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 96 to 180, which comprise the statements of financial position as at 31 March 2019, 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 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 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 (Parts 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

The key audit matters below are applicable to the consolidated and separate financial statements:

Valuation of Investment Properties

Refer to the accounting policies note 1.6, note 3 and note 26 to the consolidated and separate financial statements.

The key audit matter	How this matter was addressed in our audit
The group's and company's most significant assets is its investment property portfolio comprising of investment properties with a consolidated fair value of R6.2 billion (2018: R4.0 billion) and R0.40 billion (2018: R0.09 billion) within the company's separate financial statements. The preparation of the fair value estimate for the valuation of investment properties involves significant judgments, assumptions and estimation uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements. The group and company's accounting policy is to obtain independent valuations for at least one third of the number of investment properties each year such that all properties are independently valued every three years. The independent valuations of 17 of the 49 properties within the South African portfolio were performed at 31 March 2019. The remaining properties were internally valued by the board at 31 March 2019. The fair value of investment properties is determined by using a discounted cash flow model and the income capitalisation model is used as a reasonability check. Independent valuations of 14 of the 16 properties within the United Kingdom portfolio were performed at 31 March 2019. The remaining two properties relate to acquisitions concluded in March 2019 and were independently valued at 30 November 2018. The fair value of investment properties is determined by external valuators using a discounted cash flow model. The data used in the discounted cash flow models incorporated significant unobservable inputs including expected market rental escalations, expected expense growth, discount rates and exit capitalisation rates. 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 judgments, assumptions and estimation uncertainties involved in the determination of the fair value of the investment properties. The valuation of investment properties was considered to be a key audit matter for the consolidated and separate financial statements.	Our audit procedures performed included the following: • We used our own valuation specialists to test the appropriateness of the overall valuation methodology and key assumptions including the discount rate, rental escalation, exit capitalisation rate and capitalisation rate (income capitalisation method), used in the calculation of the fair value estimate over a sample of properties. These procedures included: a. Comparing discount rates, capitalisation rate and exit capitalisation rates used to available industry data for similar investment properties; and b. Assessing the reasonableness of rental escalation rates based on available industry data for similar investment properties • We challenged the appropriateness of the rental escalation and expense growth assumptions based on actual rental escalations, historic increases in expenses and occupancy rates realised through retrospective reviews. • We performed sensitivity analysis to determine the effect of changes in the discount rates, exit capitalisation rates and capitalisation rates (income capitalisation method) on the valuation of investment properties. • 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 judgments, assumptions and estimates. • For externally valued properties, we have also evaluated the competencies, capabilities and independence of the external valuators.

Accounting for Asset Acquisitions

Refer to the accounting policies note 1.3 and 1.5 and note 22 to the consolidated and separate financial statements.

The key audit matter	How this matter was addressed in our audit
The group made four significant acquisitions during the year including Roeland Street Investment 2 (Pty) Limited ('RSI 2'), Roeland Street Investments 3 (Pty) Limited ('RSI 3'), Storage Pod Limited and Viking Self Storage Bedford Limited. Through the RSI 2 and RSI 3 acquisitions, 12 self storage investment properties were acquired. The group has elected to early adopt the amendments of IFRS 3, Business combinations which sets to clarify the definition of a business. The amendments include an optional test to identify concentration of the fair value of the gross assets acquired to a single identifiable set of assets or group of assets (in this case, Investment Properties). If the concentration test is met, the set of activities and assets is determined not to be a business and therefore treated as an asset acquisition. Management's calculation of the concentration test for the four above mentioned acquisitions showed that more than 90% of the gross assets were concentrated to the fair value of the investment properties and therefore deemed to be an asset acquisition. The accounting assessment made by management of whether the acquisition is accounted for as a business combination or asset acquisition under IFRS 3 requires judgment which is complex and could materially affect the consolidated and separate financial statements. The significance of the judgments applied by management used in determining whether the acquisitions are a business combination or asset acquisitions and the determination of the fair value of the assets acquired, made the accounting for the asset acquisitions a key audit matter.	Our audit procedures included: • We assessed and challenged management's assessment in accounting for each acquisition as either a business combination or asset acquisition by comparing the terms of the purchase agreements against the requirements of IFRS 3. • We inspected the purchase agreements to determine the effective date of the acquisition. • 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 compared the fair value of investment properties acquired at acquisition date to the fair value reported by the external valuator as part of our file review of the component auditors. • 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 judgments.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee Report, and the Declaration by Company Secretary as required by the Companies Act of South Africa, and the Directors' Responsibility Statement, Unaudited Property Portfolio Information and Unaudited Shareholder Analysis, which we obtained prior to the date of this report, and the Integrated 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 identified 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 auditors' 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 and 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 management either intends to liquidate the group and/or company or to cease operations, or has 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 auditors' 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and 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 director's 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 and 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 auditors' 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 auditors' 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 those charged with governance 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 those charged with governance, 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 auditors' 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 four years.

KPMG Inc.
Per Ivan Engels
Chartered Accountant (SA)
Registered Auditor
Director
11 June 2019

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