OUR PERFORMANCE

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FINANCIAL REVIEW

OUR PERFORMANCE

CEO'S REPORT

Notwithstanding the ongoing negative impacts of the global pandemic, I am pleased to report another set of excellent results. Underpinned by an exceptionally strong operating performance in South Africa and the UK, Stor-Age has continued to demonstrate its resilience.

The past year has unquestionably been extraordinary, presenting the challenges of a health and economic crisis. Despite the constrained conditions, we produced a compelling set of financial and operational results for the sixth year in a row. This again proves our ability to execute asset and revenue management initiatives to enhance our value proposition, regardless of the conditions.

Stor-Age is the sector leader in South Africa, as evidenced by our status as the top self storage operator by lettable area, number of properties, number of tenants and value, and exceptional geographic representation. During the year we continued with the disciplined execution of our growth strategy, continuing our track record of consistently delivering on all strategic initiatives.

We continue to deploy capital strategically, adding quality and scale to our high-quality portfolio on a select basis and in-line with our strict investment criteria. During the year we secured new properties for future development, progressed our South African developments, and entered into a joint venture ("JV") with the Moorfield Group in the UK to develop a portfolio of prime self storage properties in London and the south east of England. Post period end, we acquired a trading self storage property in Blackpool in the UK in April 2021 and we completed the developments of Tyger Valley and Sunningdale in Cape Town in May 2021.

OUR PERFORMANCE

After the initial setbacks in the first half of the year due to the lockdowns, traditional and new drivers of demand rapidly accelerated move-ins, resulting in record move-ins and occupancy for the full year. The portfolio closed at 90.1% occupancy, representing a significant year-on-year increase in occupied space of 28 500 m^2. Excluding the impact of acquisitions, the impressive gains in occupancy supported like-for-like growth in organic rental income of 8.6% and 6.3% in South Africa and the UK respectively.

Our trading performance continues to reflect the fact that self storage remains a needs-driven product and an asset class with highly defensive characteristics, as evidenced by the growing levels of enquiries and move-ins that we continued to experience in South Africa and the UK during the period.

Our operating performance was even more impressive when one considers that the initial lockdowns and significant restrictions led to a contraction in overall activity in April and May 2020, resulting in a temporary decrease in occupancy in South Africa and the UK. Further to this, rental rate increases were temporarily suspended in April 2020 and only recommenced in August 2020.

Supported by the growth in occupancy, Group rental income and net property operating income grew by 19.3% and 20.2% respectively, including like-for-like growth in rental income of 13.1%. The strong operating metrics and our hands-on management approach, a key to delivering superior performance, supported the 12.97% increase in the Net Asset Value (NAV) per share to R12.98. Our total shareholder distribution of R454.4 million translated into a dividend per share of 106.08 cents.

Our resilience is also underpinned by our balance sheet strength. We proactively bolstered our liquidity position during the year by raising R250 million in an oversubscribed bookbuild in May 2020 and retaining cash from dividend reinvestment plans. Sitting below our 25% to 35% target range at year end, our loan to value ratio of 24.1% not only demonstrates our commitment to maintaining a well-placed balance sheet, but will also allow for the continued execution of our growth strategy moving forward.

> Our results for the current year clearly demonstrate the significant underlying strength of our business, as we held firm in the face of the most dramatic economic shock seen in modern times. This is testament to our deep sector specialisation, sophisticated operating platform and the high quality and defensive attributes of our property portfolio.

RESPONDING TO COVID-19

The COVID-19 pandemic challenged our business and how we operate more so than ever before. Prior to the hard lockdowns being implemented in South Africa and the UK, we formed a crisis committee which was responsible for making operational decisions daily. Their swift and decisive decision making was crucial to the continued sustainability of the business.

Upon entering the crisis, we immediately halted all capex and undertook a thorough review to identify appropriate elements to defer to subsequent periods. Likewise, we reviewed all operating expense budgets in South Africa and the UK and reduced all non-critical spend.

During the hard lockdowns, our properties remained accessible to customers in both South Africa and the UK as we continued to support the provision of essential services. The safety of our colleagues and our customers remained our primary priority throughout the year and we made significant investment to make our properties safe and COVID-19 compliant for everyone who visited our stores.

In the early stages of the initial lockdowns, our in-house digital competency saw us fast-track an online e-sign capability for new leases, allowing for a contactless digital sign-up and move-in process. 95% of all move-ins in South Africa during the year were completed using this new channel, as well as a significant proportion in the UK.

During the pandemic we remained focused on debt recovery, with our intensified efforts on working capital and cash collections yielding positive results. Over the past year we collected over 98% and 99% of rentals due in South Africa and the UK respectively, and bad debt losses accounted for under 1.0% of Group rental income. While we provided rental relief to certain customers as necessitated by the environment, this had no material impact on revenue, demonstrating that the self storage business model benefits from having no tenant concentration risk.

We were also able to assist various charitable and government-based entities in their relief efforts. These included the relief aid organisation affiliated with the Western Cape Government, Community Chest, SA Harvest, Masks for Medics and the National Health Service (NHS) in the UK, amongst others. Read more about our support for relief efforts in our social sustainability section from page 57.

GROWING OUR PROPERTY PORTFOLIO

We continue to seek investment opportunities where we can achieve strong market penetration, leverage our significant in-place operating platform and further benefit from improved economies of scale, driving high operating margins. Our growth strategy is focused on acquisitions, development opportunities and organic growth via expansion of our existing properties.

Our highly sophisticated and scalable dual-market operations platform remains key to unlocking value for shareholders. Benefitting from a homogenous product, the same language and a similar timeline, we have the unique benefit relative to our UK peers of having a cost effective South African based head office infrastructure, which is leveraged in areas such as our Contact Centre and digital marketing capability. Both of these examples allow for real-time data driven decision-making and the centralisation benefits of standardisation, quality control, directing online marketing efforts and pricing optimisation.

Our property growth strategy 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 over the long term.

During the year we set about implementing and working towards our new five-year growth plan to 2025. The plan is the third rendition of our multi-year strategic growth initiatives, with the first plan ending in 2015 and the second plan taking us to 2020. While the plan sets broad targets in both South Africa and the UK, more importantly, it details how and where we intend to execute high-quality acquisitions and new developments to further grow our asset base.

Our property team boasts a significant development capability and track record. Having developed our first property in the portfolio in Edgemead in Cape Town in 2006, the team has now completed 21[1] new developments in total. The vastly experienced team works within a well-defined development framework and follows meticulous quality control processes, incorporating substantial intellectual property. The ability of the team to provide cost insights and estimates on new potential site acquisitions and/or identify challenges and come up with practical and cost-effective solutions, adds significant value to our business. Likewise, our ability to value engineer new developments to drive cost efficiencies, while not compromising on overall quality, enhances the overall development process.

While the product of self storage is homogenous across both first and developing world markets, our South African and UK property strategies are nuanced to take into account the uniqueness of the respective markets. Over and above country specific dynamics, the self storage sectors in South Africa and the UK are in vastly different stages of their respective lifecycles. While there is no doubt an excellent growth opportunity in each market and we intend to continue acquiring and developing properties in both markets, the growth strategies themselves and the manner in which we execute the respective strategies are different.

> “One of the hallmarks of our success in building Stor-Age into the sector leading business that it is today, has been the strength and quality of our multi-year strategic planning.”

To assemble a portfolio of prime self storage assets with complementary and consistent attributes takes a significant amount of time and skill. It requires the ability to identify the right opportunities, successfully negotiate for their acquisition at the right price, obtain the necessary town planning and local council approvals, and design and build bespoke properties.

The challenges of obtaining town planning approvals for properties in sought-after locations, along with having the financial strength to manage the significant

[1] *Includes Sunningdale and Tyger Valley (opened May 2021).*

CEO'S REPORT (continued)

cost of the lease-up of new assets, together present significant and real barriers-to-entry for new, bespoke, high quality big-box self storage developments in prime locations.

The operational experience and skills required to then take new assets through the multi-year lease-up phase of their lifecycle should also not be underestimated. Boasting vastly experienced management teams in both South Africa and the UK, the ability to generate new enquiries to support the take-up of space, price the product optimally and manage the natural churn of tenants, are all sector specific skills that we have developed over more than a decade of operating self storage assets successfully.

GROWING OUR SOUTH AFRICAN PORTFOLIO

Shortly after year end we completed the first phase of construction at Sunningdale (6 350 m² GLA on full fit-out) and Tyger Valley (7 100m² GLA on full fit-out). Both properties are located in Cape Town and commenced trading in May 2021.

Construction at Cresta in Johannesburg (7 400 m² GLA on full fit-out) is progressing according to schedule and trading is expected to start in October 2021.

We secured two new development opportunities in the year and a further two opportunities subsequent to year end, subject to satisfactory due diligence.

At 31 March 2021, our secured development pipeline in South Africa comprised eight new properties (excluding Sunningdale, Tyger Valley, Cresta and the two new opportunities secured post year end) with an approximate cost to complete of R685 million, and which will add an estimated 46 500 m² GLA to the portfolio, representing more than 12% of the total current lettable area.

Notwithstanding severe pressure on the local economy, and while maintaining a particularly conservative and disciplined outlook, we continue to see further opportunities to grow our South African portfolio over the medium term through both acquisitions and new developments.

Our ability to successfully compete for the acquisition of prime locations is improved when the general property market is under strain or at the bottom end of the economic cycle. Our sector specific skill set, clearly defined multi-year strategic growth plans and 15 years of experience in successfully developing new self storage assets enables us to confidently take advantage of opportunities in the market to grow our significant pipeline, when others simply cannot.

GROWING OUR UK PORTFOLIO

When looking back on our strategic entry into the UK in November 2017, we are pleased with our progress and the successful execution of our international growth strategy during the four year period.

Since acquiring Storage King we have grown the number of properties in the portfolio from 13 to 22 and increased the total lettable area of 50 000 m² to 82 800 m². Supporting the increase in total occupancy from 78.9% to 90.4%, the total number of tenants has increased from 6 300 to 11 100 at year end.

At the time of the acquisition, we identified that the in-place Storage King management team had significant operating experience and a thorough understanding of the intricacies of the UK self storage market. In addition, they possessed deep industry connectivity and a successful track record of sourcing off-market acquisition opportunities.

Post-acquisition, we identified high-impact focus areas to extract maximum growth from our newly acquired platform. These included successfully integrating support services (accounting and finance, training, digital marketing, Contact Centre and ICT) from South Africa into our UK operations. Significant work streams completed also included targeting and putting in place enhanced organisational infrastructure, multi-year strategic planning to align with the successful South African property strategy, putting in place new corporate debt facilities, entering into a development JV with the Moorfield Group and launching our third-party management platform, Management 1st.

There remains an over-arching focus on the benefits that our UK business can leverage off the more established South African head office and support infrastructure. However, our South African business and operations have equally benefited from our presence in the UK:

- The more competitive first world environment, driven by the relative abundance of human and financial capital, results in a first world level of skills and competitiveness being harnessed back into the local market operations.
- Exposure to a more mature and competitive sector, consumer trends and earlier and more pronounced digital adoption, as well as the sharing of intellectual property between markets, has enabled us to combine the best ideas and knowledge of both markets, allowing us to improve our overall capability.

In October 2020 we entered into a JV with Moorfield to develop a portfolio of self storage properties in London and the south east of England. With an initial value of £50 million and the potential to increase to £100 million, the JV provides us with a superb opportunity to build scale and a high-quality portfolio of self storage properties in the UK in alignment with our five-year strategy. Stor-Age has a 24.9% equity interest in the JV.

Moorfield is a leading UK real estate fund manager with a 25-year track record of investing across most real estate sectors. We will earn management fees for acquiring, developing and managing properties in the JV and will have a pre-emptive right to acquire all newly developed properties subject to performance criteria.

As part of the Moorfield JV, we recently exchanged contracts to acquire, subject to final planning consents, two new development sites in London and the South East. Combined, both new properties will add approximately 11 000 m² of GLA on completion, at an estimated total development cost of £19 million. Construction on the London property is scheduled to begin in the second half of FY22.

Post period end, in April 2021, we acquired a self storage property in Blackpool from an independent operator for £3.6 million in an off-market transaction. The property has a current GLA of 2 900 m² and occupancy of 90%, with the potential to increase the GLA to an estimated 4 600 m² by developing the existing structure.

In addition, planning and construction is underway across six existing Storage King properties to bring online more than 8 000 m² GLA at an estimated cost of £7.9 million. The bulk of the growth relates to Weybridge, Chester, Doncaster and Bedford, and will consist of a combination of the development of new buildings, the installation of mezzanine structures within existing buildings and the fitting-out of the balance of properties. These additions collectively will grow the existing UK portfolio by more than 10%.

> “We continue to seamlessly transport our online capability across borders, further enabling us to unlock value for shareholders. Being true sector specialists remains a significant strength regardless of where we operate.”

During the year we continued to make progress with our third-party management platform by signing up four independent operators representing 12 properties for a digital services offering. Post year end, we added our fifth customer, with an additional three properties in the Manchester region, taking the total number of properties on the Digital 1st platform to 15. Digital 1st is a component of the full Management 1st suite, a comprehensive third-party management solution offered to independent operators in the UK.

In the UK typically 85% or more of enquiries are generated online. Of these, the overwhelming majority are sourced from the likes of Google. The competitiveness, complexity and cost of generating these enquiries for all operators is significant. Digital 1st provides an opportunity for smaller independent operators to leverage our significant digital platform and capability at a fraction of the cost.

For Stor-Age it provides an avenue to generate additional revenue with minimal capital investment. We do this by leveraging in-place infrastructure and skills and building meaningful commercial relationships in the market that may lead to third-party management or acquisition opportunities down the line. In addition, by representing a greater proportion of the UK self storage market, it enables us to maintain and improve our agency status with the likes of Google and Facebook, allowing us to access better resources and products.

Looking forward, we see significant opportunity to further grow and strengthen our UK business through acquisitions and new developments over the medium term. We also see an exciting opportunity to continue leveraging our digital capability opportunistically. Buoyed by the success of our underlying operations to date, the attractive levels of growth in rental income, as well as our ability to identify, negotiate, close and integrate acquisitions, we look forward to continued strong growth in our UK business over the medium term.

TECHNOLOGY AS A BUSINESS ENABLER

In previous reports, I noted the significant focus on developing our multiyear digital strategy, which we believed would help ensure we remained responsive to shifting consumer trends and the significant pace of technological change and innovation within our own sector and society more broadly.

With the pandemic further accelerating the rate and pace of technological change, digital transformation work completed in prior years ensured we were well positioned to embrace and withstand these rapid changes. During the initial lockdowns we ensured an uninterrupted continuation of operations despite our head office teams in both markets working remotely. We also continued to enhance our layered network security systems to strengthen defences following the global increase of ransomware and other cyber security attacks.

We also experienced significant year-on-year growth in online enquiries of over 20%.Traditionally enquiry generation was generated by how visible properties were to potential users. While visibility remains critical, a strong online presence, contemporary web user experience and highly effective multichannel online sales platform are now arguably even more important.

Recognised by Google and Facebook as an accredited digital marketing agency, Stor-Age is a digitally engaged business, with digital solutions and processes throughout. This positioned us well to tap into the increased levels of demand in the second half of the year, evidenced in the form of being able to secure an outsized share of online enquiries, which remain the lifeblood of a self storage business.

Following a data driven approach led by specialists, our in-house capability to identify new online customer acquisition opportunities, develop solutions, deploy to the live environment, measure and evaluate results at speed, and then repeat the cycle, is a key skill set and one which gives us a significant competitive advantage.

The fast-moving nature, complexity and cost of online sales is significant. Developing, maintaining and continuously enhancing the skill set is costly and challenging. It is no longer sufficient to merely participate online. The capability to leverage the underlying prospect and tenant data, and continuously adapt rapidly, is critical. We continue to invest considerable time and resources to ensure that we have the capability to respond and evolve as required.

Our creative strategies and targeting approaches are uniquely formulated by overlaying real time customer data, with existing tenant data. In this regard, our significant database and sector experience has allowed us to develop deep industry specific audience knowledge, which allows for the optimal targeting of online ads. Read more about our digital marketing capability in the How we do it section from page 24.

TAPPING INTO ECOMMERCE

Identifying the convergence of ecommerce, last mile delivery technology and prime located self storage properties in the last mile, Stor-Age established a working partnership with Picup in 2019. Picup is a digitally native technology business providing logistics software solutions for ecommerce fulfilment.

In October 2020 we launched a proof-of-concept last mile delivery hub at our Craighall property. Initially designed for up to 500 parcels per day, early results are promising, with the hub experiencing peak daily volumes of 768 parcels and average parcel volumes of 450 per day in May 2021.

Stor-Age contributes the use of the property, in this instance approximately 60 m^2, and earns revenue per parcel on delivery and returns. The hub is driven off Picup's tech platform and crowdsourced driver network, with Picup typically providing its services into third-party logistics service providers who in turn are commissioned to execute on the fulfilment leg for online retailers.

While we are experimenting and learning as we progress with the product and the partnership, to date we have observed minimal negative impact on our traditional core self storage customer base, and we see the potential to roll-out further hubs. The learnings will also stand us in good stead as we seek to optimally position our product for the growing e-tailing market.

Initial results are promising. However, at this stage, we do not believe that our properties will ever entirely focus on last mile fulfilment. Rather we see the opportunity to maximise each property's revenue potential. Accordingly, we intend to continue with the proof-of-concept trial, introducing new features and experimenting with the roll-out at additional properties.

ESG AS A BUSINESS ENABLER

> "Our revised ESG strategy and framework position us well to monitor our impact on the economy, the workplace, the social environment and the natural environment."

MANAGING OUR ENVIRONMENTAL IMPACT

We remain committed to investing in energy reduction initiatives and renewable energy capacity to meet each property's requirements. We continue to address sustainable practices in the areas of rainwater harvesting and storm water management and conservation.

During the year we invested approximately R2.0 million in renewable energy capacity and fitted an additional four properties with solar PV, taking the total number of properties fitted with solar PV to 17. The current year investment takes the total invested to date to approximately R10.0 million in renewable energy capacity across the portfolio. Additional investment in renewable energy is planned over the medium term of approximately R10.0 million, across 16 properties in South Africa and the UK (existing and to be developed properties).

Our total solar PV system size is now 506 kW. To date this system has generated in excess of 1 million kWh, resulting in a CO_2 emissions reduction of an estimated 601 tonnes. Like-for-like total off-grid electricity consumption reduced to 1.72 million kWh, a reduction of 15% on the prior year. All of our South African properties are fitted with LED lighting internally and externally.

We harvest rainwater at 21 of our properties in South Africa and during the year total municipal water consumption reduced to 16 140 kl, a reduction of 32% year-on-year.

We remain committed to further reducing the already low environmental impact of our properties through these and other initiatives.

SUPPORTING COMMUNITIES

In line with our Core Values of Excellence, Sustainability, Relevance and Integrity, Stor-Age supports a range of charities and Non-Profit Organisations ("NPOs").

Specifically supporting our Core Value of Relevance, we aim to be relevant in the lives of our employees, tenants and in the communities in which we operate.

Support typically includes the provision of complimentary storage space and additional support is provided on a select basis in the form of either financial contributions, leveraging our marketing platform, or providing the use of our vehicles and/or the use of our properties as drop-off/collection points.

At year end, we were actively supporting 11 charities/NPOs, with the support comprising 38 complimentary self storage units, representing approximately 800 m^2 of 'community investment' on a monthly basis.

OUR PEOPLE

Our people and our culture at Stor-Age are of vital importance to us. We work tirelessly to ensure our organisational structures and employees are equipped with the necessary skills and resources to grow in tandem with our business. Since the inception of our business 15 years ago, we have worked hard

CEO'S REPORT (continued)

to create a unique and rewarding culture for our people, and this has shone through in the remarkable efforts of our teams this year. The sustainability and success of our business directly impacts the livelihood of our workforce, and it has therefore been pleasing to deliver a resilient performance over the past year.

The executive management team has always strived for a working environment that is one where people feel happy to be working and are treated fairly, and that they are given the opportunity to develop both personally and in the workplace. We have always placed significant focus on diversity, equality and inclusion.

Our people remain pivotal to achieving our strategic objectives and our strong performance during the year was largely attributable to the efforts of our committed and hardworking employees. Maintaining a motivated and engaged workforce, together with ensuring a rewarding culture for our people is therefore a core focus for the business, and we continue to excel in this arena. To further support our staff in what has been an exceptionally stressful year, we have increased our focus on wellbeing by introducing a themed 'Wellness Wednesday' initiative. The results of our annual anonymous staff survey once again indicated that 95% of our employees are proud to form part of the Stor-Age team.

> "Our training, learning and development initiatives remain at the heart of our culture, and we continue to invest in our in-house, bespoke learning and development programme, underpinned by a strategic focus on customer service and technology."

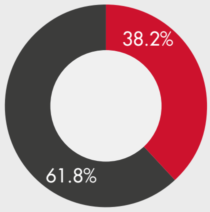
We are aware that we are a developing business operating in a global growth sector. Ongoing training, learning and development will therefore only become more important as our business increases in size and scale. In particular, it is critical that our employees remain engaged and equipped with the competencies required to remain competitive.

PORTFOLIO ANALYSIS

• South Africa • UK

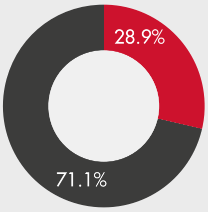
Total property value

VALUE OF PROPERTY (R7.6 billion)



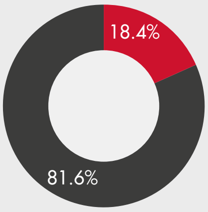
Total number of tenants

NUMBER OF TENANTS (38 400)



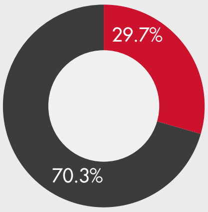
Total GLA

GLA (448 800 m²)



Total number of properties

NUMBER OF PROPERTIES (74)



During the year we recorded more than 22 000 hours of training across more than 100 separate courses on Edu-Space, our online Learner Management Platform in South Africa and the UK.

OUTLOOK AND THANKS

I would like to thank our chairman and the board for their ongoing support, wisdom, guidance and advice throughout a historic and challenging year. Over the past twelve months our staff have had to endure much hardship and challenges as a result of the pandemic, and I would like to acknowledge all employees of Stor-Age who displayed unwavering dedication, unity, determination and a positive attitude as we endured an incredibly difficult period.

The COVID-19 pandemic caused significant disruption in both South Africa and the UK, and we faced extraordinary challenges in one of the most difficult operating environments globally to date. While there will undoubtedly be more challenges to encounter as we continue to weather the impact of COVID-19, we take great confidence in the resilience that Stor-Age continues to display.

Despite Stor-Age being a dynamic sector specialist and having the benefit of operating in a growth sector, in South Africa, further lockdowns, delays in the vaccination rollout and the possibility of multiple subsequent waves of infections could make the operating environment more challenging.

Our high-quality property portfolio in both markets, conservative capital structure, industry-leading operating and digital platforms, and specialist sector focus, provides us with the confidence that we will be able to manage the challenges that lie ahead, as well as take advantage of opportunities as they present themselves. We remain focused on the disciplined execution of our multi-year growth strategy to continue delivering long-term value for our stakeholders.

Gavin Lucas
CEO

30 June 2021

" Our exceptional team of dedicated, high-calibre employees are fundamental to and drive the ongoing growth and success of our business. "

FINANCIAL REVIEW

Stor-Age delivered an excellent operating performance despite the COVID-19 impacted operating environment, with move-ins accelerating rapidly from both traditional and new drivers of demand, resulting in record move-ins and occupancy for the year.

INTRODUCTION

The portfolio closed at 90.1% occupancy (2020: 83.8%) with a year-on-year increase of 28 500m². Like-for-like organic rental income, excluding the impact of acquisitions, grew by 8.6% and 6.3% year-on-year in SA and the UK respectively.

In SA, year-on-year occupancy grew by 18 900m² and in the UK by 9 600m². Excluding the Flexi portfolio acquisition in December 2019, like-for-like occupancy in the UK increased by 6 700m² to close at 91.4%. The closing rental rate was up approximately 5.1% and 1.3% year-on-year in SA and the UK respectively. The table below summarises the Group's closing occupancy positions:

	31 March 2021			31 March 2020		
	GLA m²	Occupied m²	% occupied	GLA m²	Occupied m²	% occupied
SA	**366 000**	**329 300**	**90.0**	365 400	310 400	85.0
UK	**82 800**	**74 900**	**90.4**	82 800	65 300	78.8
Total	**448 800**	**404 200**	**90.1**	448 200	375 700	83.8

We proactively bolstered our liquidity position by raising R250 million in an oversubscribed bookbuild in May 2020 and retaining cash from dividend reinvestment plans. Although this resulted in dilution to the dividend per share for the full year, liquidity and access to funding were deemed paramount given the uncertainty as to how the COVID-19 crisis would unfold. This reflected in our year end LTV ratio of 24.1% and in our capital structure which makes use of moderate levels of debt. We also agreed terms with lenders to refinance debt facilities (R860 million in aggregate) expiring later this year.

Details of the Group's customer base is set out in the table below:

	31 March 2021		31 March 2020	
	SA	UK	SA	UK
Number of tenants	**27 300**	**11 100**	25 300	9 400
Commercial	**39%**	**27%**	40%	31%
Residential	**61%**	**73%**	60%	69%
Average length of stay – months (existing tenants)	**22.7**	**31.3**	23.1	26.2
Average length of stay – months (tenants vacating during the period)	**14.2**	**10.0**	13.8	9.6

Residential and commercial split analysed by area.

FINANCIAL RESULTS

The tables below set out the Group's underlying operating performance by geography:

SA	31 March 2021 LFL Rm	31 March 2021 Acq Rm	31 March 2021 Total Rm	31 March 2020 LFL Rm	31 March 2020 Acq Rm	31 March 2020 Total Rm	% change LFL %	% change Total %
Rental income								
Self storage	**404.7**	**5.8**	**410.5**	372.5	1.5	374.0	8.6	9.8
Other	**7.8**	**0.0**	**7.8**	8.2	0.0	8.2	(5.0)	(5.0)
Ancillary income	**16.4**	**0.4**	**16.8**	13.2	0.1	13.3	24.2	26.4
Sundry income	**1.1**	**–**	**1.1**	1.7	–	1.7	(36.1)	(36.1)
Bad debt	**(5.6)**	**(0.0)**	**(5.7)**	(2.8)	0.0	(2.8)	(100)	(102)
Direct operating costs	**(99.3)**	**(1.4)**	**(100.7)**	(97.0)	(1.2)	(98.2)	(2.4)	(2.6)
Net property operating income	**325.1**	**4.7**	**329.8**	295.8	0.14	296.2	9.9	11.3
Bad debt as a % of rental income	**1.40%**	**0.75%**	**1.40%**	0.76%	0.00%	0.76%	–	–

Acquisition ("Acq") = Craighall, acquired in August 2019 under the CPC structure.
Ancillary income includes sale of merchandise, late fees charged to customers on overdue accounts and administration fees.
Net property operating income excludes rental guarantee and rental underpin.

UK	31 March 2021 LFL £'000	31 March 2021 Acq £'000	31 March 2021 Total £'000	31 March 2020 LFL £'000	31 March 2020 Acq £'000	31 March 2020 Total £'000	% change LFL %	% change Total %
Rental income								
Self storage	**12 068**	**2 164**	**14 232**	11 352	606	11 958	6.3	19.0
Other	**450**	**67**	**517**	436	25	461	3.2	12.1
Ancillary income	**1 162**	**288**	**1 450**	1 088	82	1 170	6.8	23.9
Sundry income	**91**	**31**	**122**	171	11	182	(46.8)	(33.0)
Bad debt	**(17)**	**(12)**	**(29)**	(47)	(4)	(51)	63.8	43.1
Direct operating costs	**(3 907)**	**(1 043)**	**(4 950)**	(3 879)	(293)	(4 172)	(0.7)	(18.7)
Net property operating income	**9 847**	**1 495**	**11 342**	9 121	427	9 548	8.0	18.8
Bad debt as a % of rental income	**0.14%**	**0.55%**	**0.20%**	0.41%	0.66%	0.43%		

Acquisition ("Acq") = Flexi portfolio, a five-property acquired in December 2019.
Ancillary income includes sale of merchandise, late fees charged to customers on overdue accounts and customer insurance.

CONSOLIDATED	31 March 2021 LFL £'000	31 March 2021 Acq £'000	31 March 2021 Total £'000	31 March 2020 LFL £'000	31 March 2020 Acq £'000	31 March 2020 Total £'000	% change LFL %	% change Total %
Rental income								
Self storage	**662.3**	**52.0**	**714.3**	585.7	12.9	598.6	13.1	19.3
Other	**17.4**	**1.4**	**18.8**	16.4	0.5	16.9	6.1	11.6
Ancillary income	**41.2**	**6.5**	**47.7**	33.6	1.6	35.2	22.6	35.4
Sundry income	**3.0**	**0.7**	**3.7**	4.9	0.2	5.1	(37.6)	(27.3)
Bad debt	**(6.1)**	**(0.3)**	**(6.4)**	(3.7)	(0.1)	(3.8)	(63.7)	(69.4)
Direct operating costs	**(182.7)**	**(23.7)**	**(206.4)**	(169.8)	(6.7)	(176.5)	(7.6)	(17.0)
Net property operating income	**535.1**	**36.6**	**571.7**	467.1	8.4	475.5	14.6	20.2
Bad debt as a % of rental income	**0.92%**	**0.65%**	**0.90%**	0.64%	0.58%	0.63%		

Net property operating income excludes rental guarantee and rental underpin.

A reconciliation between the disclosures set out in the tables above and the consolidated statement of profit or loss and other comprehensive income is set out on page 216.

FINANCIAL REVIEW (continued)

Self storage rental income increased by 19.3% to R714.3 million (2020: R598.6 million) including organic growth, the impact of acquisitions in the prior year (earnings included for the full reporting period in FY21) and foreign exchange movements.

On a like-for-like basis, South African and UK rental income increased by 8.6% (occupancy 3.4%; rental rate 5.1%) and 6.3% (occupancy 3.9%; rental rate 2.3%) respectively.

With the introduction of the lockdown measures, there was an immediate reduction in activity resulting in a temporary decrease in occupancy which negatively impacted earnings in the first half of the year. We also suspended rental rate increases in April 2020 (recommenced in August 2020) and, in limited circumstances, offered discounts and rental concessions to entrench customer retention and support our commercial customers.

As restrictions eased we saw an acceleration in demand and move-in activity in the second half of the year as the inevitable disruption caused by COVID-19 gave rise to social and economic dislocation and change.

Other rental income (SA – R7.8 million; UK: £0.5 million) relates mainly to parking and the rental of office space at certain properties in the portfolio.

Bad debt as a percentage of rental income was 0.9% for the Group. While a slight deterioration was expected in the current operating environment, we are satisfied with maintaining a bad debt loss of below 1.0%. During the period we collected over 98% and 99% of rental due in SA and the UK respectively. In SA, we offered settlement discounts and concessions to customers of approximately R2.0 million to improve cash collections, reflected in reported bad debt. We saw a significant improvement in the second half of the year, indicating the impact of allocating additional resources to cash collections and improving our internal processes.

In the UK, cash collections were broadly in line with the prior year with bad debt actually decreasing slightly year-on-year.

Ancillary income of R47.7 million (2020: R35.2 million) reflects the positive contribution of acquisitions and organic growth. Although this income stream is a relatively small proportion of total revenue, each component makes a meaningful contribution to earnings with little capital investment. There is usually a direct correlation between move-in activity and ancillary income. In SA ancillary income increased by 24.2% year-on-year (excluding acquisitions), driven by significant growth in merchandise sales, late fees collected on overdue accounts (in effect an offset against bad debt losses) and administration fees. In the UK, ancillary income was up 6.8% on the prior year excluding the impact of acquisitions.

The increase in direct operating costs to R206.4 million (2020: R176.5 million) reflects the impact of acquisitions and foreign exchange movements which was offset by strict and disciplined cost control. Across both markets, property rates, staff costs, utilities, insurance, maintenance and marketing costs account for the majority of the operating cost base. In SA, direct operating costs increased by only 2.6% as a result of reduced staff costs at a property level, lower marketing costs and positive savings on electricity from the roll-out of solar power in our portfolio. In the UK, direct operating costs increased by 0.7% on a like-for-like basis, mainly due to lower marketing and maintenance spend.

Included in property revenue in the consolidated statement of profit or loss and other comprehensive income is a rental guarantee of R10.0 million (relating to the acquisition of the Managed Portfolio in October 2018) and a rental underpin of R5.5 million (relating to the CPC developments: Bryanston – acquired in September 2017; and Craighall – acquired in August 2019). Both, provided by the sellers of the properties, effectively provide income protection to Stor-Age as the properties lease-up to mature occupancy levels. A final amount of R4.5 million (in respect of both the rental guarantee and underpin) will be reflected in next year's earnings.

Other revenue of R4.5 million (2020: R4.7 million) comprises property and other management fees in SA, licence fee income from Storage King franchisee properties in the UK and a small contribution from Management 1st. The decrease relates to development fees earned on the Sunningdale development in the prior year.

Administration expenses amounted to R89.3 million (2020: R55.5 million). After adjusting for foreign exchange movements, the Conditional Share Plan charge, and non-recurring once-off items, we saw an increase in costs relating mainly to increased IT spend, staff costs (to support anticipated future growth) and lower cost recoveries.

The fair value adjustment to investment properties of R803.2 million reflects an increase in the carrying value of investment properties at 31 March 2021. Further details are set out in the Investment Property section on page 49. Other fair value adjustments to financial instruments of R62.7 million relate to the mark-to-market adjustments of interest rate swaps, forward exchange contracts and cross currency interest rate swaps ("CCIRS").

Interest income of R44.4 million (2020: R58.3 million) comprises interest received on the share purchase scheme loans (2021: R13.6 million; 2020: R14.2 million); CCIRS (2021: R24.3 million; 2020: R30.3 million), and call and money market accounts (2021: R6.5 million; 2020: R10.5 million).

Interest expense of R107.9 million (2020: R116.6 million) comprises mainly interest on bank borrowings. The year-on-year decrease is due to the lower interest rate environment offset by higher levels of debt in SA and the UK relating to acquisitions, expansion capex incurred at existing properties, and the development pipeline in SA. Further details of bank borrowings are set out in the Capital Structure section below.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs to expand the portfolio and achieve our strategic growth objectives through a mix of debt, equity and cash flow. We may also offer a dividend reinvestment plan as a mechanism to conserve cash for future expansion, which allows shareholders to reinvest their cash dividends into additional shares in the Company.

Details of the Group's borrowing facilities at 31 March 2021 are set out below:

	ZAR facilities Rm	GBP facilities £m	GBP facilities Rm	Total facilities Rm
Total debt facilities	**1 555.0**	**57.7**	**1 176.8**	**2 731.8**
Undrawn debt facilities	**419.7**	**0.9**	**18.3**	**438.0**
Gross debt	**1 135.3**	**56.8**	**1 158.5**	**2 293.8**
Gross debt net of cash held in facilities	**835.8**	**56.8**	**1 158.5**	**1 994.3**
Net debt	**729.7**	**53.6**	**1 093.6**	**1 823.3**
Investment property (net of lease obligations)	**4 654.7**	**142.7**	**2 912.9**	**7 567.6**
Subject to fixed rates	**650.0**	**44.5**	**907.3**	**1 557.3**
% hedged on:				
– Gross debt	**57.3%**	**78.3%**	**78.3%**	**67.9%**
– Gross debt net of cash held in debt facilities	**77.8%**	**78.3%**	**78.3%**	**78.1%**
– Net debt	**89.1%**	**83.0%**	**83.0%**	**85.4%**
Effective interest rate	**6.14%**	**3.49%**	**3.49%**	**4.80%**
LTV ratio[1]	**18.2%**	**33.6%**	**33.6%**	**24.1%**

[1] *LTV ratio is defined as net debt as a percentage of gross investment property of R7.869 billion less lease obligations relating to leasehold investment property of R301.7 million.*

£5.650 million of the GBP facilities is secured against SA investment property assets. For the purposes of the above table, the SA LTV ratio includes the outstanding balance of this facility.

Stor-Age is well capitalised with sufficient access to cash resources and funding options.

Our cash position at 31 March 2021, including cash held in our debt facilities, amounted to R470.6 million. Total undrawn borrowing facilities amounted to R437.9 million at year end and the average cost of debt for the Group was 4.80%.

At 31 March 2021 the Group had ZAR loan facilities of R1.555 billion with a weighted average maturity of 1.5 years (excluding a three-month rolling note of R160 million refinanced on a quarterly basis). The Group has agreed terms with lenders for the extension of two ZAR debt facilities (R745.0 million in aggregate, of which R671.6 million has been utilised), which are

FINANCIAL REVIEW (continued)

due to expire at the end of September 2021, for a further three years on similar terms. This will increase the weighted average maturity from 1.5 to 3.2 years.

The GBP loan facilities comprise a £52.0 million facility (expiry date November 2024[1]) and a £5.65 million facility (expiry date September 2021) with a weighted average maturity of 3.7 years. Terms have also been agreed for the extension of the £5.65 million facility for a further three years.

In order to broaden our GBP debt funding sources to support the future growth of the UK business, a refinance process has been initiated and is in an advanced stage. Key terms have substantially been agreed with lenders and completion is subject to final credit approval, due diligence and formal contract documentation.

On a net debt basis, 85.4% of borrowings were subject to fixed rates at year end. Net debt stood at R1.823 billion at year end with a LTV ratio of 24.1%.

Subsequent to year end, the Group entered into a three-year fixed interest rate swap (R100 million) in respect of its SA debt.

The table below summarises the expiry profile of our debt facilities:

SA Expiry period	Facility Rm	Drawn Rm	Undrawn Rm	% of facility drawn
FY22	**905.0**	**831.6**	**73.4**	**91.9%**
FY23	**–**	**–**	**–**	**–%**
FY24	**650.0**	**303.7**	**346.3**	**46.7%**
FY25	**–**	**–**	**–**	**–%**
Total	**1 555.0**	**1 135.3**	**419.7**	**73.0%**

FY22 includes a three-month rolling note (R160 million), refinanced quarterly, and the two facilities (R745 million as noted above) expiring in September 2021 which are to be extended.

UK Expiry period	Facility £m	Drawn £m	Undrawn £m	% of facility drawn
FY22	**5.7**	**5.7**	**–**	**100%**
FY25	**52.0**	**51.1**	**0.9**	**98.3%**
Total	**57.7**	**56.8**	**0.9**	**98.4%**

1 *Includes two 12-month extension options.*

NET ASSET VALUE PER SHARE

	31 March 2021 Rm	31 March 2020 Rm
Total equity – statement of financial position	**5 656.7**	4 605.4
Less: Non-controlling interest	**(38.6)**	(33.1)
Net assets	**5 618.1**	4 572.3
Less: Goodwill and intangible assets	**(147.0)**	(152.3)
Net tangible assets	**5 471.1**	4 420.0
Number of shares in issue (million)	**432.9**	397.8
Net asset value per share excluding non-controlling interest (R)	**12.98**	11.58
Net tangible asset value per share excluding non-controlling interest (R)	**12.64**	11.19

INVESTMENT PROPERTY

A fair value gain to investment property of R803.2 million recognised in the statement of profit or loss and other comprehensive income combined with capital expenditure and offset by exchange rate fluctuations, resulted in an increase in investment property of R795.0 million from R7.074 billion to R7.869 billion at year end.

The table below summarises the increase in our investment properties over the year:

	SA R million	UK £ million	UK R million	Total R million
Balance at 31 March 2020	**4 132.0**	**132.9**	**2 942.3**	**7 074.3**
Capital expenditure on new developments	**37.7**	**–**	**–**	**37.7**
Capital expenditure on existing properties	**38.3**	**3.0**	**61.8**	**100.1**
Capital expenditure on properties under construction	**83.3**	**–**	**–**	**83.3**
Revaluation gain	**408.0**	**19.4**	**395.2**	**803.2**
Exchange rate fluctuations	**–**	**–**	**(229.7)**	**(229.7)**
Other	**0.4**	**–**	**–**	**0.4**
Balance at 31 March 2021	**4 699.7**	**155.3**	**3 169.6**	**7 869.3**
Lease obligations relating to leasehold investment property	**(45.0)**	**(12.6)**	**(256.7)**	**(301.7)**
Investment property net of lease obligations	**4 654.7**	**142.7**	**2 912.9**	**7 567.6**

FINANCIAL REVIEW (continued)

Investment properties are valued using the discounted cash flow ("DCF") method to arrive at a fair value. The valuation of freehold and long leasehold properties is based on a DCF of the net operating income over a 10-year period and a notional sale of the asset at the end of the 10th year. The same DCF methodology is used for short leasehold properties, except that the cash flows reflect only the unexpired lease period from the date of valuation. The DCF assumes a notional management fee of 6.0% of income, subject to a cap and collar, which is deducted from net operating income. The notional management fee represents an allowance for the central administration costs on the basis that the properties would be externally managed.

In SA, 25 of the 50 trading properties in the SA portfolio were valued independently by Mills Fitchet Magnus Penny (Member of the South African Institute of Valuers) at 31 March 2021 for financial statement purposes. The remaining properties were valued internally by the board using the same methodology applied by the external valuer. These properties will be valued independently by an external valuer at the interim reporting date of 30 September 2021. This will ensure that every property is externally valued in a 12-month reporting cycle. In the UK, the entire portfolio was valued independently by CBRE (Registered Valuers of The Royal Institution of Chartered Surveyors in the UK) at 31 March 2021 for the purposes of the financial statements. Further details of the assumptions used in the valuations are set out in the Group financial statements.

In determining the valuations at 31 March 2020, we adopted a very conservative view on growth and the underlying assumptions impacting the forecasted future cash flows in the COVID-19 context. In addition, we did not take account of any planned cost-savings arising from our response to managing the financial impact of the pandemic. At 30 September 2020, the Group recognised a fair value gain to investment property of R467.6 million for the six-month period. A further fair value gain of R335.6 million was recognised in the six-month period to 31 March 2021.

The table below summarises the breakdown of investment properties as at 31 March 2021:

SA	% of portfolio	Valuation (R million)
Short leasehold	**0.6%**	**26.4**
Gross value		**48.6**
Lease obligations		**(22.2)**
Freehold and long leasehold*	**99.4%**	**4 628.3**
Investment property net of lease obligations	**100.0%**	**4 654.7**
Trading properties	**94.0%**	**4 372.7**
Properties under construction^	**3.5%**	**164.9**
Development properties	**2.5%**	**117.1**
Total investment property	**100.0%**	**4 654.7**

* *Includes one long leasehold property (remaining lease term 30.3 years).*
^ *Properties under construction relates to Cresta and Tyger Valley.*

UK	% of portfolio	Valuation £ million	Valuation R million
Short leasehold	12.1%	17.3	353.6
Gross value		29.9	610.3
Lease obligations		(12.6)	(256.7)
Freehold+	87.9%	125.4	2 559.3
Investment property net of lease obligations	100.0%	142.7	2 912.9
Trading properties	99.8%	142.4	2 906.9
Development property#	0.2%	0.3	6.0
Total investment property	100.0%	142.7	2 912.9

+ *Freehold includes two properties with 999 year peppercorn leases which are classified as virtual freeholds.*
# *Development property relates to a vacant portion of land adjacent to the Chester property.*

In the UK, eight of the 21 properties are short leaseholds with remaining lease periods ranging from 11.2 to 18.8 years. Short leaseholds comprise 12.1% of the total UK property valuation but contribute more than 25.0% of net operating income. The property valuation for short leaseholds is conservatively based on future cash flows until the next contractual lease renewal date which, all things being equal, would result in a reduction of the valuation over the remaining lease period. Management expects to successfully re-gear leases several years before renewal. We also benefit from the Landlord and Tenant Act that protects our rights for renewal except in the case of redevelopment. Our leasehold stores have building characteristics or locations in retail and industrial parks that make self storage either the optimal and best use of the property or the only one authorised by planning. The majority of our landlords are property investors who value the tenancy of Storage King and would typically prefer to extend the length of the leases that they have in their portfolio.

The table below summarises the significant inputs applied to the properties using the DCF methodology:

	Average value per m^2 (R)	Discount rate %	Exit cap rate %
SA – Trading properties	11 900	14.11%	8.36%

	Average value per sq.ft (£)	Discount rate %	Exit cap rate %
UK – Trading properties	178	9.05%	6.01%

Exit cap rate relates to freehold and long leasehold properties only.