STOR-AGE PROPERTY REIT LIMITED

PROVISIONAL SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS

for the year ended 31 March 2018

A DECLARATION OF A CASH DIVIDEND AND POSTING OF A CIRCULAR CONTAINING A DIVIDEND INVESTMENT ALTERNATIVE ELECTION IS INCLUDED IN THIS ANNOUNCEMENT

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

COMMENTARY

The board of directors ("the board") of Stor-Age is pleased to present the provisional summarised consolidated results of the company and its subsidiary companies ("the group") for the year ended 31 March 2018.

HIGHLIGHTS

- Total dividend up 11.1% to 97.83 cps
- Like-for-like growth in rental income and net property operating income of 10.6% and 11.8%
- Investment property valued at R3.85 billion[1], up 87%
- Strong and flexible balance sheet
- Conservative gearing of 16%
- Strategic entry into UK self storage market via Storage King acquisition
- Successful local Unit Self Storage and StorTown acquisitions added 27 800m² GLA
- New development properties underway
- Oversubscribed equity raise of R1.3 billion in October 2017

INTRODUCTION

The board of Stor-Age is pleased to present continued strong trading results for the financial year to March 2018 ("the year"), in which the group continued to deliver real gains in rental rates and occupancy to drive sustainable revenue and earnings growth. Stor-Age achieved this performance in a challenging operating environment against a backdrop of uncertain political and economic events, and with many sector peers under performance pressure.

The final dividend of 50.81 cents per share is up 12.9% on the prior year and, when added to the interim dividend of 47.02 cents per share, brings the total dividend to 97.83 cents per share or an 11.1% increase year-on-year. Stor-Age's strong trading performance is testament to the resilient nature of the underlying product as well as our specialist sector focus and skills, a critical success factor. Our property portfolio, revenue management, technology and operating platform are geared solely to a single growth sector.

The group's major acquisitions in 2017 – locally of Storage RSA, Unit Self Storage and StorTown and internationally in the UK via Storage King – added significant scale and value to the portfolio and reflect our skill to identify and execute on value-add opportunities.

Since Stor-Age's listing in November 2015, total GLA has increased by 77% to over 321 000m² and the value of properties has increased threefold to R3.9 billion. The oversubscription of our equity capital raise in October 2017 affirms investor confidence in our operating strategy and our successful acquisition track record to date.

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

SA – South Africa
UK – United Kingdom
CPC – Certificate of Practical Completion
GLA – gross lettable area

COMMENTARY (continued)

GROUP SNAPSHOT

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa. The portfolio comprises 63 self storage properties across both SA and the UK.

The SA portfolio is predominantly purpose-built with a national footprint and comprises 49 self storage properties totalling 348 200m² . Stor-Age owns and operates 35 of these properties comprising 264 400m² GLA and representing R2.5 billion in value. The balance is made up of the unlisted Managed Portfolio (83 800m² GLA), from which Stor-Age earns 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, which has 14 self storage properties totalling 57 000m² GLA and representing R1.4 billion in value. In addition, a further 12 properties trade under the licence of the Storage King brand and generate licence and management fee revenue. In total this represents 26 properties trading under the brand.

OPERATIONAL REVIEW

- Strong trading results:
  - total portfolio occupancy up 84 200m² (SA 27 200m²; UK 57 000m²)
  - closing occupancy of 85.2% (SA); 78.2% (UK)
  - closing rental of R91.6/m² (SA), up 9.2% (excluding acquisitions in the year)
- Storage RSA acquisition fully integrated and performing as expected
- Continuing investment in digital presence, automation and technology

Stor-Age's ability to close transactions and integrate trading stores seamlessly onto the operating platform has been clearly demonstrated over the past 18 months. Since the start of 2017 the group has successfully completed four significant transactions, including the offshore acquisition of Storage King in November 2017. We have also initiated the development of two new self storage properties in Bryanston and Craighall under our CPC structure, and continued with the ongoing expansion at certain of our existing stores.

In the SA portfolio, properties that have traded for more than five years exhibit an average length of stay for existing customers of 25 months and for all properties, 24 months. The customer base remains consistently loyal and "sticky", boding well for continued sustainability. The detailed performance of the SA portfolio is set out below in Financial Results.

The UK self storage market represents a significant growth opportunity and is characterised by a relative undersupply in comparison to the more established Australian and US markets. Stor-Age's acquisition of Storage King represents an excellent entry point into this market as well as 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.

Year-on-year net self storage rental income increased by 9%[3], including organic like-for-like growth of 6.2%[3], supported by a closing occupancy of 78.2% and rental rate of £21.13[2] 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 (see Acquisitions and Developments), occupancy grew organically by 900m² over the year to March 2018. Operating performance in the first quarter of FY2019 has been in line with expectations.

Post the acquisition, Stor-Age has focused on certain strategic initiatives to position the Storage King business optimally for growth. These include:

- enhancing key operational areas;
- providing proven expertise in property development and acquisitions, treasury management and capital allocation;
- investigating integration of appropriate back office support functions; and
- formulating a detailed medium-term property growth strategy.

[2] *UK rental rate quoted on an annual basis*
[3] *These figures have not been reviewed by our auditors*

COMMENTARY (continued)

FINANCIAL RESULTS

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. Revenue and earnings show significant increases from the previous year reflecting both organic growth and the impact of acquisitions, a most pleasing result in the prevailing macro 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

Total *property revenue* increased by 86.1% to R310.2 million (2017: R166.7 million).

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 an 1.8% increase in average occupancy levels and an 8.8% increase in the average rental rate.

Total occupancy in the SA portfolio grew by 27 200m² over the year (organically 4 700m²; Unit Self Storage and StorTown acquisitions 22 500m²). The closing rental rate was R91.9/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.

COMMENTARY (continued)

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.

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.

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.

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.

Details of the group's borrowing facilities are set out below:

	SA R million	UK R million	Total R million
Total debt facilities	995.0	406.0	1 401
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[4]	2 490	1 363[1]	3 853
Subject to fixed rates			
– Amount	250.0	369.1	619.1
– % hedged on gross debt	70.9%	90.0%	81.6%
– % hedged on net debt	109.9%	94.1%	99.9%
Effective interest rate	9.10%	4.32%	6.54%
Gearing (LTV ratio)	9.1%	28.8%	16.1%

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 group currently has SA 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.

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 R11.57 (2017: R10.70) and net tangible asset value per share (net of minority interest) was R11.01 (2017: R10.23).

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

COMMENTARY (continued)

OCCUPANCY

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

Region	31 March 2018 GLA m^2	31 March 2018 % Occupied
Gauteng	126 554	86.3
Western Cape	86 673	83.8
Eastern Cape	11 032	86.2
KwaZulu-Natal	27 882	88.0
Free State	6 679	79.1
South Africa	258 820	85.3
United Kingdom	57 037	78.2
Total	315 857	84.0

ACQUISITIONS AND DEVELOPMENTS

All growth initiatives below have been previously announced on SENS in detail.

Unit Self Storage

The acquisition of Unit Self Storage in Ottery, Cape Town was completed on 9 May 2017 for a purchase consideration of R42.0 million. The property has 5 400m^2 GLA and has been rebranded and fully integrated into the group.

Storage King

On 2 November 2017 the group acquired 97.3% of Storage King, the sixth largest self storage brand in the UK, for a purchase consideration of £53.7 million (R1.0 billion[5]) funded with proceeds from the equity capital raise in October 2017. On 4 December 2017 Storage King completed the acquisition of a self storage property in Crewe for a purchase consideration of £7.7 million (R142.9 million).

StorTown

On 2 November 2017 the group acquired 99.9% of DanCor Properties, a portfolio of four properties located in Durban, for a consideration of R145 million. The properties comprise 22 400m^2 GLA and are in the process of being rebranded. The acquisition was funded with proceeds from the equity capital raise in October 2017.

Bryanston and Craighall developments

During the year the group entered into agreements with Stor-Age Property Holdings Proprietary Limited 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 CPC and they result in the risk and reward of ownership effectively passing to Stor-Age on 'practical' completion of the development.

5 *Inclusive of transaction costs*

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 Stor-Age 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.

All-Store Self Storage

On 6 March 2018 Stor-Age entered into an agreement to acquire the All-Store Self Storage ("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 GLA. 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 (see Events After the Reporting Date).

INVESTMENT PROPERTIES

A reconciliation of the movement in investment properties (net of finance lease obligations) is set out below:

	2018 R million	2017 R million
Balance at beginning of year	2 050	1 371
Acquisitions		
Storage RSA	–	477
Unit Self Storage	42	–
Storage King (including Crewe)	1 711	–
StorTown	145	–
Other (including expansion at existing stores, unit mix and GLA reconfigurations and other capitalised expenditure)	45	56
Disposal of investment property	(18)	–
CPC developments	40	19
Fair value adjustment	203	127
Movement in foreign exchange difference	(184)	–
Balance at end of year	4 034	2 050
Finance lease obligations relating to leasehold investment property	(181)	(1)
Net investment property at end of year	3 853	2 049

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. In line with this policy, 12 of the 34 properties in the SA portfolio were valued independently by Mills Fitchet Magnus Penny (members of the South African Institute of Valuers) at 31 March 2018. For the UK portfolio, 6 of the 14 properties were valued independently by Cushman and Wakefield (Registered Valuers of The Royal Institution of Chartered Surveyors in the UK) at 31 March 2018.

EVENTS AFTER THE REPORTING DATE

Stor-Age issued 4.16 million shares for an aggregate consideration of R52.0 million through a vendor consideration placement on 6 April 2018 to fund the acquisition of All-Store.

The board is not aware of any other events that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

COMMENTARY (continued)

PROSPECTS

The quality of the Stor-Age property portfolio, supported by a robust and sophisticated operational platform, should continue to deliver sustainable distribution growth even against the backdrop of a still challenging local economy. Our strategic entry into the UK self storage market, off an established and scalable platform, will enable Stor-Age to selectively grow its offshore portfolio in regions where self storage sector fundamentals remain attractive.

We continue to pursue a clearly defined vision with a disciplined execution of strategy. Our balance sheet flexibility, low levels of gearing and increased scale position Stor-Age strongly to continue taking advantage of new acquisition and development opportunities in both SA and the UK.

The board anticipates dividend growth of approximately 9 – 10% for the year ending 31 March 2019, subject to a stable macroeconomic environment. This guidance has not been reviewed or reported on by the group's auditors.

BASIS OF PREPARATION

The provisional summarised consolidated annual financial results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act, 71 of 2008, as amended, ("Companies Act") applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements.

Any information included in this announcement that might be perceived as a forward looking statement has not been reviewed or reported on by the company's auditors in accordance with section 8.40(a) of the Listings Requirements.

The provisional summarised consolidated annual financial results for the year ended 31 March 2018 and this summarised report were prepared under the supervision of the Financial Director, Stephen Lucas CA(SA).

AUDIT OPINION

These provisional summarised consolidated annual financial results are extracted from the audited information, but is not itself audited. The consolidated annual financial statements for the year ended 31 March 2018 were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited consolidated annual financial statements for the year ended 31 March 2018 and the auditor's report thereon is available for inspection at the company's registered office.

The directors take full responsibility for the preparation of these provisional summarised consolidated annual financial statements and that the financial information has been correctly extracted from the consolidated annual financial statements.

The auditor's report does not necessarily report on all of the information contained in these provisional summarised consolidated annual financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

DIVIDEND DECLARATION DETAILS

DECLARATION OF A CASH DIVIDEND WITH THE OPTION TO RE-INVEST THE CASH DIVIDEND IN RETURN FOR STOR-AGE SHARES

Notice is hereby given of the declaration of the gross final dividend (number 5) of 50.81 cents per share for the six months ended 31 March 2018 ("**Cash Dividend**").

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to re-invest the Cash Dividend in return for Stor-Age Shares ("**Share**") ("**Share Alternative**"). Those shareholders who do not elect the Share Alternative will receive the Cash Dividend. A circular providing further information in respect of the Cash Dividend and Share Alternative ("the Circular") will be posted to shareholders on 12 June 2018.

Certificated Shareholders who wish to elect to receive the Share Alternative must complete the Form of Election contained in the Circular.

Dematerialised Shareholders who wish to receive the Share Alternative must instruct their CSDP or Broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or Broker.

The distribution of this Circular and the right to elect Shares in jurisdictions other than the Republic of South Africa may be restricted by law and failure to comply with any of these restrictions may constitute a violation of the securities laws of any such jurisdiction. The rights of Shareholders to elect Shares is not being offered, directly or indirectly, in the United States of America, the United Kingdom, Canada, Australia or Japan unless certain exemptions from the requirements of those jurisdictions are applicable.

Salient dates and times	**2018**
Record date for Shareholders to be registered in the Company's Securities Register in order to be entitled to receive the Circular	Friday, 1 June
Circular and Form of Election posted to Shareholders and announced on SENS	Tuesday, 12 June
Finalisation announcement of Share Alternative issue price announced on SENS ("**Finalisation Announcement**")	Tuesday, 26 June
Last day to trade ("**LDT**") *cum*-dividend and Share Alternative	Tuesday, 3 July
Shares to trade *ex*-dividend	Wednesday, 4 July
Listing of maximum possible Share Alternative Shares commences on the JSE at 09:00 on	Friday, 6 July
Last day to elect to receive the Share Alternative (no late Forms of Election will be accepted) at 12:00	Friday, 6 July
Record date to determine which Shareholders may participate in the Cash Dividend/ Share Alternative ("**Record Date**")	Friday, 6 July
Announcement of results of Cash Dividend and the Share Alternative on SENS	Monday, 9 July
Cheques posted to Certificated Shareholders and accounts credited by CSDPs or Brokers of Dematerialised Shareholders who will receive the Cash Dividend	Monday, 9 July
Share certificates posted to Certificated Shareholders and accounts credited by CSDPs or Brokers of Dematerialised Shareholders who have elected the Share Alternative on	Wednesday, 11 July
Adjustment to number of Shares listed on or about	Friday, 13 July

Notes:

- All times are South African times. The above dates and times are subject to change and any change will be advised via SENS and press announcements.
- Shareholders electing the Share Alternative are reminded that the new Shares will be listed on LDT+3 and that these new Shares can only be traded on LDT+3 as a result of the settlement of Shares three days after the Record Date, which differs from the conventional one day after the Record Date settlement process.
- Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 4 July 2018 and the close of trade on Friday, 6 July 2018.

DIVIDEND DECLARATION DETAILS (continued)

FRACTIONS

Fractions of Shares are not capable of being traded on the JSE. Accordingly, where a Shareholder's entitlement to Shares in relation to the Share Alternative gives rise to a fraction of a new Share, such fraction will be rounded down to the nearest whole number in accordance with the JSE Limited Listings Requirements and a cash payment will be made for the fraction.

TAX IMPLICATIONS

As the Company has REIT status, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, ("**Income Tax Act**"). The dividend on the Shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. The dividend is exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the Company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividend tax; and

b) a written undertaking to inform the CSDP, broker or the Company,

should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Non-resident Shareholders

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to dividend withholding tax.

Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 40.648 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and

b) a written undertaking to inform their CSDP, broker or the Company

should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

The Company's tax reference number is 90274205245.

DIVIDEND DECLARATION DETAILS (continued)

Non-participating shares

An amalgamation and merger agreement was entered into between the Company, Castle Rock Investments and the HJS Trust prior to listing, in terms of which the Company acquired all the assets owned by Stor-Age Self Storage Proprietary Limited in terms of s44 of the Income Tax Act ("**the Agreement**") in consideration for the allotment of 10 000 000 ordinary shares in the Company ("**Consideration Shares**"), comprising 3.26% of the issued share capital, and the distribution of those shares to Castle Rock Investments and HJS Trust as a dividend.

In terms of the Agreement, a mechanism was agreed in terms of which the Consideration Shares will not participate fully in the distribution of distributable profits earned by the Company in the ordinary course of business ("**Distributable Profits**"), and declared by the Company as an interim or final dividend, for the period from the listing date of the Company (16 November 2015) until 31 March 2020, on a tiered basis as follows:

	% of the Consideration Shares entitled to participate in the distribution of the Distributable Profits
16 November 2015 to 31 March 2016	0%
1 April 2016 to 31 March 2017	0%
1 April 2017 to 31 March 2018	25%
1 April 2018 to 31 March 2019	50%
1 April 2019 to 31 March 2020	75%
1 April 2020 onwards	100%

The Consideration Shares will however participate fully in any distribution of profits earned from the disposal of any properties.

The amount which would have been declared as a dividend in respect of the Consideration Shares shall be declared and paid as a dividend, pro rata, to the holders of the remaining shares in Stor-Age. As security for this arrangement, the Consideration Shares, or the relevant portion thereof, as the case may be, are held in certificated form in escrow for the period during which the distribution restrictions apply and in the event that these shares are disposed of, the shares will be transferred to another escrow arrangement and the acquirer thereof will be subject to the same restrictions regarding the distributions detailed above.

A reconciliation of the number of shares in issue and the number of shares entitled to receive the dividend, together with the resultant dividend per share, is included below:

Distributable profits (note 1) (R'000)	**151 913**
Number of shares entitled to the dividend ('000)	**298 524**
Number of shares in issue as at the date of this announcement ('000)	**306 024**
Consideration Shares not entitled to the dividend ('000) (note 2)	**7 500**
Dividend per share (cents)	**50.81**

Notes:

1. Stor-Age did not undertake any disposals of any properties during the year ended 31 March 2018 and all of the distributable profits of Stor-Age were earned in the ordinary course of business.
2. Comprises 7 500 000 Stor-Age shares, being 75% of the Consideration Shares that are excluded from participating in the Distributable Profits.
3. At the date of this announcement, Stor-Age had 306 024 102 ordinary shares in issue.

On behalf of the board.

PA Theodosiou
Chairman

GM Lucas
CEO

Cape Town
12 June 2018

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2018

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Assets		
Non-current assets	4 493 563	2 263 524
Investment properties	4 034 430	2 050 210
Property and equipment	4 969	2 070
Stor-Age share purchase scheme loans	166 961	125 480
Goodwill and intangible assets	144 036	83 670
Deferred taxation	19 098	2 094
Derivative financial instruments	124 069	–
Current assets	90 156	20 593
Trade and other receivables	65 165	10 674
Inventories	3 168	1 888
Cash and cash equivalents	21 823	8 031
Total assets	4 583 719	2 284 117
Equity and liabilities		
Shareholders' interest	3 494 259	1 889 831
Stated capital	3 175 075	1 766 561
Non-distributable reserve	523 006	141 058
Accumulated loss	(108 855)	(17 788)
Foreign currency translation reserve	(120 732)	–
Total attributable equity to shareholders	3 468 494	1 889 831
Non-controlling interest	25 765	–
Non-current liabilities	801 598	113 000
Bank borrowings	624 985	106 202
Derivative financial instruments	3 343	1 409
Finance lease obligations	173 270	5 389
Current liabilities	287 862	281 286
Bank borrowings	16 571	146 470
Trade and other payables	94 817	38 573
Provisions	16 331	20 047
Finance lease obligations	8 230	906
Dividends payable	151 913	75 290
Total equity and liabilities	4 583 719	2 284 117

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Property revenue	310 177	166 663
– Rental income	295 359	158 801
– Other income	14 818	7 862
Direct property costs	(76 917)	(38 348)
Net property operating income	233 260	128 315
Other revenue	22 053	13 748
– Management fees	22 053	13 748
Administration expenses	(36 923)	(24 995)
Operating profit	218 390	117 068
Transaction and advisory fees	(6 552)	–
Gain on bargain purchase	377	41
Fair value adjustment to investment properties	203 001	127 240
Fair value adjustment to derivative financial instruments	178 570	–
– Realised	56 321	–
– Unrealised	122 249	–
Depreciation and amortisation	(2 232)	(1 552)
Profit before interest and taxation	591 554	242 797
Interest income	23 601	13 026
Interest expense	(33 091)	(15 769)
Profit before taxation	582 064	240 054
Taxation expense	(3 839)	671
– Normal taxation	(3)	–
– Deferred taxation	(3 836)	671
Profit for the year	578 225	240 725
Items that may be reclassified to profit or loss		
Fair value adjustment to derivative financial instruments	–	(1 760)
Deferred taxation	–	394
Translation of foreign operations	(123 902)	–
Other comprehensive income for the year, net of taxation	(123 902)	(1 366)
Total comprehensive income for the year	454 323	239 359
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)	–

RECONCILIATION OF BASIC EARNINGS AND HEADLINE EARNINGS

for the year ended 31 March 2018

	31 March 2018 R'000	31 March 2017 R'000
Profit for the period (attributable to owners of the parent)	576 726	240 725
Basic earnings	576 726	240 725
Headline earnings adjustments*	(202 600)	(127 281)
Fair value adjustment of investment properties	(203 001)	(127 240)
Fair value adjustment of 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 entitled to dividends in issue ('000)	298 524	166 876
Weighted average shares entitled to dividends in issue ('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

* *Stor-Age has no dilutive instruments in place*

\+ *Non-controlling interest*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000
Balance at 1 April 2016	1 362 647	18 126	(525)
Total comprehensive income for the year	–	–	239 359
Profit for the year	–	–	240 725
Other comprehensive income	–	–	(1 366)
Transaction costs capitalised on acquisition of subsidiary	–	(2 589)	–
Transactions with shareholders, recognised directly in equity			
Issue of shares	403 914	–	–
Proceeds	404 751	–	–
Share issue costs	(837)	–	–
Transfer to non-distributable reserve	–	125 521	(125 521)
Dividends	–	–	(131 101)
Total transactions with shareholders	403 914	–	(256 622)
Balance at 31 March 2017	1 766 561	141 058	(17 788)
Total comprehensive income for the year	–	–	576 726
Profit for the year	–	–	576 726
Other comprehensive income	–	–	–
Transactions with shareholders, recognised directly in equity			
Issue of shares	1 408 514	–	–
Proceeds	1 440 643	–	–
Share issue costs	(32 129)	–	–
Transfer to non-distributable reserve	–	381 948	(381 948)
Dividends	–	–	(285 845)
Total transactions with shareholders	1 408 514	381 948	(667 793)
Changes in ownership interests			
Acquisition of subsidiary with non-controlling interest	–	–	–
Acquisition of subsidiary with non-controlling interest without change in control	–	–	–
Balance at 31 March 2018	3 175 075	523 006	(108 855)

Foreign Currency Translation Reserve R'000	Total Attributable to parent R'000	Non-controlling Interest R'000	Total Equity R'000
–	1 380 248	–	1 380 248
–	239 359	–	239 359
–	240 725	–	240 725
–	(1 366)	–	(1 366)
–	(2 589)	–	(2 589)
–	403 914	–	403 914
–	404 751	–	404 751
–	(837)	–	(837)
–	–	–	–
–	(131 101)	–	(131 101)
–	272 813	–	272 813
–	1 889 831	–	1 889 831
(120 732)	455 994	(1 671)	454 323
–	576 726	1 499	578 225
(120 732)	(120 732)	(3 170)	(123 902)
–	1 408 514	–	1 408 514
–	1 440 643	–	1 440 643
–	(32 129)	–	(32 129)
–	–	–	–
–	(285 845)	–	(285 845)
–	1 122 669	–	1 122 669
–	–	27 434	27 434
–	–	2	2
(120 732)	3 468 494	25 765	3 494 259

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Audited 31 March 2018 R'000	Audited 31 March 2017 R'000
Cash flows from operating activities		
Cash generated from operations	201 766	118 589
Interest income	19 365	3 320
Interest paid	(33 475)	(15 769)
Dividends paid	(209 222)	(94 717)
Net cash (outflow)/inflow from investing activities	(21 566)	11 423
Cash flows from investing activities		
Acquisition of investment properties	(204 369)	(75 283)
Proceeds on disposal of investment properties	5 369	–
Repayment of Stor-Age share purchase scheme loans	1 594	8 605
Acquisition of property and equipment	(2 828)	(1 781)
Acquisition of intangible assets	(1 799)	(239)
Acquisition of subsidiaries, net of cash acquired	(1 079 212)	(465 342)
Net cash outflow from investing activities	(1 281 245)	(534 040)
Cash flows from financing activities		
(Repayment)/advance of bank borrowings	(25 388)	123 651
Proceeds from the issue of shares	1 392 557	400 000
Share issue costs	(32 129)	(837)
Repayment of finance leases	(8 693)	(2 024)
Net cash inflow from financing activities	1 326 347	520 790
Effect of exchange rate changes on cash and cash equivalents	(9 744)	–
Net cash inflow/(outflow) for the period	13 792	(1 827)
Cash and cash equivalents at beginning of year	8 031	9 858
Cash and cash equivalents at end of year	21 823	8 031

SEGMENTAL INFORMATION

for the year ended 31 March 2018

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	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total Combined R'000
Revenue	113 477	105 082	3 594	12 264	6 982	241 399	68 778	310 177
– Rental income	110 548	100 720	3 436	12 154	6 799	233 657	61 702	295 359
– Other income	2 929	4 362	158	110	183	7 742	7 076	14 818
Direct property costs	(21 974)	(23 463)	(1 622)	(4 000)	(2 144)	(53 203)	(23 714)	(76 917)
Operating profit	91 503	81 619	1 972	8 264	4 838	188 196	45 064	233 260
Fair value adjustment to investment properties	106 771	48 237	1 097	15 639	884	172 628	30 373	203 001
Total profit for the year	198 274	129 856	3 069	23 903	5 722	360 824	75 437	436 261

Reconciliation of segmental results to profit for the year 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

SEGMENTAL INFORMATION (continued)
for the year ended 31 March 2018

Segment assets
Group: as at 31 March 2018

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total Combined R'000
Investment properties	1 161 948	1 026 053	25 700	216 863	59 000	2 489 564	1 544 866	4 034 430
Tenant debtors	1 308	1 594	82	354	139	3 483	6 396	9 879
Inventories	1 109	1 209	74	169	85	2 646	522	3 168

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	77 250
Trade and other receivables	65 165	9 879	55 427
Inventories	3 168	3 168	–
Cash and cash equivalents	21 823	–	21 823
Total assets	4 583 719	4 047 477	536 383
Equity and liabilities			
Shareholders' interest	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 owners	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 obligations	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 obligations	8 230	–	8 230
Dividends payable	151 913	–	151 913
Total equity and liabilities	4 583 719	–	4 583 719

SEGMENTAL INFORMATION (continued)

for the year 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	67 085	84 141	3 684	5 179	6 574	166 663
– 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 year 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)

SEGMENTAL INFORMATION (continued)
for the year ended 31 March 2017

Segment assets

	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
Trade and other receivables	891	941	37	50	62	1 981
Inventories	973	777	43	43	52	1 888

Segment assets, reserves and liabilities

	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	–
Plant and equipment	2 070	–	2 070
Stor-Age share purchase scheme loans	125 480	–	125 480
Goodwill and intangible assets	83 670	–	83 670
Deferred taxation	2 094	–	2 094
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
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

RECONCILIATION OF DIVIDEND PER SHARE

for the year ended 31 March 2018

Reconciliation of headline earnings and distributable earnings per share

	Audited 12 months 31 March 2018 R'000	Audited 12 months 31 March 2017 R'000
Headline earnings attributable to shareholders	374 126	113 444
Distributable earnings adjustment	(88 281)	17 657
Amortisation and depreciation of assets	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 fee	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 distribution per share for the period (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 a 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*

BUSINESS COMBINATIONS

The company (through its wholly-owned subsidiary Roeland Street Investments Proprietary Limited ("RSI")) acquired Unit Self Storage Proprietary Limited ("Unit"), Dancor Properties Proprietary Limited ("Dancor") and Betterstore Self Storage Holdings Limited ("Betterstore").

The acquisitions of Unit (one property located in Ottery, Cape Town with 5 400m² GLA) and Dancor (four properties located in 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 licence of the Storage King brand and generate licence and management fee revenue. In total this represents 26 properties trading under the brand. The UK self storage market represents a significant 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:

	Group 2018 R'000
1. Acquisition of Unit Self Storage	
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:	
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)

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.

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

BUSINESS COMBINATIONS (continued)

	Group 2018 R'000
2. Acquisition of 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 R145.0 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 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:	
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 the investee's profits*

BUSINESS COMBINATIONS (continued)

	Group 2018 R'000
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^) a net profit before tax and fair value adjustments of £4.1 million (R70.6 million^).	
The fair value of the 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.	
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 assets and liabilities as at 2 November 2017 arising from the acquisition are as follows:	
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.

** The valuation technique used to determine the fair value of the investment property acquired is consistent with the group's accounting policy*
+ The non-controlling interest is measured at its proportionate share of the investee's identifiable net assets at the acquisition date
 # Amounts have been translated at £1:R18.7567
^ Amounts have been translated at £1:R17.2136

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.

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 on page 30

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

RELATED PARTY TRANSACTIONS (continued)

Material related party transactions and balances

Related party balances	2018 R'000	2017 R'000
Amounts – owing by related parties		
– Stor-Age Property Holdings Proprietary Limited	6 336	221
– Castle Rock Capital Trust	2	982
– Roeland Street Investments 2 Proprietary Limited	15	97
– Madison Square Holdings Close Corporation	2 972	814
Working capital – owing by related parties		
– Roeland Street Investments 2 Proprietary Limited	–	444
– Roeland Street Investments 3 Proprietary Limited	1 024	–
Working capital – owing to related parties		
– Roeland Street Investments 2 Proprietary Limited	2 492	1 406
Related party transactions		
Interest received on Stor-Age share purchase scheme loans		
– Directors and key management personnel	8 739	9 706
License fees received from related party		
– Roeland Street Investments 3 Proprietary Limited	1 000	–
Development fees paid (to)/from related parties		
– Madison Square Holdings Close Corporation	(30 163)	(39 225)
– Roeland Street Investments 2 Proprietary Limited	763	1 718
– Roeland Street Investments 3 Proprietary Limited	276	635
– Stor-Age Property Holdings Proprietary Limited	3 914	–
Asset management fees received from related party		
– Roeland Street Investments 2 Proprietary Limited	7 204	6 130
– Roeland Street Investments 3 Proprietary Limited	327	–
Property management fees received from related party		
– Roeland Street Investments 2 Proprietary Limited	4 685	3 393
– Roeland Street Investments 3 Proprietary Limited	228	–
Acquisition fees received from related party		
– Roeland Street Investments 2 Proprietary Limited	–	490
– Roeland Street Investments 3 Proprietary Limited	–	336
Office rental paid to related party		
– Stor-Age Property Holdings Proprietary Limited*	801	741
Disposal of Bryanston land		
– Stor-Age Property Holdings Limited	18 550	–

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are classified as level 2 fair value instruments. The following table shows the valuation techniques used in measuring level 2 fair values.

Level 2 fair values

Type	Valuation technique
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.
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 yield curves at the reporting date and the credit risk inherent in the contract.
Derivative financial instruments – *Interest rate swaps*	Fair valued monthly by Nedbank Capital and 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.

CONTACT DETAILS

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Rosebank

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Bryanston

Investor Relations
Singular Investor Relations Proprietary Limited
28 Fort Street
Birnam

Directors
PA Theodosiou (Chairman)#+, GM Lucas (CEO)*, SC Lucas*+,
SJ Horton*, MS Moloko#, GA Blackshaw, GBH Fox#, KM de Kock#, P Mbikwana#

Independent
* Executive
+ British citizen

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