

FAIR AND RESPONSIBLE REMUNERATION

Stor-Age is committed to fair and responsible pay practices in line with its duty to remain a responsible corporate citizen. Various factors are taken into account when considering fair and responsible pay practices, such as sustainability and Stor-Age's strategic objectives. Internal pay levels are reviewed on an ongoing basis to ensure alignment with the principle of equal pay for work of equal value. Furthermore, the remuneration committee is mandated to ensure that executive director remuneration is justifiable against remuneration levels of employees throughout the company.

SERVICE AGREEMENTS, RETENTION STRATEGY AND TERMINATION ARRANGEMENTS

The executive directors are permanent employees and their employment contracts include a two-month notice period, with no restraints of trade. There are no contractual obligations to the executive directors in respect of separation or termination payments.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors do not hold contracts of employment with Stor-Age and do not participate in any short-term or long-term incentives. Remuneration for non-executive directors comprises an annual retainer. Disbursements for reasonable travel and subsistence expenses are reimbursed to non-executive directors in line with the reimbursement policy for employees.

Remuneration for non-executive directors is reviewed on an annual basis taking into account the responsibilities borne by non-executive directors, as well as relevant external market data. Fees are benchmarked against a peer group of JSE-listed companies in the REIT sector.

The remuneration committee recommends the non-executive directors' remuneration structure to the board for approval. This remuneration structure is further recommended to shareholders for approval at the AGM.

The remuneration to be paid to the non-executive directors for the year ending 31 March 2019 was approved at the AGM held on 24 August 2017 and is set out below. The proposed remuneration for the year ending 31 March 2020, contained within the notice of the AGM, is set out below:

Role	Approved remuneration 31 March 2019	Proposed remuneration 31 March 2020	% change
Board member	196 742	211 000	7.2%
Chairperson – board	–	20 000	–%
Audit and risk committee member	46 292	50 000	8.0%
Chairperson – audit and risk committee	–	10 000	–%
Social and ethics committee member	23 146	25 000	8.0%
Remuneration committee member	23 146	25 000	8.0%
Investment committee member	–	30 000	–%

The proposed increases to non-executive director remuneration are considered against the average increase levels approved across Stor-Age, as well as against the results of benchmarking performed.

REMUNERATION COMMITTEE REPORT (continued)

THE IMPLEMENTATION REPORT

This implementation report is subject to an advisory vote by shareholders at the AGM to be held on 23 August 2018.

COMPANY PERFORMANCE VERSUS AVERAGE GROWTH IN EXECUTIVE DIRECTORS' REMUNERATION

Stor-Age was incorporated on 25 May 2015. On 16 November 2015, its shares were listed and began trading on the JSE. The table below compares certain performance measures against the average executive directors' basic salary increase percentages over the past two years.

	2018	2017
Average increase in executive directors' basic salary levels	6.0%	–%
Share price growth	17.4%	17.7%
Growth in dividend per share	11.1%	10.0%
Growth in NAV per share	8.1%	7.9%

HEPS – headlines earnings per share
NAV – net asset value

BASIC SALARY

Executive director salaries are reviewed annually. For the year ending 31 March 2018, the remuneration committee approved an increase of 6.0% for executive directors. This was lower than the average increase for other employees. During the year, the remuneration committee engaged PwC to prepare an external benchmarking report, and used the result as a reference point to determine the quantum of the increase for the year ending 31 March 2019. After careful consideration, the remuneration committee approved an average basic salary increase of 17.5% for executive directors for the year ending 31 March 2019.

The remuneration committee approved an average basic salary increase of 7.5% for other employees on 30 September 2017. A similar average increase in basic salaries is expected at the next annual review date, i.e. 30 September 2018.

In line with Stor-Age's commitment to fair and responsible remuneration, the remuneration committee carefully considered the increase levels of executive directors against the increase levels throughout the company and they are satisfied that it is in line with Stor-Age's policy. It should also be noted that no salary increases were accepted by the executive directors in 2016 and 2017, reflecting their commitment to the long-term success of the company.

EXECUTIVE DIRECTOR REMUNERATION

In line with the requirements of King IV™ and the JSE Listing Requirements, the table below sets out the total remuneration on a single-figure basis received by executive directors in 2017 and 2018.[1] Currently, Stor-Age does not have a short-term incentive in place. Shares awarded to the executive directors under the share purchase scheme are not considered to be remuneration. No other remuneration or benefits were paid to executives during the year.

	2018		2017	
	Basic salary R'000	Total R'000	Basic salary R'000	Total R'000
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
Total	3 816	3 816	3 600	3 600

[1] *While it is recommended practice to insert a pay mix chart showing the allocation of total guaranteed package and short-term and long-term incentives, we have chosen to exclude this as total remuneration comprises salary only, as evident in the table above.*

DIRECTORS' INTERESTS IN SHARES ACQUIRED IN TERMS OF THE SHARE PURCHASE AND OPTION SCHEME

While the share purchase scheme provides for the award of options, no options have been awarded to date. Selected participants of the share purchase scheme acquired shares on the basis of an offer to purchase Stor-Age shares by way of an interest-bearing loan to build up a shareholding and share in the success of the company.

Although the awarding of shares is not considered to be remuneration, it does impact the executive directors' shareholding in Stor-Age and ensures alignment with shareholders. We have therefore chosen to include these details in the remuneration report.

The table below provides details of the current shareholding, outstanding loan and the fair value of the shares relating to the executive directors under the share purchase scheme. The value to the executive directors is equal to the fair value of the shares less the outstanding balance of the loan.

31 March 2018

	Number of shares '000	Outstanding balance R'000	Fair value of shares R'000
GM Lucas	4 150	44 103	53 577
SJ Horton	4 150	44 103	53 577
SC Lucas	4 150	44 103	53 577
Total	12 450	132 309	160 731

31 March 2017

	Number of shares '000	Outstanding balance R'000	Fair value of shares R'000
GM Lucas	3 500	36 390	38 500
SJ Horton	3 500	36 390	38 500
SC Lucas	3 500	36 390	38 500
Total	10 500	109 170	115 500

Further details relating to the share purchase scheme and the shareholding of the executive directors are set out in note 4 and 26.3 of the annual financial statements.

NON-EXECUTIVE DIRECTOR REMUNERATION

The table below sets out the remuneration paid to non-executive directors:

	2018 R'000	2017 R'000
PA Theodosiou	251	230
MS Moloko	251	230
GBH Fox	251	230
GA Blackshaw	207	190
Total	960	880

The remuneration to be paid to the non-executive directors for the year ending 31 March 2019 (approved at the AGM held on 24 August 2017), as well as the proposed remuneration for the year ending 31 March 2020 (to be approved by shareholders at the forthcoming AGM), is set out on page 170 of this integrated report.

> "This report was approved by the remuneration committee and the board. Both are satisfied that there were no material deviations from the existing remuneration policy during the 2018 financial year."

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee acts on behalf of the board and is responsible for evaluating social and ethical responsibilities and making recommendations to the board thereon. The committee has all the functions and responsibilities provided for in the Companies Act. The committee members are set out on page 40, and attendance at meetings is set out on page 42.

FOCUS AREAS OF THE COMMITTEE DURING THE YEAR

As the leading specialist self storage REIT in South Africa, Stor-Age is committed to making a real difference by implementing leading and sustainable business transformation and employment diversification plans.

The main area of focus for the committee during the year was therefore the development and implementation of the group's Transformation Plan. Stor-Age views transformation as a strategic business imperative, and this plan outlines ten key milestones to drive transformation in the business, effective from 2019 to 2021.

The main objectives of the plan include:

- Addressing the priority elements of the Property Sector Code
- Ensuring the benefits of equity ownership and participation in management control are extended to previously disadvantaged groups
- Creating meaningful job opportunities and developing skills in the communities we serve
- Contributing meaningfully to enterprise and supplier development

The social and ethics committee undertook extensive research during the year and was assisted by various independent consultants to inform the development of the plan. Multiple and ongoing project meetings were held, and included the attendance of all executive directors.

In addition, the board appointed a cross-functional transformation committee to oversee implementation of the plan. The transformation committee is chaired by a senior member of the management team and includes members of HR, finance, sales and marketing, and learning and development. All appointed members have been assigned responsibilities to help drive the achievement of the objectives outlined above.

The transformation committee reports its progress to the social and ethics committee, which is responsible for monitoring the performance of the transformation committee and the impact of its activities.

TERMS OF REFERENCE

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

The main duties of the committee include:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety
- Customer relationships
- Labour and employment

The committee is further tasked with:

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

The committee's focus areas are reported on in more detail from page 60 to 67.

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

FUTURE FOCUS AREAS FOR THE COMMITTEE:

The priority focus for the committee going forward will be overseeing the implementation of the Transformation Plan.

In addition, the committee will continue to oversee the group's stakeholder engagement processes.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference during the reporting period.

Graham Blackshaw
Social and ethics committee Chairman
11 June 2018

INVESTMENT COMMITTEE REPORT

KEY FUNCTIONS AND RESPONSIBILITIES

The investment committee was constituted in February 2016 and currently comprises two executive directors and two non-executive directors. Its primary purpose is to evaluate and, if appropriate, approve potential acquisitions or disposals identified by the executive team.

The committee meets on an ad hoc basis to review investment proposals relating to acquisitions, new developments and/or substantial redevelopments. The authority limit of the committee is for transactions up to and including R50 million. The committee makes recommendations to the board regarding proposed transactions that exceed its level of authority.

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Paul Theodosiou
Investment committee Chairman
11 June 2018

ACTING SUSTAINABLY

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

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

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

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

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

ENVIRONMENTAL SUSTAINABILITY

The most important space at Stor-Age is the environment that surrounds us. This is why we continue to address sustainable practices in the areas of energy efficiency, renewable energy generation, rainwater harvesting and storm water management and conservation.

We strive to improve these aspects of our properties as a commercial property owner and self storage operator in line with changing environmental legislation and our own commercial objectives.

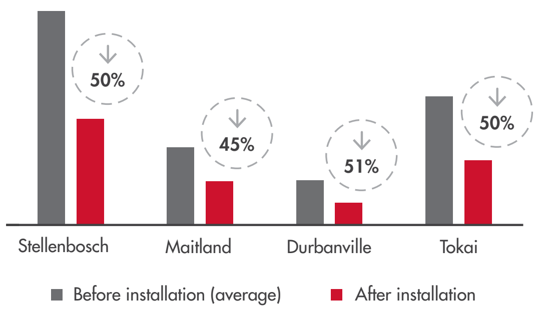
OPERATIONAL STORE ENERGY CONSUMPTION

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

The following initiatives have reduced our properties' electricity consumption:

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

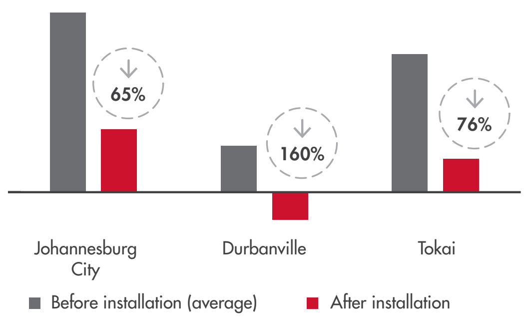
REDUCTION IN MUNICIPAL CHARGES
(before and after LED fittings and motion sensors installed)



Photovoltaic (solar) systems

We were the first self storage property owner in South Africa to install solar technology for three-phase power generation. Stores now fitted with these systems include Durbanville and Tokai in the Western Cape, and, more recently, Johannesburg City and Midrand in Gauteng. In addition, the Western Cape offers a net metering solution that allows self-generated, green electricity to be supplied back into the grid by property owners. Owners are then credited for the electricity they supply. Subsequently, our installations in the Western Cape are generating savings in line with forecast.

REDUCTION IN MUNICIPAL CHARGES
(before and after the installation of solar systems)



We continue to assess the effectiveness of these installations, primarily at Tokai and Johannesburg City as these were the first Big Box properties to be fitted with the technology. We approach installation on a property-by-property basis given the varying fixed and variable rates charged by the different power utility providers across South Africa. Subject to achieving our desired return on investment, which is based on the projected savings profile per property, we plan to integrate the systems across the balance of our portfolio over the medium term.

RAINWATER HARVESTING

Rainwater harvesting is the accumulation and storage of rainwater for reuse on-site, rather than allowing it to run off into the storm water system. It provides an independent water supply during the summer months, and can be used for irrigation and to substitute municipal supply during regional water restrictions (as in the Western Cape).

As our properties provide the benefit of significant roof space, we have installed these systems at numerous locations across the portfolio. This includes our head office in Claremont, Cape Town, where the washing and ablution facilities are automatically fed by the harvested rainwater.

Post year end we subsequently collected and reached our capacity limit of 50 000 litres in Claremont during Cape Town's early winter rainfall. We estimate that the rainwater collected will provide sufficient capacity to supply the property – and its estimated 60 employees – with the necessary water for washing and ablution purposes for approximately three months. This is a significant contribution to the water-saving efforts being made in this drought effected region.

STORM WATER MANAGEMENT AND CONSERVATION

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

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

ACTING SUSTAINABLY (continued)

SOCIAL SUSTAINABILITY

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

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

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

Highlights of these initiatives include:

SANTA SHOEBOX PROJECT

This is the sixth consecutive year that Stor-Age has partnered with the Santa Shoebox Project.

The Santa Shoebox Project is an annual charitable initiative that collects and distributes shoeboxes filled with gifts to underprivileged children across South Africa and Namibia during the Christmas season.

OBX EDUCATION ENDOWMENT FUND

Stor-Age was the title sponsor of the fourth OBX sports festival hosted during the year. OBX raises funds to distribute to disadvantaged children in the form of bursaries and to assist non-profit educational programmes in disadvantaged communities throughout South Africa. To date, more than R150 000 has been raised for this cause.

ROBIN TRUST

Stor-Age joined forces with Robin Trust to sponsor bursaries for two students from disadvantaged backgrounds to study at the Robin Trust Nursing College. Robin Trust is a non-profit health care organisation that offers fully accredited nurse training, community health worker training and home-based care worker training. The bursaries will fund the second year of the students' bridging course, which will upskill them from an enrolled nurse to a fully qualified Nursing Sister.

HUMAN SUSTAINABILITY

366	Total number of employees at year end
36 YEARS	Average employee age*
16	New jobs created during the year (excluding acquisitions)*
22.8%	Growth in employee complement

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

Gavin Lucas CEO

ACTING SUSTAINABLY (continued)

EMPLOYEE LEARNING AND DEVELOPMENT

Stor-Age is committed to employee development through effective learning and training opportunities. Our learning and development framework identifies 10 areas for intervention for head office and store-based operations employees.

We have developed a range of training courses which are delivered in various modes.

- Our e-learning framework, Edu-Space, enables our employees to receive training and assessment simultaneously online across all our locations.
- We offer face-to-face workshops and refresher courses at our four purpose-built training venues.
- Where appropriate, specific and individual training is offered to employees. Our core training programme is complemented by management and leadership development programmes which are delivered in-house and by external service providers.

In addition to contributing to the social and ethical aspects of better business practice, customer surveys are a key driver of the learning and development programmes administered to employees. Engaging customers through this medium has enabled this crucial stakeholder group to influence Stor-Age's employee practices and processes directly and in a meaningful manner.

Performance management and support

Comprehensive job descriptions set out each person's role within the business and the competencies required to deliver value in their role. Our Annual Performance and Personal Development Reviews facilitate formal assessment and feedback to all employees by their immediate line managers. A key outcome of this process is the identification of an individual's primary training, learning and development needs to ensure effective performance.

We provide fully funded life, disability and funeral assistance cover through an insurance policy to all our store-based employees, while our internally facilitated Medical Aid Scheme (Momentum Health) and our Group Retirement Annuity (Allan Gray) have steadily grown in participation.

Edu-Space highlights*

26 Number of courses delivered

734 Successfully completed courses

96% Pass rate achieved

948 Hours of online training

Face-to-face training highlights

23 Number of courses delivered

186 Employees who received training

Employee feedback

In our anonymous employee surveys, participants described these courses as:

"Outstanding"
"Inspiring"
"Excellent"
"Brilliant"

4.4/5 Overall average rating of our learning courses by our employees

* *The above information applies to the group's South African business, measured over a period of ten months – from June 2017 to March 2018.*

LEARNING AND DEVELOPMENT FRAMEWORK

LEADERSHIP DEVELOPMENT FORUM (LDF)
By invitation. Strategic management and leadership development

MANAGEMENT DEVELOPMENT FORUM (MDF)
By invitation. Further development of management skills and techniques

GROWTH DEVELOPMENT FORUM (GDF)
By invitation. An introduction to leadership and management in business

EXTERNAL STUDY
As identified through APR (Annual Performance Review) and PDR (Personal Development Review) processes

AD HOC WORKSHOPS
Offered on a rotational basis. For example: Dealing with debtors, operating system extension training, health and safety training including fire fighting and first aid

E-LEARNING SESSIONS ON EDU-SPACE
As assigned by Management. Driven by business needs

SERVICE AND SALES
Refresher sessions based on Mystery Shopper data and feedback

OPERATIONS TRAINING WORKSHOP AT HEAD OFFICE
1 week programme (Level 2) hosted by the Learning and Development Team

OPERATIONS ORIENTATION PROGRAMME
5 week in-store welcome and basic training (Level1) by trainer at a designated training store

WELCOME AND INDUCTION PROGRAMME
Meet with a member of the L & D team and complete the introduction module on Edu-Space

ACTING SUSTAINABLY (continued)

Transformation

In line with our Core Value of Sustainability, Stor-Age aims to make a real contribution to the economy of South Africa and, in the process, achieve sustainable transformation objectives aligned with broad-based black economic empowerment legislation.

To this end, the board engaged with various consultants during the year, and committed significant resources at a senior management level to thoroughly understand the Preferential Procurement Policy Framework Act, the Property Sector Transformation Charter and the Amended Property Sector Codes (gazetted on 9 June 2017). The culmination of our efforts enabled us to finalise a detailed and rolling three-year Transformation Plan, which became effective in April 2018. This Transformation Plan is critical to us aiming to achieve compliance with the Property Sector Code.

EMPLOYEE-FOCUSED INITIATIVES

Our year end review is an ideal opportunity to develop and enhance our business culture. By bringing together all employees from across the country, everyone is able to share their experiences with Stor-Age as a business in a relaxed and informal setting. Coupled with fostering new partnerships and sharing best practices, the year end review is a key contributor to the ethos and personality of the business.

The theme of our 2017 year end review was 'The Customer'. Accordingly, employees were encouraged to submit ideas on how we could improve the customer experience at Stor-Age. We received more than 200 entries, from which the top five ideas were chosen and presented to a management panel. In addition, we circulated videos showcasing the top five ideas among employees, who were then encouraged to vote for their favourite customer-centric solution. The top two ideas were subsequently chosen. The runner up received a R5 000 cash prize, and the winner received R10 000 – with both ideas being implemented across the country.

Following the success of a flexible working-hours approach at head office in 2016, we introduced 'Saturdays off' for our store employees in 2017. Our store employees are employed as six-day-a-week workers. In line with our Core Value of Sustainability, we identified one of the two middle Saturdays of each month as an appropriate opportunity to allow employees to enjoy a full weekend break from work. In addition, we trialled and implemented the closing of the retail component of all properties on public holidays in 2017, except those falling at or close to month end. Both of these initiatives continue to be well-received by employees, and contribute directly towards creating a healthier work-life balance and indirectly to creating a more engaged, sustainable and productive work environment.

> “We have a number of other employee-focused initiatives in place to boost employee engagement.”

Despite being a decentralised business, we leverage our sophisticated operational platform to facilitate the sharing of ideas and connect our people in real time. Our intranet boasts high levels of participation by our in-store employees, providing a transparent platform on which they can make improvement suggestions to enhance our internal operating standards and business practices. Once logged, management provides timeous feedback on all suggestions, including actions to implement where relevant. While often simple, these suggestions can have a sizeable impact on our business and improve efficiency. The platform also contributes towards improved employee productivity and ensures our people feel heard and taken care of – a testament to our non-hierarchical structure and commitment to our Core Values.

Other initiatives include our anonymous employee surveys, conducted twice a year, with two highlights being that more than 95% of staff are proud to be part of the Stor-Age team and understand how their job aligns with the company's vision and mission. The feedback assists us to create a positive workplace environment and ensure our employees' days are more productive and rewarding.

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

In addition, we run an employee gift programme to acknowledge important milestones in our employees' lives, such as when they get married or engaged, as well as Draw-Age, which is our monthly lucky draw.

HEALTH, SAFETY AND COMPLIANCE

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

- Occupational Health and Safety Act (OHSA Part A and Regulations Part B)
- Basic Conditions of Employment Act
- Labour Relations Act
- Compensation for Occupational Injuries and Diseases Act
- Skills Development Act
- Employment Equity Act
  - Preferential Procurement Policy Framework Act
  - Property Sector Transformation Charter
  - Amended Property Sector Codes

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

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

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

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

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

ACTING SUSTAINABLY (continued)

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

An example of our commitment to workplace health and safety is our nationwide, same-day, same-time fire drills (across all properties and including head office).

Training for this project was initially carried out using our Edu-Space e-learning platform. The fire drills are now the responsibility of a dedicated project leader who oversees this practice quarterly. Results are documented, submitted to head office and reviewed. Improvement recommendations are then implemented as required. This enables us to benchmark our performance and strive for continuous improvement.

To discuss other aspects of workplace health and safety and track and monitor performance, quarterly meetings are conducted across the portfolio. This enables us to identify any new risks or opportunities and improve our operating standards and training modules on our Edu-Space platform so that we can exceed Excellence in workplace health and safety.

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

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

CONTENTS

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

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

Published
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.

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.

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.

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.

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

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.

	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
5. GOODWILL AND INTANGIBLE ASSETS						
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		Company	
	2018 R'000	2017 R'000	2018 R'000	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:

		At fair value	At amortised cost	
	Total R'000	Derivatives used for hedging	Loans and other receivables	Financial liabilities
<u>Group as at 31 March 2018</u>				
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
<u>Group as at 31 March 2017</u>				
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

	Total R'000	At fair value Derivatives used for hedging	At amortised cost 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		Impairment recognised Group	
	31 March 2018 R'000	31 March 2017 R'000	31 March 2018 R'000	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	Group 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 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 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.

26.3 Directors' and company secretary's shareholdings

	Direct beneficial	Indirect	Total	Percentage
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.

26.4 Directors' remuneration

	2018 R'000	2017 R'000
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

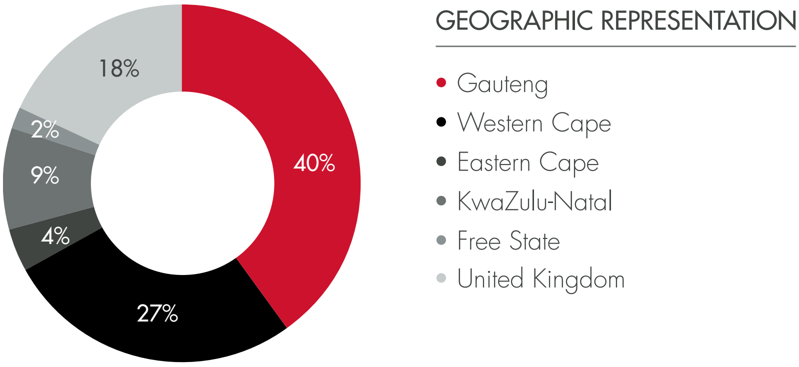
The company issued 4.16 million shares in April 2018. This is a non-adjusting event that is not recognised in the current year's financial statements. These additional shares are entitled to participate in the final dividend declared for the March 2018 year.

UNAUDITED PROPERTY PORTFOLIO INFORMATION

as at 31 March 2018

1. The total customer base of the group is large and diverse with over 23 000 (2017: 15 000) tenants. Of the 17 000 tenants based in South Africa, 72% (2017: 76%) of the customers are residential users and the remaining 28% (2017: 24%) are commercial users. In the United Kingdom, Storage King has over 6 000 tenants of which 81% of the customers are residential users and the remaining 19% are commercial users.

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



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

Region	GLA (m^2)	Revenue (%)
Gauteng	126 554	33.9%
Western Cape	86 673	36.6%
Eastern Cape	11 032	2.2%
KwaZulu-Natal	27 882	4.0%
Free State	6 679	1.1%
South Africa	258 820	77.8%
United Kingdom	57 037	22.2%
Total	315 857	100%

4. The weighted average rental per square metre (m^2) of occupied space for SA properties at 31 March 2018 is R91.6/m^2 (2017: R86.0/m^2), an increase of 6.5%. Excluding the acquisitions of Unit Self Storage and StorTown which had lower average rental rates, the year-on-year increase in the average rental rate is 9.2%. The weighted average rental per square metre for each region as at 31 March 2018 is set out in the following table:

Region	Rental/m^2
Gauteng	79.3
Western Cape	127.5
Eastern Cape	64.1
KwaZulu-Natal	55.1
Free State	56.5
South Africa	91.6

The closing average rental rate for the UK properties is £21.13 per square foot (R128.5 per square foot). In the UK, average rental rates are reflected on an annual basis.

UNAUDITED PROPERTY PORTFOLIO INFORMATION (continued)
as at 31 March 2018

5. The occupancy profile by GLA of the portfolio as at 31 March 2018 is disclosed in the following table:

Region	GLA (m^2)	% Occupied	Vacancy m^2	% Vacant
Gauteng	126 554	86.3	17 338	13.7
Western Cape	86 673	83.8	14 041	16.2
Eastern Cape	11 032	86.2	1 522	13.8
KwaZulu-Natal	27 882	88.0	3 474	12.0
Free State	6 679	79.1	1 396	20.9
South Africa	**258 820**	**85.3**	**37 771**	**14.7**
United Kingdom	57 037	78.2	12 434	21.8
Total	**315 857**	**84.0**	**50 205**	**16.0**

6. The existing leases for the current tenant base do not contain contractual escalations. The company has the contractual right to increase rentals at its discretion, provided 30 days' notice is given to the respective tenants. Excluding the impact of the acquisitions of Unit Self Storage and StorTown which had lower average rental rates, the year-on-year increase in the average rental rate is 9.2%. The following table sets out the annual percentage increases in the average rental per square metre for the past three financial years.

Year	% Increase in rental per m^2
2016	9%
2017	9%
2018	7%

7. The weighted average annualised property yields based on the forward 12 month net operating income ("NOI"), after deducting a notional management fee, and assuming a stabilised occupancy level are set out below:

	12 month forward NOI	12 month forward NOI assuming stabilised occupancy
SA properties	7.98%	8.34%
UK properties	6.60%	7.70%

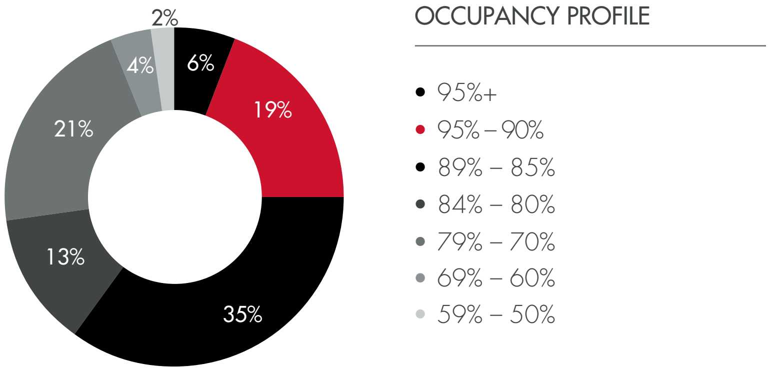
The above yields have been calculated excluding undeveloped land and developments in progress.

8. The tenant base of the group is large and diverse. All leases continue indefinitely unless terminated by providing two weeks' notice. As at 31 March 2018, 71% of existing tenants in South Africa and 69% in the United Kingdom had occupied of a self storage unit for a period greater than six months. Set out below is an analysis of the historical occupancy profile for the group.

South Africa Tenancy	2018	2017	2016
< 6 months	29%	30%	31%
Between 6 and 12 months	17%	17%	19%
Between 1 and 2 years	21%	21%	23%
Between 2 and 3 years	11%	12%	12%
> 3 years	22%	20%	15%
Total	100%	100%	100%

United Kingdom Tenancy	2018
< 6 months	31%
Between 6 and 12 months	18%
Between 1 and 2 years	17%
Between 2 and 3 years	10%
> 3 years	24%
Total	100%

9. The occupancy profile of the group as at 31 March 2018 is set out in the following pie chart below:



UNAUDITED PROPERTY PORTFOLIO INFORMATION

Schedule of Properties as at 31 March 2018

Property name	Address	Province	2018 Purchase price R'000	2018 Valuation R'000	2018 GLA m^2	2018 GLA Sq Ft.#	2017 Valuation R'000	2017 GLA m^2
South Africa								
Stor-Age Gardens	121 Roeland Street, Gardens, Cape Town	Western Cape	140 000	238 750	11 090	–	206 900	9 235
Stor-Age Table View	121 Koeberg Road, Corner of Koeberg and Blaauwberg Road, Table View, Cape Town	Western Cape	104 000	127 000	10 114	–	115 000	10 087
Stor-Age Durbanville	Corner of Pinehurst Drive and Okavango Road, Pinehurst, Cape Town	Western Cape	72 700	120 000	10 649	–	103 000	9 722
Stor-Age Tokai(*)^	64-74 White Road, Retreat, Cape Town	Western Cape	94 300	113 000	8 129	–	92 000	8 129
Storage RSA Somerset West	24 Ou Paardevlei, Somerset West, Cape Town	Western Cape	90 000	96 000	7 720	–	89 000	7 608
Storage RSA Durbanville	2-8 Plein Street, Durbanville, Cape Town	Western Cape	88 000	88 000	7 811	–	86 300	7 804
Storage RSA Stellenbosch	7 George Blake and 6 Stoffel Smit, Stellenbosch	Western Cape	65 000	80 000	6 247	–	67 000	6 063
Stor-Age Bellville	Cnr of Peter Barlow and Kasselsvlei Road, Bellville, Cape Town	Western Cape	46 000	63 900	5 874	–	60 900	5 874
Stor-Age Edgemead	1 Southdale Road Edgemead, Cape Town	Western Cape	48 950	54 376	6 719	–	60 300	4 833
Stor-Age Sea Point	67 Regent Road, Sea Point, Cape Town	Western Cape	41 000	59 000	2 756	–	56 600	2 756
Storage RSA Heritage Park	42 Delson Circle, Heritage Park, Somerset West, Cape Town	Western Cape	40 000	46 700	5 001	–	45 000	4 891
Stor-Age Maitland	255 Voortrekker Road, Maitland, Cape Town	Western Cape	13 500	18 507	1 556	–	17 000	1 093
Stor-Age Ottery	Cnr Bloemhof Avenue and Springfield Street, Ottery	Western Cape	42 081	44 700	5 356	–	–	–
			885 531	1 149 933	89 022	–	999 000	78 095
Stor-Age Lyttleton	1250 Theron Street, Pierre van Rhyneveld	Gauteng	115 000	133 500	20 919	–	121 000	20 941
Storage RSA Constantia Kloof	17 JG Strijdom Road, Weltevredenpark	Gauteng	94 700	95 000	7 977	–	100 000	7 928
Storage RSA Midrand	65 Freight Road, Louwlardia, Midrand	Gauteng	83 000	83 000	7 597	–	82 500	7 548
Stor-Age Hennopspark	Jakaranda Street, Hennopspark	Gauteng	60 500	70 500	9 387	–	68 050	9 385
Stor-Age Boksburg	37 View Point Road, Bartlett, Boksburg	Gauteng	74 000	71 000	7 229	–	65 000	7 229
Stor-Age Kempton Park	Cnr of Cheetah and Klipspringer Street, Kempton Park	Gauteng	71 000	75 000	9 124	–	67 500	9 214
Stor-Age Constantia Kloof(*)	Cnr of Hendrik Potgieter and 14th Avenue, Constantia Kloof	Gauteng	48 000	79 167	5 375	–	77 604	5 375
Stor-Age Zwartkop	70 Migmatite Street, Zwartkop ext 13	Gauteng	46 000	62 500	9 319	–	56 000	9 340
Stor-Age Samrand	29 Rietspruit Rd, Samrand, Pretoria	Gauteng	55 650	53 900	7 978	–	52 600	7 978
Stor-Age Jhb City	32 Rosettenville Road, Village Main, Jhb City	Gauteng	43 100	56 500	7 848	–	51 500	7 848
Stor-Age Midrand	492 Komondor Road, Glen Austin X3, Midrand	Gauteng	45 500	53 000	7 248	–	48 500	7 248
Stor-Age Garsfontein	Plot 13 Garsfontein Road, Grootfontein	Gauteng	43 600	44 500	9 711	–	40 000	9 711
Stor-Age Mnandi	39 Tulip Avenue, Raslow	Gauteng	41 500	42 000	8 248	–	38 800	8 259
Stor-Age West Rand	Portion 610, St Antonios Road, Muldersdrift	Gauteng	22 600	20 107	5 788	–	28 500	4 343
Stor-Age Pretoria West	1384 Malie Street, Pretoria West	Gauteng	10 500	11 550	4 161	–	9 800	4 161
			854 650	951 224	127 909	–	907 354	126 508

Property name	Address	Province	2018 Purchase price R'000	2018 Valuation R'000	2018 GLA m²	2018 GLA Sq Ft.#	2017 Valuation R'000	2017 GLA m²
Stor-Age Springfield	166 Inersite Avenue, Umgeni Business Park	KwaZulu-Natal	17 100	41 500	5 516	–	32 000	5 516
Stor-Age Waterfall	1 Nguni Way and 127 Brackenhill Road, Hillcrest	KwaZulu-Natal	101 424	110 000	15 115	–	–	–
Stor-Age Durban CBD	200 Gale Street, Durban	KwaZulu-Natal	28 191	21 500	3 469	–	–	–
Stor-Age Glen Anil	2014 Old North Coast Rd, Mt Edgecombe	KwaZulu-Natal	15 386	26 600	3 782	–	–	–
			162 101	199 600	27 882	–	32 000	5 516
Stor-Age Bloemfontein	Sand Du Plessis Avenue, Estoire, Bloemfontein	Free State	22 500	25 700	6 679	–	24 500	6 679
Stor-Age Greenbushes	Plot 136 Old Cape Road, Port Elizabeth	Eastern Cape	53 800	59 000	11 032	–	58 000	11 016

		Region in England	Purchase price £000	Valuation £000	GLA m²	GLA Sq Ft.#	Valuation R'000	GLA m²
United Kingdom								
Storage King Aylesford(*)	Units 2 and 3, New Hythe Business Park, Bellingham Way, Aylesford, ME20 7HP	South East	4 441	4 428	4 035	43 435	–	–
Storage King Basildon(*)	Unit 1, Carnival Park, Carnival Close, Basildon, SS14 3WN	East	5 067	4 756	3 985	42 891	–	–
Storage King Cambridge	505 Coldhams Lane, Cambridge, CB1 3JS	East	12 180	12 610	5 872	63 206	–	–
Storage King Chester	1 Hartford Way, Sealand Industrial Estate, Chester, CH1 4NT	North West	4 350	4 162	2 142	23 054	–	–
Storage King Dartford	599 to 613 Princes Road, Dartford, DA2 6HH	South East	11 760	11 949	4 242	45 660	–	–
Storage King Derby	Units 8-14, Hansard Gate, West Meadows Industrial Estate, Derby, DE21 6AR	East Midlands	8 270	8 628	5 191	55 875	–	–
Storage King Doncaster	1 Carriage Drive, White Rose Way, Doncaster, DN4 5JH	Yorkshire	4 710	5 290	3 609	38 842	–	–
Storage King Dunstable(*)	Unit 1, Nimbus Park, Porz Avenue, Houghton Road, Dunstable, LU5 5WZ	East	2 537	2 539	3 409	36 690	–	–
Storage King Epsom(*)	Units 5 and 6, Epsom Trade Park, Blenheim Road, Epsom, KT19 9DU	South East	4 916	4 677	3 106	33 430	–	–
Storage King Gloucester	Unit 3, Barnwood Point, Corinium Avenue, Barnwood, Gloucester, GL4 3HX	South West	4 330	4 460	4 068	43 785	–	–
Storage King Milton Keynes	39 Barton Road, Bletchley, Milton Keynes, MK2 3BA	South East	6 130	6 730	3 186	34 290	–	–
Storage King Oxford	1 Bobby Fryer Close, Garsington Road, Oxford, OX4 6ZN	South East	10 130	10 456	6 098	65 640	–	–
Storage King Woodley(*)	Unit 5, Area 9, Headley Road East, Woodley, RG5 4SQ	South East	4 773	4 664	4 306	46 344	–	–
Storage King Crewe	Unit 2 and 3 at the Railway Exchange, Weston Road, Crewe, CW1 6AA	North West	7 606	7 863	3 790	40 795	–	–
			91 200	93 212	57 037	613 937	–	–

* *Leasehold properties*
^ *The lease covers a portion of Stor-Age Tokai. Details pertaining to the lease is set out in note 27.*
# *One square metre = 10.76 square feet*
+ *Schedule of properties list excludes undeveloped land and includes sectional title units at Edgemead, Maitland and West Rand managed by Stor-Age but not owned.*

SHAREHOLDER INFORMATION

UNAUDITED SHAREHOLDER ANALYSIS

Analysis of shareholders as at 31 March 2018

SHAREHOLDER SPREAD	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1,000	1 059	20.07%	405 969	0.13%
1,001 – 10,000	2 832	53.68%	11 576 654	3.84%
10,001 – 100,000	1 109	21.02%	32 238 805	10.68%
100,001 – 1,000,000	216	4.09%	62 193 465	20.60%
Over 1,000,000	60	1.14%	195 449 209	64.75%
Total	5 276	100.00%	301 864 102	100.00%
Distribution of Shareholders				
Collective Investment Schemes	137	2.60%	134 695 493	44.62%
Retirement Benefit Funds	143	2.71%	40 662 923	13.47%
Retail Shareholders	3 961	75.08%	40 471 099	13.41%
Private Companies	162	3.07%	24 782 273	8.21%
Trusts	615	11.66%	20 873 563	6.91%
Assurance Companies	22	0.42%	10 777 673	3.57%
Foundations & Charitable Funds	87	1.65%	9 826 641	3.26%
Hedge funds	10	0.19%	6 858 126	2.27%
Scrip Lending	5	0.09%	6 491 149	2.15%
Medical Aid Funds	15	0.28%	1 513 094	0.50%
Organs of State	1	0.02%	1 155 840	0.38%
Managed Funds	21	0.40%	1 131 907	0.37%
Stockbrokers & Nominees	7	0.13%	1 059 427	0.35%
Close Corporations	56	1.06%	774 595	0.26%
Investment Partnerships	22	0.42%	312 682	0.10%
Insurance Companies	5	0.09%	243 400	0.08%
Public Entities	2	0.04%	190 351	0.06%
Custodians	3	0.06%	22 068	0.01%
Public Companies	2	0.04%	21 798	0.01%
Total	5 276	100.00%	301 864 102	100.00%
Shareholder Type				
Non-public Shareholders	16	0.30%	39 425 728	13.06%
Directors and Associates	16	0.30%	39 425 728	13.06%
Public Shareholders	5 260	99.70%	262 438 374	86.94%
Total	5 276	100.00%	301 864 102	100.00%

SHAREHOLDER SPREAD	Number of shares	% of issued capital
Fund Managers With A Holding Greater Than 3% of The Issued Shares		
Foord Asset Management	33 910 479	11.23%
Old Mutual Investment Group	31 765 422	10.52%
Stanlib Asset Management	25 431 204	8.42%
Coronation Fund Managers	19 071 122	6.32%
Sesfikile Capital	12 662 969	4.19%
Prescient Investment Management	12 450 861	4.12%
Catalyst Fund Managers	11 070 886	3.67%
Total	146 362 943	48.49%
Beneficial Shareholders With A Holding Greater Than 3% Of The Issued Shares		
Old Mutual Group	32 416 797	10.74%
Stanlib	19 761 385	6.55%
Coronation Fund Managers	15 349 333	5.08%
Castle Rock Investments (Pty) Ltd	14 066 666	4.66%
Foord Asset Management	13 790 028	4.57%
Prescient Investment Management	10 658 317	3.53%
Alexander Forbes Investments	10 433 685	3.46%
MMI Holdings Limited	9 179 644	3.04%
Total	125 655 855	41.63%

Total number of shareholdings	5 276
Total number of shares in issue	301 864 102

SHAREHOLDERS' DIARY

Annual report posted to shareholders	Wednesday, 25 July 2018
Notice of AGM posted to shareholders	Wednesday, 25 July 2018
Annual general meeting	Thursday, 23 August 2018
Interim reporting date	Sunday, 30 September 2018
Publication of interim results and interim dividend announcement	Tuesday, 20 November 2018
Last day to trade	Tuesday, 4 December 2018
Shares trade ex-dividend	Wednesday, 5 December 2018
Record date	Friday, 7 December 2018
Interim dividend paid	Monday, 10 December 2018
Financial year end	Sunday, 31 March 2019
Publication of final results and final dividend announced	Tuesday, 11 June 2019
Last day to trade	Tuesday, 2 July 2019
Shares trade ex-dividend	Wednesday, 3 July 2019
Record date	Friday, 5 July 2019
Final dividend paid	Monday, 8 July 2019

ANNEXURE: GLOSSARY OF TERMS

"Big Box"	A reference to multi-storey self storage properties owned and developed by Stor-Age
"the board"	The board of directors of Stor-Age Property REIT Limited
"CEO"	Chief Executive Officer. The CEO of Stor-Age is Gavin Lucas.
"the company/the group, we/us/our"	Stor-Age Property REIT Limited, its subsidiaries and its management
"the Companies Act"	South African Companies Act No 71, of 2008, as amended
"CPC"	Certificate of Practical Completion
"FD"	Financial Director. The FD of Stor-Age is Stephen Lucas.
"GLA"	Gross lettable area, measured in square metres
"IBC"	Inside Back Cover
"IFC"	Inside Front Cover
"JSE"	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
"King III"	King Report on Corporate Governance for South Africa, 2009
"King IV™"	King IV Report on Corporate Governance™ for South Africa, 2016
"Listed Portfolio"	36 properties, 264 000 m² GLA, R2.5 billion
"The listing date/listing:"	Refers to our listing on the JSE on 16 November 2015
"m²"	square metre
"Managed Portfolio"	Unlisted portfolio of 84 000 m² GLA on which Stor-Age receives property and asset management fees
"the period" or "the reporting period"	The 12 months from 1 April 2017 to 31 March 2018
"the previous year"	The year ended 31 March 2017
"REIT"	Real Estate Investment Trust
"SA"	South Africa
"sqf"	Square foot
"Stor-Age" or "the company"	Stor-Age Property REIT Limited, listed on Main Board JSE in the Speciality REIT sector
"Trading Portfolio"	The portfolio of 63 self storage properties comprising the Listed Portfolio and the Managed Portfolio
"the year" or "the year under review"	Refers to our financial year and reporting period, being 1 April 2017 to 31 March 2018. References to other years are specified as being so.
"UK"	United Kingdom
"US"	United States
Financial definitions	
"IFRS"	International Financial Reporting Standards
"NAV"	Net asset value

Stor-Age Property REIT Limited
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2015/168454/06
Share code: SSS
ISIN: ZAE 000208963
("Stor-Age" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

This document is available in English only. A copy of the document may be obtained from the registered office of the Company at the address provided on the inside back cover during normal business hours from date hereof until Thursday, 23 August 2018.

Notice is hereby given to shareholders registered in Stor-Age's securities register as at the record date of Friday, 17 August 2018 that the annual general meeting of Stor-Age (the "AGM") will be held at the Terrace Room, Second Floor Conference Centre, Vineyard Hotel, Colinton Road, Newlands on Thursday, 23 August 2018 at 14h00 to:

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

(ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions of shareholders set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended ("the Act"), as read with the Listings Requirements of the JSE Limited ("the JSE Listings Requirements") on which exchange the Company's shares are listed, which meeting is to be participated in and voted at by shareholders registered in Stor-Age's securities register as shareholders as at the record date of Friday, 17 August 2018.

The last day to trade to be registered in Stor-Age's securities register by the record date of Friday, 17 August 2018, is Tuesday, 14 August 2018.

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

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

1. *Presentation of financial statements*

   The consolidated financial statements of the Company, as approved by the board of directors of the Company (the "Board"), for the year ended 31 March 2018 have been distributed and accompany this notice as required and will be presented to shareholders at the AGM together with the reports of the directors and the audit and risk committee.

   The complete financial statements are set out on pages 69 to 158 of the 2018 Stor-Age Integrated Annual Report ("the 2018 Integrated Report").

   The 2018 Integrated Report is available on the Company's website, http://investor-relations.stor-age.co.za/Annual-Reports/2018/.

2. *Report from the social and ethics committee*

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

Voting requirement:

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

3. *Ordinary resolution number 1: Re-election of Mr GA Blackshaw as a director*

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

   An abridged curriculum vitae of Mr Blackshaw appears in Annexure 1 of this notice of AGM.

4. *Ordinary resolution number 2: Re-election of Mr PA Theodosiou as a director*

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

   An abridged curriculum vitae of Mr Theodosiou appears in Annexure 1 of this notice of AGM.

5. *Ordinary resolution number 3: Appointment of Ms KM de Kock as a director*

   "Resolved that Ms KM de Kock be appointed as an independent non-executive director of the Company."

   An abridged curriculum vitae of Ms de Kock appears in Annexure 1 of this notice of AGM.

6. *Ordinary resolution number 4: Appointment of Ms P Mbikwana as a director*

   "Resolved that Ms P Mbikwana be appointed as an independent non-executive director of the Company."

   An abridged curriculum vitae of Ms Mbikwana appears in Annexure 1 of this notice of AGM.

7. *Ordinary resolution number 5: Re-appointment of auditor*

   "Resolved that KPMG Inc. be re-appointed as auditor of the Company (for the financial year ending 31 March 2019), with the designated partner being Mr P Conradie, until the conclusion of the next annual general meeting of the Company."

8. *Ordinary resolution number 6: Election of Mr GBH Fox as a member of the audit and risk committee*

   "Resolved that Mr GBH Fox, being an independent non-executive director of the Company, be elected as a member and the Chairman of the audit and risk committee of the Company with effect from the end of this meeting."

   An abridged curriculum vitae of Mr Fox appears in Annexure 1 of this notice of AGM.

9. *Ordinary resolution number 7: Election of Mr MS Moloko as a member of the audit and risk committee*

   "Resolved that Mr MS Moloko, being an independent, non-executive director of the Company, be elected as a member of the audit and risk committee of the Company, with effect from the end of this meeting."

   An abridged curriculum vitae of Mr Moloko appears in Annexure 1 of this notice of AGM.

10. *Ordinary resolution number 8: Election of Mr PA Theodosiou as a member of the audit and risk committee*

    "Resolved that, subject to the passing of ordinary resolution number 2, Mr PA Theodosiou, being an independent non-executive director of the Company and Chairman of the Board, be elected as a member of the audit and risk committee of the Company, with effect from the end of this meeting."

    An abridged curriculum vitae of Mr Theodosiou appears in Annexure 1 of this notice of AGM.

11. *Ordinary resolution number 9: Election of Ms KM de Kock as a member of the audit and risk committee*

"Resolved that, subject to the passing of ordinary resolution number 3, Ms KM de Kock, being an independent non-executive director of the Company, be elected as a member of the audit and risk committee of the Company, with effect from the end of this meeting."

An abridged curriculum vitae of Ms de Kock appears in Annexure 1 of this notice of AGM.

12. *Ordinary resolution number 10: General authority to directors to issue shares for cash*

"Resolved that, subject to the restrictions set out below and subject to the provisions of the Act and the JSE Listings Requirements, the Board be authorised by way of a general authority to allot and issue any portion of the ordinary shares of the Company for cash, on the following basis:

- the equity securities which are the subject of the issue for cash must be of a class already in issue or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" and not to "related parties", all as defined by the JSE Listings Requirements;
- this authority will only be valid until the Company's next annual general meeting (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond 15 months of the date of this AGM);
- issues of ordinary shares in any one financial year may not exceed 30 602 410 ordinary shares in the aggregate, which represents 10% of the number of ordinary shares in the Company's issued share capital at the date of this notice of AGM, being 306 024 102 ordinary shares, provided that
  - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
  - any such general issues are subject to exchange control regulations and approval at that point in time;
- after the Company has in terms of this authority issued ordinary shares for cash equivalent to 10% of the number of shares of that class in issue prior to that issue, the Company shall publish an announcement containing full details of such issue/s (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the shares, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, and in respect of the statement of comprehensive income, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share) and the intended use of the funds;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 5% of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party/ies subscribing for the shares."

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by the shareholders present or represented by proxy at the AGM is required to approve the ordinary resolution number 10 regarding the general authority to issue shares for cash.

13. *Ordinary resolution number 11: Amendment of the Rules of The Stor-Age Share Purchase and Option Scheme ("the Scheme")*

"Resolved, with effect from 1 September 2018, that

- the aggregate maximum number of Shares in respect whereof any one Purchase Offeree shall be entitled to accept a Purchase Offer pursuant to the Purchase Scheme in terms of Rule 5.1.2 of the Scheme be increased from 4 500 000 to 5 500 000 as the lesser number is no longer sufficient for the purposes of the Scheme, given the prior share issuances of the Company; and
- Rule 1.2.50 be deleted and replaced with the following '"Scheme Allocation" means the aggregate number of shares which can be offered for subscription or purchase under this Scheme, being 20 000 000 (twenty million) Shares (which Shares shall not exceed 7% of the Issued Share Capital as at 31 March 2018)'."

In terms of the JSE Listings Requirements, a 75% majority of the votes cast by the shareholders present or represented by proxy at the AGM is required to approve ordinary resolution number 11, with votes attaching to shares owned or controlled by persons who are existing participants in the Scheme excluded from voting.

14. *Advisory endorsement: Endorsement of Remuneration Policy*

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

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

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

Non-binding advisory vote 1 – approval of Company's Remuneration Policy

"RESOLVED THAT the Company's Remuneration Policy, as set out in the Remuneration Committee Report contained in the 2018 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote."

Non-binding advisory vote 2 – approval of Company's Implementation Report

"RESOLVED THAT the Company's Implementation Report in regard to its Remuneration Policy, as contained in the 2018 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote."

15. *Special resolution number 1: Remuneration of non-executive directors for their service as directors for the 2020 financial year*

"Resolved that, in terms of clause 28 of the Company's memorandum of incorporation and section 66(9) of the Act, the following remuneration, which constitutes an annual retainer and is proposed to be paid to the non-executive directors for their service as directors on an all-inclusive basis, and which is proposed to be paid for the financial year ending 31 March 2020, monthly in arrears, with effect from 1 April 2019, is approved:"

	Proposed annual remuneration (Rand)
Board member	211 000
Chairperson – board	20 000
Audit and risk committee member	50 000
Chairperson – audit and risk committee	10 000
Investment committee member	30 000
Social and ethics committee member	25 000
Remuneration committee member	25 000

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

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

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

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

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

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

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

VOTING AND PROXIES

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

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

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

NOTICE OF ANNUAL GENERAL MEETING (continued)

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

It is requested that forms of proxy are lodged at or mailed to Computershare Investor Services (Pty) Limited to be received by not later than 12h00 on Tuesday, 21 August 2018. Any shareholder who does not lodge a completed form of proxy by the relevant time will nevertheless be entitled to lodge a form of proxy in respect of the AGM immediately prior to the commencement thereof, with the chairperson of the AGM.

GENERAL

Electronic participation

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

- at the Terrace Room, Second floor Conference Centre, Vineyard Hotel, Colinton Road, Newlands (which is the location for the AGM); and
- at the offices of Stor-Age, 4 Kikuyu Road, Sunninghill, Johannesburg.

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

By order of the board

HH-O Steyn
Company Secretary
25 July 2018

Address of registered office
216 Main Road
Claremont
7708
(PO Box 53154, Kenilworth, 7745)

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

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

Re-election of directors retiring at the AGM – ordinary resolutions numbers 1 to 4

In accordance with clause 26.3 of the Company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and may offer themselves for re-election and, in accordance with clause 26.4 of the Company's memorandum of incorporation, any appointments made by the board during an interim period must be confirmed at the immediately following annual general meeting. In accordance with these relevant provisions, it has been determined that Messrs GA Blackshaw and PA Theodosiou, and Mesdames KM de Kock and P Mbikwana are due to retire from the board.

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

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

In addition, the directors of the Company have conducted an assessment of the performance of each of the retiring directors and have reviewed the skills, knowledge, experience, diversity and demographics represented on the Board. Having received the results of that assessment and review, the Board is satisfied that the performance of the existing directors continues to be effective and to demonstrate commitment to their roles, and have satisfied themselves as to the performance expectations from the new appointees. Accordingly, the Board recommends to shareholders the re-election of each of the retiring directors referred to in ordinary resolutions numbers 1 to 4, by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Act.

Abridged *curricula vitae* of the retiring directors appear in Annexure 1 on page 178.

Re-appointment of auditor – ordinary resolution number 5

KPMG Inc. has indicated its willingness to continue in office and ordinary resolution number 5 proposes the re-appointment of that firm as the Company's auditor until the conclusion of the next annual general meeting.

At a Stor-Age audit and risk committee meeting held on 7 June 2018, the committee considered the independence of the auditor KPMG Inc., in accordance with section 94(8) of the Act. In assessing the independence of the auditor, the audit and risk committee satisfied itself that KPMG Inc.:

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

NOTICE OF ANNUAL GENERAL MEETING (continued)

Accordingly, the Stor-Age audit and risk committee was satisfied that KPMG Inc. is independent as contemplated by the South African independence laws and the applicable rules of the International Federation of Accountants and nominated the re-appointment of KPMG Inc. as registered auditor for the financial year ending 31 March 2019. On 11 June 2018 the Board confirmed its support, subject to shareholders' approval as required in terms of section 90(1) of the Act, for the re-appointment of KPMG Inc. and Mr P Conradie respectively as the independent registered audit firm and individual registered auditor of Stor-Age.

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

Election of audit and risk committee members – ordinary resolutions numbers 6 to 9

In terms of section 94(2) of the Act, the audit and risk committee is no longer a committee of the Board, but a committee elected by the shareholders at each annual general meeting. The Act requires the shareholders of a public company to elect the members of an audit and risk committee at each annual general meeting. In accordance therewith the directors should present shareholders with suitable candidates for election as audit and risk committee members.

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

At a meeting of the Board held on 11 June 2018 the Board satisfied itself that, among others, the independent, non-executive directors offering themselves for election as members of the Stor-Age audit and risk committee:

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

General authority to directors to issue shares for cash – ordinary resolution number 10

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

The existing general authority granted by the shareholders at the previous annual general meeting, held on 24 August 2017, will expire at the AGM to be held on 23 August 2018, unless renewed. The authority may only be acted upon subject to the Act and the JSE Listings Requirements. The aggregate number of securities capable of being allotted and issued in terms of this authority is limited to 10% (previously 5%) of the issued share capital as set out in the resolution.

The directors consider it advantageous to increase this authority to enable the Company to take advantage of certain particular business opportunities that are expected in the near future.

Amendment of the Rules of The Stor-Age Share Purchase and Option Scheme – ordinary resolution number 11

The Rules governing The Stor-Age Share Purchase and Option Scheme currently provide that the maximum scheme allocation to any single Offeree will be limited to 4 500 000 Shares, which maximum was set at the time of listing in November 2015. As a result of subsequent share issues by the Company and the dramatic increase in scale of business, it is recommended that this individual maximum be increased to 5 500 000 Shares. The total scheme allocation is limited to a maximum number of 20 000 000 shares, being 6.63% of the issued share capital at 31 March 2018. Both these changes are to be approved by shareholders at the AGM.

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

Endorsement of Remuneration Policy – advisory endorsement number 1

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

- a Background Statement,
- an overview of the Remuneration Policy,
- an Implementation Report,

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

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

The Remuneration Committee prepared, and the Board considered and accepted, the Remuneration Policy and Implementation Report thereon, as set out in the 2018 Integrated Report.

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

Accordingly, the shareholders are requested to endorse the Company's Remuneration Policy as set out in paragraph 14 of the AGM notice.

Remuneration of non-executive directors for their service as directors for the year ending 31 March 2020 – special resolution number 1

In terms of section 66(8) and (9) of the Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in a company's memorandum of incorporation. In terms of clause 28 of the Company's memorandum of incorporation, the remuneration of the directors shall from time to time be determined by the Company in general meeting and, as such, the payment of such remuneration is not prohibited in terms of the Company's memorandum of incorporation. The remuneration hereby sought to be approved, in respect of the financial year ending 31 March 2020, is to be paid to the non-executive directors as they are not remunerated as employees of the Company, as in the case of the executive directors.

This resolution is recommended by the Company's directors. Full particulars of all remuneration paid to non-executive directors for their service as directors during the past year, and proposed to be paid for the 2020 financial year, are respectively set out on pages 156 and 157 of the annual financial statements, and on page 170.

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

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

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

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

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

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

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

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

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

The existing authorities granted by the shareholders at the previous annual general meeting, held on 24 August 2017, will expire on 23 August 2019, unless renewed, and special resolutions 2 and 3 will therefore be appropriately renewed.

In addition, an existing authority granted by a shareholders' special resolution passed on 24 August 2017, will expire on 23 August 2019 unless renewed. This authority allows the Company to provide financial assistance for any purpose, to related or inter-related companies or corporations. In accordance with the business model of the Company, as openly stated elsewhere in the 2018 Integrated Report, development opportunities are undertaken by related entities and held in those entities up to the stage that their occupancy levels are acceptable to the Company, whereupon the Company will exercise its pre-emptive rights to acquire the completed project. In order to ensure that the development entity (being a related party) has adequate development funding, it may be necessary for the Company to provide financial assistance and, for this reason, special resolution number 4 will allow for such assistance to be provided by the Company.

SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN SECTION 58 OF THE ACT

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

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

ANNEXURE 1
CVs OF DIRECTORS FOR ELECTION TO THE BOARD AND AUDIT COMMITTEE

NON-EXECUTIVE DIRECTORS

Mr GA BLACKSHAW
BA LLB
A former lead development partner in the Faircape group of companies, Graham played an integral role in driving the formation of the Stor-Age Joint Venture between Acucap, Faircape and Stor-Age Property Holdings in 2010.

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

Mr PA THEODOSIOU
Chairman – CA(SA), MBA (UCT)

After partnering with NIB in the promotion and subsequent listing of Acucap Properties Limited on the JSE, Paul successfully led Acucap as CEO for close on 15 years prior to its merger with Growthpoint in 2015.

Ms KM de KOCK
CA(SA), CFA, MBA
Kelly is a Chartered Accountant, a Chartered Financial Analyst, and holds an MBA from the University of Cape Town. She is an executive committee member of the Association of Black Securities and Investment Professionals, Western Cape.

She currently holds the position of Chief Operating Officer at Old Mutual Wealth Trust Company, having previously held the positions of Head of Institutional Business Development at Kagiso Asset Management, and Investor Relations Manager: South Africa at Old Mutual PLC.

Ms P MBIKWANA
BCom
Phakama graduated from Rhodes University in 2002, after which she completed a Bridging Certificate in the Theory of Accounting at Rand Afrikaans University. She also holds an International Executive Development Programme Certificate from US based Duke Corporate, an affiliate of Duke University.

She is the founder and current sole member of Dandelion Capital, a company seeking to invest in diverse sectors in order to drive growth and influence strategy. Until recently, she held the position of Head of Construction and Related Sectors at Barclays Africa, and prior to that she held roles at Standard Bank Group, Investment Solutions, Alexander Forbes Multi Asset Management and Nedbank Corporate.

Mr GBH FOX
CA(SA)
Gareth is Chief Operating Officer of Western National Insurance Company Limited. He originally completed his articles in financial services at PwC and thereafter headed up the regulatory reporting and tax teams at Santam. He has sat on the South African Insurance Association taxation subcommittee and the Financial Services Board's SAM discussion group.

Mr MS MOLOKO
BSc Hons, PGCE (Leicester), AMP (Wharton)
Sello is the co-founder and executive chairman of Thesele Group. He has over 25 years' experience in financial services with actuarial consulting and asset management expertise. He is the non-executive chairman of Sibanye Gold, and is the former chief executive officer of Old Mutual Asset Managers.

Stor-Age Property REIT Limited
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2015/168454/06
Share code: SSS ISIN: ZAE 000208963
("Stor-Age" or "the company")

FORM OF PROXY

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

For use by the Company's shareholders who hold certificated ordinary shares and/or dematerialised ordinary shares in the Company through a Central Securities Depository Participant ("CSDP") or broker who have selected "own name" registration, in the exercise of their voting rights in respect of the ordinary shares they hold in the capital of the Company, at the annual general meeting of the company to be held at the Terrace Room, Second floor Conference Centre, Vineyard Hotel, Colinton Road, Newlands and at the offices of Stor-Age, 4 Kikuyu Road, Sunninghill, Johannesburg, being the place where the Company intends to make provision for shareholders thereof, or their proxies, who are entitled to attend the annual general meeting, to participate therein by way of electronic communication, on Thursday, 23 August 2018 at 14h00.

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

I/We ____ (Name in block letters)

of ____ (Address)

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

1. ____ or failing him

2. ____ or failing him

Contact numbers: ____________________ Landline ____________________ Mobile

E-mail address: ____

3. the chairperson of the meeting

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

FORM OF PROXY (continued)

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

1	Ordinary resolution number 1: Re-election of Mr GA Blackshaw as a director			
2	Ordinary resolution number 2: Re-election of Mr PA Theodosiou as a director			
3	Ordinary resolution number 3: Appointment of Ms KM de Kock as a director			
4	Ordinary resolution number 4: Appointment of Ms P Mbikwana as a director			
5	Ordinary resolution number 5: Re-appointment of auditor			
6	Ordinary resolution number 6: Election of Mr GBH Fox as a member and the Chairman of the audit and risk committee			
7	Ordinary resolution number 7: Election of Mr MS Moloko as a member of the audit and risk committee			
8	Ordinary resolution number 8: Election of Mr PA Theodosiou as a member of the audit and risk committee			
9	Ordinary resolution number 9: Election of Ms KM de Kock as a member of the audit and risk committee			
10	Ordinary resolution number 10: General authority to directors to issue shares for cash			
11	Ordinary resolution number 11: Amendment of the Rules governing The Stor-Age Share Purchase and Option Scheme			
12	Non-binding advisory votes:			
	a. endorsement of Remuneration Policy; and			
	b. endorsement of the Implementation Report			
13	Special resolution number 1: Remuneration of non-executive directors for their service as directors (2020 financial year)			
14	Special resolution number 2: General authority to provide financial assistance to related or inter-related companies and entities			
15	Special resolution number 3: Authority to provide financial assistance to directors, prescribed officers, other employee incentive scheme beneficiaries and companies and corporations related or inter-related to them			
16	Special resolution number 4: Authority to provide financial assistance to directors, prescribed officers, and companies and corporations related or inter-related to them			

Signed at ____________________ on ____________________ 2018

Signature ______________________________

Assisted by (where applicable) (full name) ____________________

Capacity ______________________________

Signed at ____________________ on ____________________ 2018

Date ______________________________

INSTRUCTIONS AND NOTES ON SIGNING AND LODGING THE PROXY FORM

1. A shareholder holding dematerialised ordinary shares in the Company by "own name" registration, or who holds ordinary shares in the Company that are not dematerialised may insert the name of a proxy or the name of two alternative proxies of their choice in the space(s) provided, with or without deleting "the chairperson of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. A proxy need not also be a shareholder of the Company.
2. The completion and lodgment of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting, in respect of their ordinary shares, in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
3. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided in order that the Company may determine the voting rights exercised in respect of the shares. Failure to comply with the above will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the ordinary and special resolutions and advisory endorsement at the annual general meeting or other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of the ordinary shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
4. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled. Any alteration must be signed, not initialled.
5. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or submitted other than in accordance with these instructions and notes.
6. Where there are joint holders of shares and if more than one such joint holder be present or represented, then the person whose name stands first in the register in respect of the shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
7. If this form of proxy is signed under power of attorney, such power of attorney, unless previously registered by the Company, must accompany the form of proxy.
8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
9. A shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the ordinary shares held by him bears to the aggregate amount of the nominal value of all the ordinary shares issued by the Company.
10. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
11. It is requested that forms of proxy are lodged at or mailed to Computershare Investor Services (Pty) Limited to be received by not later than 12h00 on Tuesday, 21 August 2018. Any shareholder who does not lodge a completed form of proxy by the relevant time will nevertheless be entitled to lodge a form of proxy in respect of the annual general meeting immediately prior to the commencement thereof, with the chairperson of the annual general meeting.

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

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

Email:
Proxy@computershare.co.za

CONTACT DETAILS

Company secretary and registered office

Henry Steyn CA(SA)

216 Main Road

Claremont, 7708

Cape Town

Sponsor

Questco Corporate Advisory

(Registration number 2002/005616/07)

Yellowwood House

33 Ballyclare Drive

Ballywoods Office Park

Bryanston, 2191

(PO Box 98956, Sloane Park, 2152)

Auditors and Independent Reporting Accountants

KPMG Inc.

(Registration number 1999/0215432/21)

Registered Auditors

1 Mediterranean Street

Foreshore

Cape Town City Centre

Cape Town, 8001

(PO Box 4609, Cape Town, 8000)

Bankers

Nedbank Group Limited

(Registration number 1966/010630/06)

1st Floor, Nedbank Clocktower Building

V&A Waterfront

Cape Town, 8001

First National Bank a division of
First Rand Bank Limited

(Registration number 1929/001225/06)

27th Floor, Portside, 5 Buitengracht Street

Cape Town, 8001

Transfer secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue

Rosebank, Johannesburg, 2196

(PO Box 61051, Marshalltown, 2107)

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