STOR-AGE PROPERTY REIT LIMITED

PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS

for the year ended 31 March 2020

TOTAL DIVIDEND UP 5.03% TO 112.05 CENTS PER SHARE

Rental income and net property operating income up 29.7% and 34.1%

Like-for-like rental income up 6.5% (SA) and 5.0% (UK)

Closing total occupancy of 83.8% (SA 85.0%; UK 78.8%)

Total portfolio occupancy up 22 100m² (SA 9 800m²; UK 12 300m²)

Total GLA up 24 500m² to 448 200m²

Investment property value up 13% to R7.0 billion

LTV ratio of 30.1% at year end 79.1% hedged on a net debt basis

Raised R250m in oversubscribed bookbuild in May 2020

Acquisition of Flexi Store in December 2019 – five-property portfolio in the UK

Development JV with UK-based private equity real estate group, to co-develop new high profile properties in London and the South East

Collected over 93% and 98% of rental due in SA and the UK respectively in two-month period post year end

First-time inclusion in JSE SA Listed Property Index (September 2019)

COMMENTARY

INTRODUCTION

Stor-Age's strong results for the year to March 2020 reflect a resilient trading performance against the backdrop of challenging macro conditions in SA, and political and economic uncertainty for most of the year in the UK. The group delivered a 5.03% increase in its annual dividend per share.

Our operational performance in both markets was robust. Intense operational focus and discipline at a property level, supported by our specialised digital marketing platform, enabled the group to extract occupancy and revenue growth. Our hands-on management approach across both geographies remains critical to continuing to deliver superior performance. Strict cost control and our revenue management platform complement this strategy.

The SA portfolio closed at 85.0% occupancy with an increase of 9 800m² of occupied space. In the UK, closing portfolio occupancy was 78.8% (including the December 2019 acquisition of the five-property Flexi Store portfolio). Excluding acquisitions, average occupancy in the UK grew by 4.5% year-on-year.

The COVID-19 pandemic and risk management measures to contain the spread of the virus – including national lockdowns, social distancing and travel restrictions – have created an economic crisis with both supply- and demand-side shocks. As economies and businesses adapt to the changing environment and ensuing challenges, we will see a restructuring of the economic and social order in which business and society have traditionally operated.

Against a backdrop of constrained economic environments, the self storage business model has a track record of resilience. The primary drivers of demand for our product are life-changing events and dislocation, be they positive or negative in nature. Our customers typically require our product either temporarily or permanently for various reasons throughout the economic cycle. This creates a market depth that is a significant contributing factor towards the resilience of the product.

Furthermore, Stor-Age is well capitalised with a strong balance sheet. Our LTV of 30.1% at year end is comfortably within our 25-35% target range. In May 2020 we raised R250 million of new equity in an oversubscribed accelerated bookbuild. We are well-positioned both financially and operationally to navigate the current period of uncertainty. The scale and depth of our operations offer a competitive advantage, complemented by our diversified portfolio, industry-leading platform and experienced teams. In the two months since year end we have collected over 93% and 98% of rentals due in SA and the UK respectively. Demand levels in May 2020, as evidenced by the number of recorded enquiries, are in line with our pre-lockdown expectations across the two markets.

GROUP SNAPSHOT

Stor-Age is the largest self storage property fund and most recognisable brand in South Africa. The portfolio comprises 71 self storage properties across both SA (50) and the UK (21). The SA portfolio is valued at R4.1 billion and the UK portfolio – under the brand Storage King – at R2.9 billion. In the UK a further seven properties trade under the licence of the Storage King brand and generate licence and management fee revenue for the group. In total this represents 28 properties trading under the Storage King brand in the UK.

SA – South Africa
m² – square metres
UK – United Kingdom
sqf – square foot
***Managed Portfolio** – a portfolio of 12 properties previously managed and operated by Stor-Age*
EU – European Union
CPC – Certificate of Practical Completion
GLA – gross lettable area
LTV – loan to value

COMMENTARY (continued)

OPERATIONAL REVIEW

- Total portfolio occupancy up 22 100m² (SA 9 800m²; UK 12 300m²)
- Closing occupancy of 85.0% (SA); 78.8% (UK)[2]
- Closing rental of R106.0/m², up 6.0% (SA); £21.22/sqf[1], down 1.9% (UK)[2]

Occupancy profile

	31 March 2020 GLA m²	Occupied m²	% occupied	31 March 2019 GLA m²	Occupied m²	% occupied
SA	**365 400**	**310 400**	**85.0**	357 600	300 600	84.0
UK	**82 800**	**65 300**	**78.8**	66 100	53 000	80.3
Total	**448 200**	**375 700**	**83.8**	423 700	353 600	83.5

SA

The SA portfolio closed at 365 400m² GLA (2019: 357 600m²), up by 7 800m² year-on-year as a result of the opening of Craighall (4 200m²) and expansion at existing properties (3 600m²).

Closing occupancy increased by 1.0% to 85.0%, with occupied space increasing by 9 800m² year-on-year, a pleasing result in the prevailing trading environment. Excluding Craighall, which was developed under the CPC structure and commenced trading in August 2019, occupancy grew by 7 400m². The occupancy of Craighall at year end was 2 400m² (57.8% occupied on its current fit-out and 37.5% occupied on its fully fitted-out GLA).

The national lockdown, which commenced on 27 March 2020, had a negative impact on the closing occupancy position with move-ins during the last two weeks of March lower than the corresponding period in the prior year. Consequently, our occupancy gains for the year, while still positive, were lower than the 12 000m² we had anticipated to achieve.

UK

The UK portfolio closed at 82 800m² GLA (2019: 66 100m²), up 16 700m² year-on-year as a result of the acquisition of Flexi Store in December 2019. The Flexi Store portfolio had previously been trading under licence of the Storage King brand.

Closing occupancy was 78.8%. Excluding the acquisition of Flexi Store, closing occupancy increased by 800m² to finish at 81.2%, 0.9% higher than the prior year.

In September 2019, prior to the acquisition of Flexi Store, the portfolio had reached record occupancy levels of 84.2% in line with expectations. The UK self storage industry experiences a more marked degree of seasonality than in SA, with occupancy peaking in the spring and summer months. Similar to SA, we usually see strong gains in occupancy in the last two weeks of March. The introduction of the lockdown in mid-March in the UK also impacted negatively on occupancy in that month, constraining our original expectations of a full-year occupancy gain of 2 500m².

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1 *UK rental rate quoted on an annual basis.*

2 *Decrease due to acquisition of Flexi Store portfolio which has lower occupancy and a lower average rental rate. Excluding the acquisition, the closing portfolio occupancy is 81.2% and the closing rental rate was up 1.0% year-on-year.*

Tenant profile

Details of the group's tenant base is set out in the table below:

	31 March 2020 SA	UK	31 March 2019 SA	UK
Number of tenants	**25 300**	**9 400**	24 200	7 900
Residential	**60%**	**69%**	64%	68%
Commercial	**40%**	**31%**	36%	32%
Average length of stay – months (existing tenants)	**23.1**	**26.2**	23.0	25.0
Average length of stay – months (tenants vacating during the period)	**13.8**	**9.6**	13.4	9.9

Residential and commercial split analysed by area

Launch of Management 1st

In September 2019 the group launched "Management 1st" in the UK, a comprehensive third-party management solution offered to independent operators, developers and private equity owners in the burgeoning UK self storage market.

With large operators owning only an estimated 30%[3] of self storage properties in the UK, the significant majority of properties are owned by a multitude of smaller operators. Without the benefits of scale, smaller operators are finding it increasingly difficult to compete with the larger brands, in particular regarding their ability to generate online enquiries.

Management 1st offers these smaller operators a platform for managing staff, budgets, billing, collections, revenue management, digital marketing, insurance and maintenance, with the aim of enhancing their ability to generate online enquiries and improve customer experience and performance.

While Management 1st provides an attractive management option for smaller operators, it enables Storage King to leverage its existing operations infrastructure to earn additional revenue streams and expand the brand's reach, while also providing a natural acquisitions pipeline over the medium to long term.

The group has been in discussions with interested parties since its launch and we remain confident in our ability to source growth via this platform.

FINANCIAL RESULTS

The table below sets out the group's underlying operating performance by SA and the UK:

	31 March 2020 SA Rm	UK Rm	Total Rm	31 March 2019 SA Rm	UK Rm	Total Rm	% variance SA	UK	Total
Property revenue	**440.1**	**258.7**	**698.8**	336.0	193.1	529.1	31.0	34.0	32.1
Rental income	**382.2**	**233.3**	**615.5**	301.5	173.2	474.7	26.7	34.7	29.7
Rental underpin	**18.5**	**–**	**18.5**	10.6	–	10.6	74.7	–	74.7
Rental guarantee	**24.5**	**–**	**24.5**	10.0	–	10.0	144.6	–	144.6
Ancillary income	**13.4**	**22.0**	**35.4**	11.8	16.1	27.9	14.2	36.4	27.0
Sundry income	**1.5**	**3.4**	**4.9**	2.1	3.8	5.9	(28.0)	(9.8)	(16.3)
Bad debt	**(2.8)**	**(1.0)**	**(3.8)**	(2.1)	(1.1)	(3.2)	(33.6)	12.4	(17.9)
Direct operating costs	**(99.8)**	**(78.3)**	**(178.1)**	(80.4)	(60.2)	(140.6)	(24.2)	(30.2)	(26.8)
Net property operating income	**337.5**	**179.4**	**516.9**	253.5	131.8	385.3	33.1	36.2	34.1
Bad debt as a percentage of rental income	**0.74%**	**0.41%**	**0.62%**	0.71%	0.64%	0.68%			

Bad debt is reflected under the description of Impairment losses recognised on tenant debtors in the consolidated statement of profit or loss and other comprehensive income.

A reconciliation between the disclosures set out in the table above and the consolidated statement of profit or loss and other comprehensive income is set out on page 31.

[3] *Self Storage Association UK annual industry report 2019. Large operators defined as those operators owning and/or operating 10 or more self storage properties.*

Total property revenue increased by 32.1% to R698.8 million (2019: R529.1 million) including the impact of acquisitions and organic growth.

Rental income for the year was R615.5 million (2019: R474.7 million), a 29.7% increase. On a like-for-like basis (excluding acquisitions and new store openings in the 2019 and 2020 financial years) SA rental income increased by 6.5%, driven by a 1.5% increase in average occupancy levels and a 5.0% increase in the average rental rate. The Managed Portfolio, comprising 12 properties previously managed and operated by Stor-Age which were acquired in September 2018, delivered year-on-year rental income growth of over 17.0%, with the average occupancy and rental rate up 8.6% and 8.0% respectively.

The year was characterised by a strong focus on growing and retaining occupancy levels. Our revenue management model supported this through a balanced approach of increasing occupancy using promotional offers where necessary and carefully managed pricing levels.

The UK portfolio delivered a strong operational performance with like-for-like rental income (excluding acquisitions in the 2019 and 2020 financial years) increasing by 5.0%, driven predominantly by average occupancy growth of 4.5%.

The rental guarantee of R24.5 million relates to the acquisition of the Managed Portfolio and the rental underpin of R18.5 million relates to the CPC developments (Bryanston and Craighall). Both of these, provided by the sellers of the properties, effectively provide income protection to Stor-Age as the properties lease up to mature occupancy levels.

Ancillary income of R35.4 million (2019: R27.9 million) reflects the positive contribution of acquisitions and organic growth. Although ancillary income is a relatively small proportion of total revenue, each component makes a meaningful contribution to earnings with little capital investment. In SA, excluding the impact of acquisitions, merchandise sales and late fees charged to debtors (collectively R4.3 million) increased by 8.0% year-on-year with administration fees (R4.5 million) remaining flat. In the UK, excluding the impact of acquisitions, ancillary income was up 6.7% year-on-year.

Bad debt as a percentage of rental income was 0.62% for the group, reflecting an improvement from the prior year's 0.68%. There was a slight deterioration in SA during the year due to the more challenging local economic conditions. This was offset by an improvement in the UK. Cash collections remain a key priority, particularly in light of the challenges arising from the COVID-19 crisis. Further details are set out in the Impact of COVID-19 section.

Other revenue of R4.7 million (2019: R11.1 million) comprises property and other management fees in SA and licence fee income from franchisee properties in the UK. The decrease in these fees is a result of the acquisition of the Managed Portfolio in the prior year.

The increase in direct operating costs to R178.1 million (2019: R140.6 million) reflects the impact of acquisitions. Across both markets, property rates, staff costs, utilities, insurance and marketing costs account for approximately 85% of the operating cost base. In SA we saw the offsetting benefit of increases in property rates and improved efficiencies in our marketing spend, staff costs and savings on electricity from the roll-out of solar power. The UK benefited from using our SA-based digital marketing expertise, which resulted in improved enquiries and savings in marketing spend.

Administrative expenses amounted to R55.5 million (2019: R43.8 million). Excluding the impact of foreign exchange movements and non-recurring items, administrative costs were broadly in line with the prior year.

The fair value adjustment to investment properties of R104.4 million reflects a decrease in the carrying value of investment properties arising from using more conservative cash flow assumptions in determining fair value. Further details are set out in the Investment Property section. Other fair value adjustments to financial instruments (R175.6 million loss) relate to the mark-to-market adjustments of interest rate swaps, forward exchange contracts and cross currency interest rate swaps ("CCIRS").

Interest income of R58.3 million (2019: R48.9 million) comprises interest income on the share purchase scheme loans, CCIRS and call and money market accounts. The CCIRS accounted for R30.3 million (2019: R29.7 million) of this amount.

Interest expense of R116.6 million (2019: R81.8 million) comprises mainly interest on bank borrowings. The increase is due to higher levels of debt in SA and the UK relating to acquisitions in the current and prior year, expansion and capital expenditure incurred at existing properties, and the development pipeline in SA. Further details of bank borrowings are set out in Capital Structure.

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 from time-to-time offer a dividend reinvestment plan, which allows shareholders to reinvest their cash dividends into additional shares in the company, as a mechanism to conserve cash for future expansion.

Details of the group's borrowing facilities at 31 March 2020 are set out below:

	ZAR facilities Rm	GBP facilities £m	GBP facilities Rm	Total facilities Rm
Total debt facilities	**1 705.0**	**60.0**	**1 328.5**	**3 033.5**
Undrawn debt facilities	**574.4**	**3.8**	**83.8**	**658.2**
Gross debt	**1 130.6**	**56.2**	**1 244.7**	**2 375.3**
Gross debt net of cash held in facilities	**961.0**	**56.2**	**1 244.7**	**2 205.7**
Net debt	**931.0**	**54.1**	**1 198.3**	**2 129.3**
Investment property	**4 132.0**	**132.9**	**2 942.3**	**7 074.3**
Subject to fixed rates	**700.0**	**44.5**	**984.1**	**1 684.1**
% hedged on:				
– Gross debt	**61.9%**	**79.1%**	**79.1%**	**70.9%**
– Gross debt net of cash held in debt facilities	**72.8%**	**79.1%**	**79.1%**	**76.4%**
– Net debt	**75.2%**	**82.1%**	**82.1%**	**79.1%**
Effective interest rate	**8.25%**	**3.60%**	**3.60%**	**5.90%**
Gearing (LTV ratio)[4]	**22.5%**	**40.7%**	**40.7%**	**30.1%**

Stor-Age is well capitalised with sufficient access to cash resources and funding options. In May 2020 we raised R250 million of new equity in an oversubscribed accelerated bookbuild. Total undrawn borrowing facilities amounted to R658.2 million at 31 March 2020. None of the facilities are due for renewal before November 2021 and the average cost of debt for the group is 5.90%.

At 31 March 2020 the group had ZAR loan facilities of R1.705 billion available. The respective maturities of the various facilities range from October 2021 to November 2023, with a weighted average maturity of 2.5 years[5].

The GBP loan facilities comprise a £52.0 million facility (expiry date November 2024) and an £8.0 million facility (expiry date September 2021) with a weighted average maturity of 4.2 years.

On a net debt basis, 79.1% of borrowings was subject to fixed rates (31 March 2019: over 100.0%). Net debt stood at R2.129 billion at year end (31 March 2019: R1.483 billion) with a gearing ratio (LTV) of 30.1% (31 March 2019: 23.8%). In light of the recent reductions in interest rates, the board considers this level of interest rate hedging to be appropriate in the current circumstances. The board will continue to review the hedging position on an ongoing basis.

[4] *LTV ratio is defined as the ratio of net debt as a percentage of gross investment property.*
[5] *Excluding three month rolling note of R160 million.*

COMMENTARY (continued)

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

SA

Expiry period	Facility Rm	Drawn Rm	Undrawn Rm	% of facility drawn
FY 21	**160.0**	**160.0**	**-**	**100.0%**
FY 22	**745.0**	**672.3**	**72.7**	**90.2%**
FY 23	**150.0**	**-**	**150.0**	**-%**
FY 24	**650.0**	**298.3**	**351.7**	**45.9%**
Total	**1 705.0**	**1 130.6**	**574.4**	**66.3%**

FY 21 is a three month rolling note which is refinanced quarterly.

UK

Expiry period	Facility £m	Drawn £m	Undrawn £m	% of facility drawn
FY 22	**8.0**	**5.7**	**2.3**	**71.3%**
FY 25	**52.0**	**50.5**	**1.5**	**97.2%**
Total	**60.0**	**56.2**	**3.8**	**93.7%**

At 31 March 2020, R600 million of our investment property portfolio was unencumbered.

NET ASSET VALUE PER SHARE

	31 March 2020 Rm	31 March 2019 Rm
Total equity – statement of financial position	**4 605.4**	4 624.8
Less: Non-controlling interest	**(33.1)**	(28.2)
Net assets	**4 572.3**	4 596.6
Less: Goodwill and intangible assets	**(152.3)**	(140.8)
Net tangible assets	**4 420.0**	4 455.8
Number of shares in issue (million)	**397.8**	392.9
Net asset value per share (R)	**11.58**	11.77
Net tangible asset value per share (R)	**11.19**	11.41

COMMENTARY (continued)

CCIRS AND HEDGING OF GBP EARNINGS

The group makes use of CCIRS as part of its treasury management policy to create a synthetic matching of GBP funding to GBP-denominated assets at optimal levels. The CCIRS create an effective hedge of the net investment in our offshore operations against foreign currency fluctuations.

Details of the group's CCIRS are set out in the table below:

	31 March 2020 GBP m	31 March 2019 GBP m
Investment property	**132.9**	117.5
Bank debt	**(56.2)**	(43.8)
Other assets	**8.6**	7.5
Other liabilities	**(20.4)**	(15.9)
Net investment	**64.9**	65.3
Notional value of CCIRS	**25.0**	25.0
CCIRS as a percentage of investment property	**18.8%**	21.3%
CCIRS as a percentage of net investment	**38.5%**	38.3%
Effective hedge (CCIRS and bank debt as a percentage of total assets)	**57.4%**	55.1%

At 31 March 2020 the group had entered into CCIRS with a notional value of £25.0 million (31 March 2019: £25.0 million). This represents an effective hedge of 38.5% (31 March 2019: 38.3%) of the net investment in Storage King.

The group's GBP-denominated debt of £56.2 million (31 March 2019: £43.8 million), together with the notional value of the CCIRS, equates to an effective hedge of 57.4% (31 March 2019: 55.1%) of GBP- denominated assets.

Distributable earnings from the UK are repatriated to SA for distribution purposes. To manage the impact of currency volatility, the group has adopted a rolling hedging policy using forward exchange contracts ("FECs") as follows:

- 12 month forecast – at least 80%
- 13 – 24 month forecast – at least 75%
- 25 – 36 month forecast – at least 50%

FECs entered into by the group as at the date of this announcement are summarised below:

Six-month period ending	Hedging level %	Forward rate R/£
Mar-20	**100**	**22.85**
Sep-20	**100**	**23.02**
Mar-21	**100**	**23.03**
Sep-21	**85**	**23.23**
Mar-22	**85**	**23.48**
Sep-22	**80**	**24.56**
Mar-23	**60**	**24.65**

COMMENTARY (continued)

INVESTMENT PROPERTY

The fair value of our investment properties increased by 13.3% to R7.074 billion (2019: R6.242 billion). The majority of this growth relates to acquisitions and fluctuations in exchange rates offset by fair value adjustments.

Investment properties are valued by the board 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 methodology is used for short leasehold properties, except that no sale of the property in the 10th year is assumed and the DCF is extended to the expiry of the lease.

The group's policy is to have at least 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, 20 of the 50 properties in the SA portfolio were valued independently by Mills Fitchet Magnus Penny (Member of the South African Institute of Valuers) at 31 March 2020. For the UK portfolio, 16 of the 21 properties were valued independently by Cushman and Wakefield (Registered Valuers of The Royal Institution of Chartered Surveyors in the UK) at 31 March 2020. The remaining five properties comprising the acquisition of Flexi Store in December 2019 were independently valued by Cushman and Wakefield at 30 November 2019. The board is satisfied that the internal valuation of the five-property portfolio at 31 March 2020 is not materially different from the independent valuation performed at 30 November 2019.

In determining the valuations, we have adopted a conservative view on the forecasted cash flows arising from the properties in FY21 due to the uncertainty as a result of COVID-19. In addition, we have not yet taken account of any potential cost savings arising from our response to managing the financial impact of the pandemic. As a result, the value of our investment properties in SA and the UK decreased by R48.8 million and £2.5 million (R55.6 million) respectively.

The table below summarises the breakdown of investment properties as at 31 March 2020:

	% of portfolio	Valuation (R million)
SA – Trading properties	**95.7%**	**3 952.0**
SA – Developments	**4.3%**	**179.6**
SA – Total	**100.0%**	**4 132.0**

	% of portfolio	Valuation (£ million)
UK – Leasehold	**21.1%**	**28.0**
UK – Freehold	**78.9%**	**104.9**
UK – Total	**100.0%**	**132.9**
R/£ exchange rate		**22.14**
UK – Total (R million)		**2 942.3**

ACQUISITIONS AND DEVELOPMENTS

Acquisitions

During the year the group completed the acquisitions of Craighall and Flexi Store.

Craighall, developed by Stor-Age Property Holdings Proprietary Limited under the CPC structure, was completed at a development cost of R109 million. On full fit-out the property will comprise over 6 500m^2 GLA.

In December 2019, the acquisition was completed of the five-property Flexi Store portfolio (16 700m^2 GLA) at a purchase consideration of £13.4 million and an estimated forward yield of 7.29%. Completion of the transaction was delayed from the originally anticipated August 2019 date. Given that the acquisition was accretive to earnings, the delay in completion had a negative impact on earnings for the second half of the year. The performance of the acquired properties since acquisition has been broadly in line with expectations. The acquisition was in line with our stated UK growth strategy of acquiring properties trading into dense catchment areas which complement the existing portfolio.

Development pipeline

The table below summarises the group's development pipeline in SA:

Location	GLA m^2	Full development cost
Tygervalley – northern suburbs, Cape Town	7 100	R88 million
Cresta – opposite the Cresta Shopping Mall, Johannesburg	7 400	R102 million
Sunningdale – Western Seaboard, Cape Town	6 350	R67 million
De Waterkant – Cape Town CBD	6 600	See note below

Construction at Tygervalley commenced in late October 2019 and we had expected to open in the early part of 2021. In line with the lockdown regulations implemented on 27 March 2020, construction activity ceased and only recommenced on 1 June 2020 with the easing of restrictions. The costs to complete the development are estimated to be R46 million.

At Cresta, the existing building was demolished. The site was cleared and piling for the foundations was underway prior to the national lockdown. Construction activity recommenced on 1 June 2020. The costs to complete the development are estimated to be R62 million.

The design of Tygervalley and Cresta has been planned to cater for separate receipting and despatch areas to accommodate a growing demand from our commercial user segment. Our expected opening dates for trading are March 2021 and August 2021 for Tygervalley and Cresta respectively, assuming no further delays are experienced or lockdown restrictions imposed.

Sunningdale is to be developed in a joint venture with Garden Cities. The development will complement our existing Table View property, providing Stor-Age with a presence in two excellent locations in the fast-developing west coast region. Stor-Age will have a 50% equity interest in the development and will earn development fees prior to opening, and property management fees once trading commences. At year end, no construction costs had yet been incurred. The costs to complete Phase I of the development are estimated to be R20 million (being Stor-Age's 50% share).

De Waterkant is well-located to service the residents and businesses on the western side of Cape Town CBD, the V&A Waterfront, and the surrounding areas of Bo Kaap, Tamboerskloof and the Atlantic Seaboard suburbs. The development will complement our existing Gardens and Sea Point properties, providing Stor-Age with an extended presence in the heart of some of SA's most densely populated and sought-after areas. The design and value engineering process is underway. However, we do not anticipate any development activity to take place in the next 12 months.

UK developments – non-binding Heads of Terms entered into with UK based private equity real estate group

Our UK property growth strategy includes acquiring existing trading self storage properties from third-parties, new developments and the roll-out of Management 1st.

One of the unique characteristics of the self storage development model is the lease-up of the property to a stabilised and mature level of occupancy, with the lease-up forming a considerable component of a property's overall formation cost. In order to mitigate the financial impact of the lease-up, it is desirable to develop new properties in conjunction with a development partner.

On 19 March 2020, the group entered into a non-binding Heads of Terms with a UK-based specialist private equity ("PE") group to form a joint venture ("JV") to develop a five to seven asset portfolio with a gross asset value of approximately £50 million.

Summary of terms:

- Equity ownership c. 25% (Stor-Age): 75% (PE)
- Initial JV equity £25m
- Target to achieve approximately 50% loan to cost for new developments
- Stor-Age to earn development and property management fees from the JV
- All properties to be branded and managed by Storage King
- Stor-Age to have pre-emptive rights to acquire the properties, subject to terms and conditions

Discussions are progressing to finalise definitive binding documentation.

Capital commitments

Our future capital commitments over the next 18 months post March 2020 are anticipated to be approximately R210 million. This includes the completion of the Tygervalley and Cresta developments, Sunningdale and general capital expenditure at other properties.

IMPACT OF COVID-19

As set out above, Stor-Age and the self storage business model have a track record of resilience in difficult economic environments. We are well-positioned both financially and operationally to navigate through the economic uncertainty ahead.

Stor-Age is also well poised to benefit in the medium to long term from the rapid acceleration of change in the wake of the current crisis. We anticipate that the greater use of technology as an enabler within business, and greater adoption by society at large, will result in an increasingly mobile population.

The impact on where and how people live and work, as well as the possibility of business models evolving to require less operational space will, in our view, give rise to further demand for our product in both SA and the UK.

Pre-lockdown

Prior to the lockdown in SA and the UK, we saw no noticeable impact of the pandemic on our key trading performance indicators.

Business continuity plans were enacted in anticipation of the lockdown and have been working well in ensuring a seamless continuation of operations in both markets. Our primary responsibility at all times has been the safety, health and well-being of our staff and customers and we immediately increased our focus on hygiene and cleanliness across all our properties. Our properties are not crowded environments and are typically low-intensity in their use relative to other real estate types, allowing for social distancing to be practiced with little effort.

We also put contingency plans in place to manage the possibility of increased absenteeism as a result of self-isolation or illness.

COMMENTARY (continued)

Lockdown

Our objective has been to keep the properties accessible for customers in both SA and the UK to support the provision of essential services.

We immediately offered complimentary storage space to a number of relief and government-based entities including the Western Cape Government and Community Chest in SA and the National Health Service (NHS) in the UK. We continue to support these authorities, charities and NGOs by offering the use of properties to support relief efforts.

Soon after the respective lockdowns commenced, we successfully activated an online e-sign capability for the completion of new leases, allowing for the facilitation of a "contactless" digital sign-up and move-in process.

The increased level of costs attributable to sanitising, personal protective equipment and updated on-site signage has been more than offset by the reduction in marketing spend throughout the lockdowns, principally driven by a notable reduction in "pay-per-click" advertising costs.

In line with expectations, we saw a significant reduction in both move-in and move-out activity in both SA and the UK as soon as the lockdowns commenced in March 2020. In SA, the impact was largely offsetting in April. In the UK the impact carried through to April.

SA

We saw enquiry levels drop significantly, as expected, from end of March continuing into April 2020. With the move to level 4 restrictions at the beginning of May 2020, we experienced a noticeable increase in demand as new regulations were passed regarding increased personal mobility and the reopening of certain sectors of the economy.

With the easing of restrictions, we experienced a higher level of move-outs relative to move-ins during the first weekend in May. The move-outs were principally linked to the increased mobility of the population (i.e. a proportion of customers who would ordinarily have moved-out at the end of March and /or April because they had come to the natural end of their need for the product, did so during the first weekend of May). The move-outs were nonetheless still significantly lower than we would normally expect in a month.

After the regulations allowing for the movement of households on 7 May 2020 were amended, enquiries returned to normal levels in SA in line with expectations. We immediately saw an improved move-in trend in the days following the announcement. On 14 May 2020, the government further relaxed the rules around moving, expressly including commercial operations and removing the end date of 7 June 2020 for household moves (as had been included in the 7 May 2020 update). In the two-month period to the end of May, overall occupancy decreased by only 300m^2.

UK

The lockdown in the UK was initially less restrictive. While overall activity (move-ins and move-outs) was severely curtailed relative to the norm, it still gave rise to a larger negative impact on move-ins compared to move-outs in March. There was a drop off in enquiries from the start of the lockdown although it was not as significant as in SA. In April 2020 occupancy decreased by 1 200m^2.

In May 2020, enquiry levels in the UK returned to pre-COVID-19 levels and were in line with expectations. New regulations coming into effect on 13 May 2020, allowing buyers and renters to once again view properties physically, arrange removals and move home, provided further impetus. There was a significant increase in move-in activity in May 2020 relative to April 2020 resulting in an increase in occupancy of 400m^2 for the month.

Rental collection

In the two-month period post year-end (i.e. April and May 2020) we collected over 93% and 98% of rental due in SA and the UK respectively.

The collection of rentals and recovery of debt remains a key focus area. We have committed additional resources to this given the elevated risk levels in this area and the expected strain consumers may experience in the coming months.

OUTLOOK

The rapid escalation of the COVID-19 pandemic and the recent downgrades of the SA sovereign credit ratings have exerted significant pressure on the SA economy. The UK economy has also been impacted by the pandemic and risk mitigation measures. Given the extremely high levels of uncertainty, it is impossible to accurately predict the full impact of the COVID-19 crisis on our business in SA and the UK.

Despite these adverse conditions, Stor-Age entered the current cycle from a position of strength and we continue to benefit from a high-quality property portfolio spread across both SA and the UK, a very well-managed balance sheet and deep sector specialisation. This is within the broader context of a sector that is well-positioned to support the life-changing events driven by the repercussions of the virus, the potential economic dislocation post the initial lockdowns, as well as the increasing mobility of the population linked to the acceleration of technology-based solutions for both households and businesses alike. The defensive and resilient nature of our business model means we are well-placed to navigate the challenges that lie ahead.

In light of this, the board has elected not to provide any distribution guidance for the year ahead as we do not believe it would be prudent to provide guidance that would encapsulate the wide range of possible outcomes. The board remains committed to being transparent with the information provided to shareholders to make informed decisions about the group's prospects. The board will continue to provide updated information on the group and will consider providing guidance if and when circumstances become clearer.

DECLARATION OF A CASH DIVIDEND

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 cash dividend (number 9) of 57.16 cents per share for the six months ended 31 March 2020 ("Cash Dividend").

Shareholders of Stor-Age ("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 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 Monday, 22 June 2020.

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 the Circular and/or any accompanying documents and the right to elect the Share Alternative in jurisdictions other than the Republic of South Africa may be restricted by law and a failure to comply with any of these restrictions may constitute a violation of the securities laws of such jurisdictions. The Shares have not been and will not be registered for the purposes of the Share Alternative under the securities laws of the United Kingdom, European Economic Area, Canada, United States of America, Japan or Australia, and accordingly are not being offered, sold, taken-up, re-sold or delivered directly or indirectly to recipients with registered addresses in such jurisdictions.

Salient dates and times:	2020
Record date for Shareholders to be registered in the company's Securities Register in order to be entitled to receive the Circular	Friday, 12 June
Circular and form of election posted to Shareholders	Monday, 22 June
Last date for Stor-Age to withdraw the entitlement for Shareholders to elect to participate in the Share Alternative before the publication of the announcement of the Share Alternative issue price and finalisation information on SENS	Friday, 3 July
Announcement of Share Alternative issue price and finalisation information published on SENS ("Finalisation Date")	Monday, 6 July
Last day to trade ("LDT") cum dividend	Tuesday, 7 July
Shares to trade ex dividend	Wednesday, 8 July
Listing of maximum possible number of Share Alternative Shares commences on the JSE	Friday, 10 July
Last day to elect to receive the Share Alternative (no late forms of election will be accepted) at 12:00 (South African time)	Friday, 10 July
Record Date	Friday, 10 July
Announcement of results of Cash Dividend and Share Alternative published on SENS	Monday, 13 July
Cheques posted to Certificated Shareholders and accounts credited by CSDP or broker to Dematerialised Shareholders electing the Cash Dividend on	Monday, 13 July
Share certificates posted to Certificated Shareholders and accounts credited by CSDP or broker to Dematerialised Shareholders electing the Share Alternative on	Wednesday, 15 July
Adjustment to the maximum number of Shares listed on or about	Thursday, 16 July

Notes:

1. Shareholders electing the Share Alternative are alerted to the fact that the new Shares will be listed on LDT + 3 and that these new Shares can only be traded on LDT + 3, due to the fact that settlement of the Shares will be three days after record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 8 July 2020 and the close of trade on Friday, 10 July 2020.
3. The above dates and times are subject to change. Any changes will be released on SENS.

DECLARATION OF A CASH DIVIDEND (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, as calculated in accordance with the reinvestment price, 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 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 abovementioned 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 45.728 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 abovementioned 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: 9027205245

DECLARATION OF A CASH DIVIDEND (continued)

Non participating Shares:

An agreement was entered into between the company, Castle Rock Investments and the HJS Trust, in terms of which Stor-Age acquired all the assets owned by Stor-Age Self Storage Proprietary Limited in terms of section 44 of the Income Tax Act ("the Agreement") in consideration for the allotment of 10 000 000 ordinary shares in the company ("Consideration Shares"), 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"), declared by the company as an interim or final dividend, for the period from the listing date of the company (i.e. 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 distributions 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, will be 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, and the resultant dividend per share, is included in the table below:

Distributable Profits (note 1) (R000's)	**238 115**
Number of shares entitled to the dividend ('000)	**416 574**
Number of shares in issue as at the date of this announcement ('000)	**419 074**
Consideration Shares not entitled to the dividend ('000) (note 2)	**2 500**
Dividend per share (cents)	**57.16**

Notes:

1. Stor-Age did not undertake any disposals of any properties during the year ended 31 March 2020 and all of the distributable income of Stor-Age was earned in the ordinary course of business.
2. Excludes 2 500 000 Stor-Age shares, being all of the Consideration Shares that are excluded from participating in the Distributable Profits.
3. At the date of announcement, Stor-Age had 419 074 617 ordinary shares in issue.

On behalf of the board

GA Blackshaw
Chairman

GM Lucas
CEO

Cape Town
22 June 2020

BASIS OF PREPARATION

The preliminary summarised consolidated annual financial results are prepared in accordance with the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements. The JSE Listings Requirements require preliminary 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 are consistent with the policies applied in the previous consolidated financial statements except for the adoption of revised and new standards that became effective during the year for which comparative information has not been restated.

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 JSE Listings Requirements.

The preliminary summarised consolidated annual financial results were prepared under the supervision of the Financial Director, Stephen Lucas CA(SA).

AUDIT OPINION

These preliminary summarised consolidated annual financial results are extracted from the audited financial statements, but is not itself audited. The consolidated financial statements for the year ended 31 March 2020 were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 31 March 2020 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 preliminary summarised consolidated annual financial results and that the financial information has been correctly extracted from the consolidated financial statements.

The auditor's report does not necessarily report on all of the information contained in these preliminary 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 or on Stor-Age's corporate website.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 March 2020 R'000	Audited 31 March 2019 R'000
Assets		
Non-current assets	**7 463 998**	6 644 781
Investment properties	**7 074 287**	6 242 413
Property and equipment	**17 653**	8 793
Stor-Age share purchase scheme loans	**185 737**	184 739
Goodwill and intangible assets	**152 276**	140 842
Investment and long-term interests in joint venture	**3 527**	–
Other receivables	**–**	9 929
Unlisted investment	**5 082**	4 600
Deferred taxation	**25 436**	18 829
Derivative financial assets	**–**	34 636
Current assets	**228 239**	384 085
Trade and other receivables	**146 210**	119 273
Inventories	**5 676**	5 239
Cash and cash equivalents	**76 353**	259 573
Total assets	**7 692 237**	7 028 866
Equity and liabilities		
Total equity	**4 605 378**	4 624 751
Stated capital	**4 360 033**	4 292 941
Non-distributable reserve	**210 839**	490 839
Accumulated loss	**(261 904)**	(206 533)
Share-based payment reserve	**7 656**	190
Foreign currency translation reserve	**255 657**	19 149
Total attributable equity to owners	**4 572 281**	4 596 586
Non-controlling interest	**33 097**	28 165
Non-current liabilities	**2 506 683**	1 706 902
Loans and borrowings	**2 045 723**	1 493 450
Derivative financial liabilities	**152 706**	21 298
Lease obligations	**308 254**	192 154
Current liabilities	**580 176**	697 213
Loans and borrowings	**160 000**	248 861
Trade and other payables	**157 978**	206 062
Provisions	**2 858**	6 266
Lease obligations	**33 357**	21 157
Dividends payable	**225 983**	214 867
Total equity and liabilities	**7 692 237**	7 028 866

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited 31 March 2020 R'000	Audited 31 March 2019 R'000
Property revenue	**698 822**	524 351
– Rental income	**633 973**	485 284
– Other income	**64 849**	39 067
Impairment losses recognised on tenant debtors	**(3 808)**	(3 230)
Direct property costs	**(178 186)**	(135 837)
Net property operating income	**516 828**	385 284
Other revenue	**4 730**	11 065
– Management fees	**4 730**	11 065
Administration expenses	**(55 461)**	(43 805)
Operating profit	**466 097**	352 544
Transaction and advisory fees	**–**	(357)
Restructure of loans and borrowings	**–**	(13 590)
Fair value adjustment to investment properties	**(104 407)**	85 675
Other fair value adjustments to financial instruments	**(175 593)**	(120 431)
Unrealised foreign exchange loss on loan	**(14 851)**	–
Impairment of intangible asset	**–**	(4 000)
Depreciation and amortisation	**(10 837)**	(6 679)
Profit before interest and taxation	**160 409**	293 162
Interest income	**58 258**	48 917
Interest expense	**(116 625)**	(81 786)
Profit before taxation	**102 042**	260 293
Taxation expense	**3 175**	(2 398)
– Normal taxation	**(472)**	291
– Deferred taxation	**3 647**	(2 689)
Profit for the year	**105 217**	257 895
Items that may be reclassified to profit or loss		
Translation of foreign operations	**242 420**	143 183
Other comprehensive income for the year, net of taxation	**242 420**	143 183
Total comprehensive income for the year	**347 637**	401 078
Profit attributable to:	**105 217**	257 895
Shareholders of the company	**104 887**	257 566
Non-controlling interest	**330**	329
Total comprehensive Income attributable to:	**347 637**	401 078
Shareholders of the company	**341 398**	397 452
Non-controlling interest	**6 239**	3 626
Earnings per share		
Basic earnings per share (cents)	**26.76**	80.01
Diluted earnings per share (cents)	**26.62**	79.99

Definitions
Other income *comprises ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees, insurance income (UK only) ,the rental guarantee and other sundry income.*
Direct property 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.*
Administration expenses *relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2018	3 175 075	523 006	(108 855)	(120 732)	–	3 468 494	25 765	3 494 259
Total comprehensive income for the year	–	–	257 566	139 886	–	397 452	3 626	401 078
Profit for the year	–	–	257 566	–	–	257 566	329	257 895
Other comprehensive income	–	–	–	139 886	–	139 886	3 297	143 183
Transactions with shareholders, recognised directly in equity								
Issue of shares	1 117 866	–	–	–	–	1 117 866	–	1 117 866
Proceeds	1 126 512	–	–	–	–	1 126 512	–	1 126 512
Share issue costs	(8 646)	–	–	–	–	(8 646)	–	(8 646)
Transfer to non-distributable reserve	–	(32 167)	32 167	–	–	–	–	–
Equity settled share-based payment charge	–	–	–	–	190	190	–	190
Dividends	–	–	(387 468)	–	–	(387 468)	(1 174)	(388 642)
Total transactions with shareholders	1 117 866	(32 167)	(355 301)	–	190	730 588	(1 174)	729 414
Changes in ownership interests								
Acquisition of subsidiary with non-controlling interest	–	–	57	(5)	–	52	(52)	–
Balance at 31 March 2019	4 292 941	490 839	(206 533)	19 149	190	4 596 586	28 165	4 624 751
Total comprehensive income for the year	–	–	104 887	236 511	–	341 398	6 239	347 637
Profit for the year	–	–	104 887	–	–	104 887	330	105 217
Other comprehensive income	–	–	–	236 511	–	236 571	5 909	242 420
Transactions with shareholders, recognised directly in equity								
Issue of shares	67 092	–	–	–	–	67 092	–	67 092
Proceeds	68 023	–	–	–	–	68 023	–	68 023
Share issue costs	(931)	–	–	–	–	(931)	–	(931)
Transfer to non-distributable reserve	–	(280 000)	280 000	–	–	–	–	–
Equity settled share-based payment charge	–	–	–	–	7 466	7 466	–	7 466
Dividends	–	–	(440 332)	–	–	(440 332)	(1 236)	(441 568)
Total transactions with shareholders	67 092	(280 000)	(160 332)	–	7 466	(365 774)	(1 236)	(367 010)
Acquisition of non-controlling interest without a change in control	–	–	74	(3)	–	71	(71)	–
Balance at 31 March 2020	4 360 033	210 839	(261 904)	255 657	7 656	4 572 281	33 097	4 605 378

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 31 March 2020 R'000	Restated* 31 March 2019 R'000
Cash flows from operating activities		
Cash generated from operations	**448 725**	341 252
Interest received	**53 995**	44 982
Interest paid	**(119 417)**	(75 283)
Dividends paid	**(430 452)**	(325 696)
Taxation (paid)/refund	**(857)**	471
Net cash outflow from operating activities	**(48 006)**	(14 274)
Cash flows from investing activities		
Additions to investment properties	**(193 227)**	(292 539)
Advance of Stor-Age share purchase scheme loans	**(18 707)**	(21 096)
Repayment of Stor-Age share purchase scheme loans	**20 709**	17 318
Acquisition of property and equipment	**(8 123)**	(6 352)
Acquisition of intangible assets	**(2 574)**	(764)
Acquisition of unlisted investment	**(550)**	(4 600)
Investment in joint venture	**(3 527)**	–
Asset acquisitions, net of cash acquired	**(269 500)**	(426 130)
Net cash outflow from investing activities	**(475 499)**	(734 163)
Cash flows from financing activities		
Advance of loans and borrowings	**832 164**	735 526
Repayment of loans and borrowings	**(545 421)**	(507 460)
Repayment of loans from previous shareholder of RSI 2 and RSI 3	**–**	(326 389)
Proceeds from the issue of shares	**67 393**	1 112 512
Share issue costs	**(931)**	(8 646)
Repayment of lease obligations	**(30 448)**	(22 310)
Net cash inflow from financing activities	**322 757**	983 233
Net cash (outflow)/inflow for the year	**(200 748)**	234 796
Effects of movements in exchange rate changes on cash held	**17 528**	2 954
Cash and cash equivalents at beginning of year	**259 573**	21 823
Cash and cash equivalents at end of year	**76 353**	259 573

** refer to cash flow note for further explanation on the prior year restatement.*

SEGMENTAL INFORMATION

Segmental information is based on the geographic location of each investment property. The group trades in five of the nine provinces in South Africa and in the United Kingdom through its subsidiary Betterstore Self Storage Holdings Limited. 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, impairment losses, fair value adjustment to investment properties and direct property costs.
- On the statement of financial position: Investment properties, tenant debtors, inventories, goodwill and intangible assets, loans and borrowings and lease obligations.

The chief executive officer reviews the segmental information on a quarterly basis.

Statement of profit or loss and other comprehensive income extracts*

	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 as reported R'000
For the year ending								
31 March 2020								
Property revenue	**151 474**	**215 497**	**5 004**	**51 824**	**16 305**	**440 104**	**258 718**	**698 822**
– Rental income	**140 890**	**194 543**	**4 639**	**46 554**	**14 028**	**400 654**	**233 319**	**633 973**
– Other income	**10 584**	**20 954**	**365**	**5 270**	**2 277**	**39 450**	**25 399**	**64 849**
Impairment losses recognised on tenant debtors	**(951)**	**(1 282)**	**(103)**	**(289)**	**(217)**	**(2 842)**	**(966)**	**(3 808)**
Direct property costs	**(34 282)**	**(45 954)**	**(2 006)**	**(12 944)**	**(4 658)**	**(99 844)**	**(78 342)**	**(178 186)**
Segment property operating income	**116 241**	**168 261**	**2 895**	**38 591**	**11 430**	**337 418**	**179 410**	**516 828**
Fair value adjustment to investment properties	**(31 186)**	**(36 207)**	**6 452**	**13 107**	**(982)**	**(48 816)**	**(55 591)**	**(104 407)**
Segment property operating profit	**85 055**	**132 054**	**9 347**	**51 698**	**10 448**	**288 602**	**123 819**	**412 421**
For the year ending								
31 March 2019								
Property revenue	130 995	151 148	4 050	33 702	11 401	331 296	193 055	524 351
– Rental income	125 551	140 510	3 866	31 616	10 586	312 129	173 155	485 284
– Other income	5 444	10 638	184	2 086	815	19 167	19 900	39 067
Impairment losses recognised on tenant debtors	(760)	(888)	(88)	(314)	(75)	(2 125)	(1 105)	(3 230)
Direct property costs	(28 828)	(33 397)	(1 595)	(8 947)	(2 882)	(75 649)	(60 188)	(135 837)
Segment operating profit	101 407	116 863	2 367	24 441	8 444	253 522	131 762	385 284
Fair value adjustment to investment properties	53 586	26 257	2 802	4 886	1 064	88 595	(2 920)	85 675
Segment property operating profit	154 993	143 120	5 169	29 327	9 508	342 117	128 842	470 959

* *Head office costs and treasury function costs are not allocated to the operating segments.*

SEGMENTAL INFORMATION (continued)

Statement of financial position extracts

	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	Unallocated R'000	Total as reported R'000
31 March 2020									
Investment properties	**1 626 077**	**1 857 341**	**35 200**	**487 782**	**125 600**	**4 132 000**	**2 942 287**	**–**	**7 074 287**
Goodwill and intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**69 044**	**83 232**	**152 276**
Trade and other receivables	**1 573**	**2 503**	**122**	**622**	**274**	**5 094**	**11 733**	**129 383**	**146 210**
Inventories	**2 100**	**2 011**	**83**	**253**	**111**	**4 558**	**1 118**	**–**	**5 676**
Loans and borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**(1 244 705)**	**(961 015)**	**(2 205 723)**
Lease obligations	**(22 332)**	**(3 155)**	**–**	**(18 248)**	**–**	**(43 735)**	**(293 374)**	**(4 502)**	**(341 611)**
31 March 2019									
Investment properties	1 588 030	1 838 579	28 600	443 869	126 000	4 025 078	2 217 335	–	6 242 413
Goodwill and intangible assets	–	–	–	–	–	–	58 894	81 948	140 842
Trade and other receivables	2 254	2 142	64	796	256	5 512	10 081	103 680	119 273
Inventories	1 918	2 027	78	308	127	4 458	781	–	5 239
Loans and borrowings	–	–	–	–	–	–	(826 131)	(916 180)	(1 742 311)
Lease obligations	(22 608)	(3 104)	–	–	–	(25 712)	(187 599)	–	(213 311)

EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings per share disclosed below is calculated in terms of IAS 33 Earnings per share and Circular 1/2019, issued by SAICA.

	31 March 2020 R'000	31 March 2019 R'000
Basic earnings (profit attributable to shareholders of the parent)	**104 887**	257 566
Basic earnings	**104 887**	257 566
Adjusted for:	**103 182**	(81 605)
Impairment of intangible asset	**–**	4 000
Fair value adjustment to investment properties	**104 407**	(85 675)
Fair value adjustment to investment properties (NCI)+	**(1 225)**	70
Headline earnings	**208 067**	175 961
Number of shares		
Total shares in issue ('000)	**397 849**	392 987
Weighted average shares in issue ('000)	**394 448**	326 937
Shares in issue entitled to dividends at 31 March ('000)	**395 349**	387 987
Weighted average shares in issue entitled to dividends ('000)	**391 948**	321 937
Weighted potential dilutive impact of conditional shares	**2 012**	57
Diluted weighted average number of shares in issue entitled to dividends	**393 960**	321 994
Earnings per share		
Basic earnings per share (cents)	**26.76**	80.01
Diluted earnings per share (cents)	**26.62**	79.99
Headline earnings per share		
Basic headline earnings per share (cents)	**53.09**	54.66
Diluted headline earnings per share (cents)	**52.81**	54.65

+ *Non-controlling interest.*

FAIR VALUE MEASUREMENT

The company's financial assets and liabilities and investment properties are classified according to the following three-tiered fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial assets and liabilities carried at fair value and investment properties where the fair value approximates the carrying amount:

	Carrying value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
31 March 2020				
Assets				
Investment properties	**7 074 287**	**–**	**–**	**7 074 287**
Other receivables^	**10 041**	**–**	**–**	**10 041**
Unlisted investment	**5 082**	**–**	**5 082**	**–**
Liabilities				
Derivative financial liabilities	**152 706**	**–**	**152 706**	**–**
31 March 2019				
Assets				
Investment properties	6 242 413	–	–	6 242 413
Derivative financial assets	34 636	–	34 636	–
Other receivables^	32 232	–	–	32 232
Unlisted investment	4 600	–	4 600	–
Liabilities				
Derivative financial liabilities	21 298	–	21 298	–

^ *Included in trade and other receivables.*

FAIR VALUE MEASUREMENT (continued)

The following table reflects the valuation techniques used in measuring level 2 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Derivative assets and liabilities: Interest rate swaps	Fair valued monthly by Nedbank, Standard Bank and Lloyds Bank using mark-to-market mid market values. This involves, inter alia, discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract.	Not applicable	Not applicable
Derivative assets and liabilities: Cross-currency interest rate swaps	Fair valued monthly by Investec and Nedbank using mark-to-market mid market values. This involves, inter alia, discounting the future cash flows using the basis swap curves of the respective currencies at the dates when the cash flows will take place.	Not applicable	Not applicable
Derivative assets and liabilities: Forward exchange contracts	Fair valued monthly by Investec using mark-to-market mid market values. This fair value is determined, inter alia, using quoted forward exchange rates at the reporting date and present value calculations.	Not applicable	Not applicable
Unlisted investment	Fair valued monthly by Cadiz Asset Management in relation to underlying performance of the fund using appropriate discount and default rates.	Not applicable	Not applicable

The following table reflects the valuation techniques used in measuring level 3 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Other receivables: Rental guarantee	Fair valued bi-annually by the directors based on the projected revenue of the underlying investment properties versus the expected rental revenue thresholds as agreed between the previous shareholders of Roeland Street Investments 2 and Roeland Street Investments 3 (collectively referred to as the Managed Portfolio).	Financial information used to calculate forecast revenue – e.g. stabilised occupancy levels, lease up projections, expected future growth in revenue.	Higher assumptions for stabilised occupancy, lease up rates and rental rates for the underlying investment properties would result in an increase in forecast revenue, and thus a decrease in valuation.
Investment properties	Investment properties are valued by the Board at each reporting period using the discounted cash flows ("DCF") method to arrive at a fair value. The valuation of freehold and long leasehold properties is based on 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 methodology is used for short leasehold properties, except that no sale of the property in the 10th year is assumed and the DCF is extended to the expiry of the lease.	Financial information used to calculate forecast net operating income; discount and capitalisation rates; rental escalation; inflation. No significant changes have occurred since the last reporting date.	All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, lease up rates and rental rates and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation. *Sensitivity analysis* Exit capitalisation rates – minus 0.1%: R36.4 million – plus 0.1%: (R35.4 million) Market rentals – minus 1%: (R115.9 million) – plus 1%: R118.3 million Discount rates – minus 0.1%: R39.0 million – plus 0.1%: (R38.7 million)

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. These related parties include directors of the company and key management personnel who are responsible for planning, directing and controlling the activities of the company. The shares of Stor-Age Property REIT are widely held.

Identity of the related parties with whom material transactions have occurred

- Subsidiaries and equity-accounted investment
  - Roeland Street Investments Proprietary Limited ("RSI")
  - Roeland Street Investments 2 Proprietary Limited
  - Roeland Street Investments 3 Proprietary Limited ("RSI 3")^
  - Wimbledonway Investments Proprietary Limited ("WWI")^
  - N14 Self Storage Proprietary Limited ("N14")^
  - Unit Self Storage Proprietary Limited
  - Stor-Age International Proprietary Limited
  - Betterstore Self Storage Holdings Limited
  - Sunningdale Self Storage Proprietary Limited
- Directors as listed in this announcement
- Related through common shareholding/directorships or affiliation with related parties
  - Madison Square Holdings Close Corporation
  - Stor-Age Property Holdings Proprietary Limited
  - Fairstore Trust

Material related party transactions and balances

	31 March 2020 R'000	31 March 2019 R'000
Related party balances		
Amounts – owing to related parties	**–**	55 000
Amounts – owing by related parties	**13 397**	60
Related party transactions		
Interest income on Stor-Age share purchase scheme loans	**17 512**	13 819
Interest income from related party	**3 502**	309
Interest expense to related party	**–**	1 223
Construction fees paid to related party	**53 887**	45 656
Development fees income from related parties	**1 000**	369
Asset management fees income from related party	**–**	3 212
Property management fees income from related party	**–**	3 449
Recovery of costs from related party	**5 000**	–
Office rental expense to related party	**1 330**	1 270
Office rental income from related party	**131**	100
Purchase of Bryanston self storage property	**–**	80 946
Purchase of Craighall self storage property	**88 904**	–
Acquisition of RSI 2 and RSI 3 from related parties	**–**	36 250

^ *In the current year in order to simplify its group structure, Stor-Age transferred its directly held investments in RSI 3, N14 and WWI to RSI in terms of the provisions of sections 113 and 116 of the Companies Act No. 71 of 2008 and section 44 of the Income Tax Act No. 58 of 1962.*

EVENTS AFTER REPORTING PERIOD

Stor-Age issued 128 279 new ordinary shares in April 2020 to acquire investment property.

Stor-Age issued 21.097 million new ordinary shares for an aggregate consideration of R250.0 million as part of an accelerated bookbuild on 26 May 2020.

The board is not aware of any other events other than disclosed in this report, 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.

CHANGE IN ACCOUNTING POLICY: ADOPTION OF IFRS 16 LEASES

The group adopted IFRS 16 Leases from 1 April 2019 by applying the modified retrospective approach and has not restated comparative results in accordance with IFRS 16.

The following practical expedients have been applied as permitted by the standard:

- a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics
- leases whose term ends within 12 months of the date of initial application have not been recognised
- initial direct costs excluded from the measurement of right-of-use assets at the date of initial application
- hindsight used in determining the lease term if the contract contains options to extend or terminate the lease

Lessor Accounting

IFRS 16 does not have an impact on leases with tenants as leases are for one month only and automatically renew prior to the notice to vacate.

Lessee Accounting

The group recognises a right-of-use asset with a corresponding lease liability. On initial recognition the group recognises the right-of-use asset at the initial value of the financial liability adjusted for lease prepayments, plus initial direct costs incurred less lease incentives received. Subsequently the right-of-use asset for leasehold properties are measured in terms of IAS 40, Investment Property and recognised at fair value. The right-of-use asset for leased office space is recognised in terms of IAS 16, Property, Plant and Equipment and depreciated using the straight-line method from the inception of the lease to the earlier of the end of the useful life of the asset or the end of the lease term.

The lease liability is initially measured at the present value of the future lease payments discounted using the group's incremental borrowing rate and is subsequently measured at amortised cost using the effective interest method.

The effect of adopting IFRS 16 at 1 April 2019 resulted in investment property increasing by R17.2 million and property and equipment increasing by R4.7 million with an equal increase in lease obligations. The approach adopted has no impact on opening retained earnings.

CASH FLOW RESTATEMENT NOTE DISCLOSURE

The group has restated the statement of cash flows for the effect of the loans payable arising from the Certificate of Practical Completion ("CPC") developments. The movement in these loans were previously included as part of "cash flows from operating activities" (arising from a movement in working capital) and the corresponding increase in investment property was reflected as "cash flows from investing activities".

This resulted in cash generated from operations being overstated at 31 March 2019 for Bryanston and Craighall. The group believes that the restatement results in the statement of cash flows providing a more accurate representation of the impact of the CPC developments on the statement of cash flows.

The group has corrected the classification in the cash flow statement between "cash flows from operating activities" and "cash flows from investing activities" as indicated below:

	As previously reported 31 March 2019 R'000	Adjustment R'000	As restated 31 March 2019 R'000
Cash flows from operating activities			
Cash generated from operations	396 758	(55 506)	341 252
Net cash inflow/(outflow) from operating activities	41 232	(55 506)	(14 274)
Cash flows from investing activities			
Additions to investment properties	(348 045)	55 506	(292 539)
Net cash outflow from investing activities	(789 669)	55 506	(734 163)

NET ASSET VALUE PER SHARE AND KEY RATIOS

	31 March 2020	31 March 2019
Number of shares in issue	**397 848 842**	392 986 858
Net asset value*		
Net asset value per share (cents)	**1 157.57**	1 176.82
Net asset value per share excluding non-controlling interest (cents)	**1 149.25**	1 169.65
Tangible net asset value per share (cents)	**1 119.29**	1 140.98
Net tangible asset value per share excluding non-controlling interest (cents)	**1 110.98**	1 133.82

	Unaudited 31 March 2020	Unaudited 31 March 2019
Key reporting ratios*		
Total property cost-to-income ratio Based on the total direct property costs divided by property revenue.	**27%**	27%
Administrative cost-to-income ratio Based on the administration expenses divided by total revenue.	**8%**	9%

* *The ratios are computed based on IFRS reported figures and have not been audited by the group's external auditors. Property revenue and total revenue excludes rental guarantee.*

RECONCILIATION OF HEADLINE EARNINGS TO DISTRIBUTABLE EARNINGS

The dividend declared to shareholders is based on distributable earnings calculated in terms of the Best Practice Recommendations of the SA REIT association and is a non-IFRS metric.

	Unaudited 31 March 2020	Unaudited 31 March 2019
Headline earnings	**208 069**	175 961
Adjusted for:		
Equity-settled share-based payment expense	**7 466**	190
Fair value adjustment to financial instruments	**194 397**	133 080
Restructuring cost	**551**	–
Unrealised foreign exchange loss on loan	**14 851**	–
Restructuring of loans and borrowings	**–**	13 590
Depreciation and amortisation	**10 837**	6 679
Deferred tax	**(3 647)**	2 689
Foreign exchange gain available for distribution	**3 700**	10 149
Transaction and advisory fees	**–**	357
Antecedent dividend^	**16 706**	45 353
	244 861	212 087
Other adjustments		
Non-controlling interests in respect of the above adjustments	**(467)**	(357)
Distributable earnings	**452 463**	387 691
Dividend declared for the six months ending 30 September	**214 348**	172 824
Dividend declared for the six months ending 31 March	**238 115**	214 867
Total dividends for the year	**452 463**	387 691
Dividends per share (cents)	**112.05**	106.68
– Interim dividend (cents)	**54.89**	51.30
– Final dividend (cents)	**57.16**	55.38

The Board declared a final dividend of 57.16 cents (2019: 55.38 cents) per share for the six months ended 31 March 2020.

This represents growth of 5.03% in the total dividend over the comparative period.

^ *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.*

RECONCILIATION OF OPERATING PERFORMANCE TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below shows the reconciliation between the group's operating performance set out in the table on page 3 ("performance table") and the consolidated statement of profit or loss and other comprehensive income on page 18 ("statement of profit or loss"):

	Audited 12 months 31 March 2020 R'000	Audited 12 months 31 March 2019 R'000
Reconciliation of rental income		
Performance table:		
Rental income before rental guarantee and underpin	**615 503**	474 709
Rental underpin	**18 470**	10 575
Rental income – Statement of profit or loss	**633 973**	485 284
Reconciliation of other income		
Performance table:		
Ancillary income	**35 447**	27 902
Sundry income	**4 944**	5 906
UK insurance income gross up (note 1)	**–**	(4 741)
Rental guarantee	**24 458**	10 000
Other income – Statement of profit or loss	**64 849**	39 067
Reconciliation of property revenue		
Performance table:		
Property revenue	**698 822**	529 092
UK insurance income gross up (note 1)	**–**	(4 741)
Property revenue – Statement of profit or loss	**698 822**	524 351
Reconciliation of direct operating costs		
Performance table:		
Direct operating costs	**(178 186)**	(140 578)
UK insurance income gross up (note 1)	**–**	4 741
Direct operating costs – Statement of profit or loss	**(178 186)**	(135 837)

Note 1:

Reflected on a gross basis in the performance table but on a net basis in the statement of profit or loss in 2019.

The 2019 disclosures in the performance table have been amended to reflect the same treatment as 2020 to allow for meaningful comparison.

ADMINISTRATION

Stor-Age Property REIT Limited
Reg No. 2015/168454/06
Incorporated on 25 May 2015
Approved as a REIT by the JSE
Share Code: SSS   ISIN: ZAE000208963
("Stor-Age" or "the group" or "the company")

Registered office
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Claremont
7708

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

- • *Non-executive*
- # *Independent non-executive*
- * *Executive*
- + *British citizen*

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HH-O Steyn

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