STOR-AGE PROPERTY REIT LIMITED

CONDENSED UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 30 September 2017

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

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

COMMENTARY

The board of directors ("the board") of Stor-Age is pleased to present the condensed unaudited consolidated interim results of the company and its subsidiary companies ("the group") for the six months ended 30 September 2017.

HIGHLIGHTS

- Dividend of 47.02 cents up 9.25%
- Strong trading results[1]:
  - total occupancy up 41 200 m²
  - closing occupancy rate of 84.3%
  - closing rental of R88/m² up 10.0%
  - like-for-like growth in rental income and net property operating income of 10.2% and 11.6%
- Storage RSA acquisition fully integrated and performing as expected
- Development and acquisition of new property in Bryanston
- Conservative gearing of 13.9%

INTRODUCTION

The board of Stor-Age is pleased to present continued strong trading results for the six months to September 2017 ("the period"). The business outperformed the property sector in the period despite a still challenging local macro-economic environment, building firmly on the earnings growth since listing in November 2015.

Stor-Age successfully delivered growth in dividends for the fourth consecutive period since listing, with the 9.25% year-on-year increase underpinned by ongoing organic growth and our successful acquisition strategy, as well as the quality and resilient nature of the assets in our portfolio.

Newly acquired assets performed well as expected. Storage RSA, acquired in February 2017, has been fully integrated and the previously announced Storage King and StorTown transactions both closed post the period in November 2017, adding significant scale and value to the portfolio on a consistent quality basis. The overwhelming interest in and take-up of our equity capital raise in October 2017, in order to fund the Storage King and StorTown acquisitions, reflects our successful acquisition track record to date.

[1] Increases measured against comparative metric at 30 September 2016 or six month period ending 30 September 2016, where applicable.

COMMENTARY (continued)

GROUP SNAPSHOT

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa, and the first and only self storage REIT listed on any emerging market exchange. The portfolio comprises 61 self storage properties across both South Africa and the United Kingdom ("UK") with a combined value of over R3.6 billion.

The South African portfolio comprises 48 self storage properties totalling 333 800 m². Stor-Age owns and operates 35 of these properties comprising 257 000 m² of gross lettable area ("GLA") and R2.26 billion in value. The balance makes up the unlisted Managed Portfolio (76 800 m² of GLA), from which Stor-Age receives property and asset management fees and over which it holds a pre-emptive right of acquisition. In the UK Stor-Age owns a 97.3% majority interest in Storage King comprising 13 self storage properties with 50 500 m² of GLA[1] and R1.35 billion[2] in value.

OPERATIONAL REVIEW

The growth in the portfolio over the past 12 months has been significant, driven largely by the acquisitions of Storage RSA and Unit Self Storage and ongoing expansion of our existing stores. Self storage is a needs-driven product and an asset class with highly defensive characteristics. This saw the portfolio close the period on GLA of 234 900 m², a year-on-year increase of 52 000 m². The portfolio was 84.3% let at period-end with a closing rental rate of R88/m², 10% higher than at 30 September 2016.

We remain encouraged by the level of enquiries, reflecting both demand for the product and the strength of our brand. Our operations strategy is centred on growing operational cash flow by continually improving our revenue management capability, ongoing product innovation, the effective use of technology in core processes and strengthening our digital presence. Scale is an important differentiator and provides the advantage of cost and marketing efficiencies to enable Stor-Age to offer a superior quality product at varying price points.

Although a self storage unit is rented to a customer on a month-to-month basis, more than 50% of our customer base has stored with us for more than a year. 20% of our customers have been storing with us for more than three years and a further 33% for between one and three years.

For all exiting customers during the period, the average length of stay was 14 months. The average length of stay for existing customers was 21 months and for properties open more than five years, 24 months. This reflects a loyal and 'sticky' customer base and bodes well for sustainability.

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[1] *GLA of 543 100 square feet converted to square metres.*
[2] *Investment property valued at £72.95 million at 30 April 2017, translated at R/£ exchange rate of R18.50.*

COMMENTARY (continued)

FINANCIAL RESULTS

The results for the period include the trading results for the full six month period of Storage RSA (acquired on 28 February 2017), and of Unit Self Storage from the date of acquisition (9 May 2017). In the context of a challenging economic environment and a constrained local property sector, the board is exceptionally pleased with the overall performance of the portfolio.

Total *revenue* (property revenue and other revenue) increased by 43.0% to R124.0 million (2016: R86.7 million). The strength of our management platform and our continued focus on operating fundamentals saw operating profit increase by 50.2% to R84.5 million (2016: R56.2 million).

Property revenue comprises rental income and other income.

Rental income is a function of occupancy – the amount of space let to individual customers – and the rental rate charged for each unit. Rental income for the period amounted to R110.1 million (2016: R75.6 million), a 45.7% increase compared to the prior year. Excluding acquisitions and on a like-for-like basis, rental income increased by 10.2%, driven by a 1.5% increase in average occupancy levels and an 8.7% increase in the average rental rate. Total occupancy grew by 41 200 m^2 over the 12 month period to 30 September 2017, acquisitively (Storage RSA and Unit Self Storage 37 800 m^2) and organically (like-for-like 3 400 m^2).

We take a balanced approach to revenue management and occupancy growth was accompanied by an increase in our closing rental rate of 10% year-on-year to R88/m^2.

Other income comprises licence fees relating to the opening of new stores in the Managed Portfolio and ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees and other sundry income. The growth in *other income* is the result of licence fees of R1 million and the positive contribution of acquisitions.

Management fees comprise property and asset management fees and acquisition and development fees charged on the Managed Portfolio. These fees increased given the inclusion of new stores in the Managed Portfolio.

Direct operating costs comprise mainly store-based staff salaries, rates, utilities, a full allocation of marketing spend and other property-related costs such as insurance, maintenance, IT and communications at a property level.

Administrative expenses relate mainly to support function costs for IT, finance, HR, property management, professional fees and directors' remuneration.

The increase in both direct operating costs and administrative expenses compared to the comparative period in 2016 relates mainly to acquisitions. We remain focused on managing our cost base tightly to ensure that revenue growth translates into earnings growth and that we continue to benefit from operational leverage.

Net property operating income increased by 49.5% to R89.2 million, reflecting both the benefit of acquisitions and organic growth. On a like-for-like basis (excluding acquisitions), net property operating income increased by 11.6%.

Interest income relates mainly to interest received on the employee share incentive scheme. *Interest expense* relates mainly to interest on bank borrowings and the increase is due to higher average debt levels in the period.

Profit for the period of R136 million includes a *fair value adjustment gain* of R58.3 million relating to a mark-to-market adjustment for a forward exchange contract in connection with the Storage King acquisition.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow the company to expand the portfolio and achieve our strategic growth objectives. The group currently has term loan facilities of R995 million (R725 million available with Nedbank and R270 million available with Standard Bank). Nedbank Facility A expired at the beginning of November 2017 and the company negotiated a new R225 million facility with Nedbank (Facility D) and a further two facilities of R135 million each with Standard Bank.

The respective maturities of the various facilities range from December 2019 to November 2022 and accrue interest at an average margin of 1.29% below prime.

Loan facilities	Facility expiry date	Term	Facility value R million
Nedbank facility B	Dec 19	3 years	150
Nedbank facility C	Nov 20	5 years	350
Nedbank facility D	Nov 22	5 years	225
Standard Bank facility A	Nov 20	3 years	135
Standard Bank facility B	Nov 21	4 years	135

Prime rate interest swap	Notional amount R million	Effective date	Maturity date	Fixed rate %
Swap A	75	Nov 15	Nov 18	9.52
Swap B	25	Mar 16	Nov 18	10.07
Swap C	50	Nov 16	Nov 19	9.50
Swap D	25	Nov 16	Sep 18	9.19
Swap E	25	Nov 16	Mar 20	9.40
Swap F	50	Aug 17	Oct 20	9.00

At 30 September 2017, the group's total gross borrowings amounted to R356.6 million (31 March 2017: R252.7 million) with 70% (31 March 2017: 79%) subject to fixed rates as above, and total undrawn borrowing facilities of R638.4 million (31 March 2017: R397.3 million). On a net debt basis 85% of the group's borrowings were subject to fixed rates (31 March 2017: 82%).

The effective interest rate for the group is 9.24% (31 March 2017: 9.36%).

In July 2017 we conserved R25 million of cash reserves under the Dividend Reinvestment Programme. We maintain a conservative capital structure with net debt of R293.7 million at 30 September 2017 (31 March 2017: R244.6 million) and a gearing ratio of 13.9% (31 March 2017: 11.9%).

Net asset value per share was R10.70 (30 September 2016: R9.89) and net tangible asset value per share was R10.23 (30 September 2016: R9.30).

In October 2017 we raised R1.276 billion of equity capital with the issue of 110.978 million shares at R11.50 per share (2.5% discount to the 30 day VWAP) in a heavily oversubscribed book-build to fund the Storage King and StorTown transactions.

On a pro forma basis, taking account of the Storage King and StorTown acquisitions and the October 2017 equity capital raise, the gearing ratio is approximately 20%.

COMMENTARY (continued)

OCCUPANCY

The occupancy profile of the portfolio by GLA at 30 September 2017 is disclosed in the following table:

Region	30 September 2017 GLA m^2	30 September 2017 % Occupied
Gauteng	126 476	86.9
Western Cape	85 176	81.0
Eastern Cape	11 032	79.1
KwaZulu-Natal	5 516	95.7
Free State	6 679	76.6
Total	234 879	84.3

ACQUISITIONS AND DEVELOPMENTS

The combination of our corporate platform, industry relationships and specialist sector experience provides a significant advantage in identifying strategic acquisition and development opportunities. Over the past 12 months we successfully executed four significant transactions, including the offshore acquisition of Storage King in November 2017. In July 2017 we also announced the development and acquisition of a new self storage property in Bryanston under the Certificate of Practical Completion structure. All growth initiatives below have been previously announced on SENS in detail.

Storage RSA

The acquisition of Storage RSA, the third largest self storage operator in South Africa with a portfolio of six high-quality properties in Cape Town and Gauteng, was completed on 28 February 2017. This added 41 800 m^2 to the portfolio. The Storage RSA stores have been successfully integrated into our management platform and trading performance is in line with expectations.

Unit Self Storage

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

Storage King

On 2 November 2017 the group acquired 97.3% of Storage King, the sixth largest self storage brand in the UK. Storage King currently owns 13 well-located properties throughout England offering 50 500 m^2 of GLA[1] with an average occupancy of 78.9% and an average rental rate (pa) of £21.99. On full fit-out, the GLA will increase to approximately 53 600 m^2.

In addition, a further 12 properties trade under the licence of the Storage King brand and generate licence and management fee revenue. In total this represents 25 properties trading under the Storage King brand.

The purchase consideration of £53.3 million (R943.4 million) was funded with proceeds from the equity capital raise in October 2017.

The UK self storage market represents a significant growth opportunity relative to the more established self storage markets of Australia and the United States of America ("US"), and enjoys ongoing investor support post Brexit given the defensive nature of the underlying asset class.

The specialist management team remains in place and co-invested as a 2.7% minority shareholder. The team has a proven track record of year-on-year growth in earnings and in the portfolio since the global financial crisis in 2008/9.

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[1] *Current GLA of 543 100 square feet and fully fitted-out GLA of 577 300 square feet converted to square metres.*

COMMENTARY (continued)

StorTown

On 2 November 2017 the group acquired 99.9% of DanCor Properties, a portfolio of four properties situated in Brackenhill, Durban CBD and Durban North, for a consideration of R145 million. The existing shareholders of DanCor will retain 0.1% of DanCor for the immediate future. The properties, which trade under the StorTown brand and comprise over 22 000 m^2 GLA, will be rebranded over the next six months. The acquisition was funded with proceeds from the equity capital raise in October 2017.

Bryanston development

On 4 July 2017 the company entered into various agreements with Stor-Age Property Holdings Proprietary Limited for the development of a self storage property in Bryanston in terms of a development and acquisition structure known as a Certificate of Practical Completion ("CPC"). The CPC structure is rooted in US self storage REIT 'Certificate of Occupancy' deals, of which there is significant favourable precedent. The CPC structure reduces the development and lease up risk for Stor-Age and provides an opportunity to develop a high profile property in a prime location, without diluting the company's distribution growth profile. The total purchase consideration is R99.3 million.

EVENTS AFTER THE REPORTING DATE

Details of the Storage King and StorTown acquisitions, and the associated equity capital raise, are set out in the 'Acquisitions and Developments' and 'Capital Structure' sections above.

The board is not aware of any other events, other than those disclosed above, 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.

PROSPECTS

Our outlook for the six months ahead to year end is subject to numerous macro-economic factors, both local and international. While the current domestic economic environment remains challenging, we are confident that our growth strategy, strong operating platform and market leading brand have positioned us to deliver sustainable growth in the South African market. Our balance sheet capacity and flexibility, and still low level of gearing, allow us to pursue selected development and acquisition opportunities which meet our investment criteria.

In addition, the acquisition of Storage King has provided Stor-Age with a strategic entry point into the UK self storage market off an established and scalable operating platform, which will allow us to grow our offshore portfolio. It also provides us with earnings diversification and a Rand hedge on a significant portion of future earnings from the acquisition.

The board anticipates the full year distribution growth to 31 March 2018 to be 11–12% higher than the prior year, subject to no further deterioration in the macro-economic environment. This guidance has not been reviewed or reported on by the company's auditors.

COMMENTARY (continued)

BASIS OF PREPARATION

The condensed unaudited consolidated interim results for the six months ended 30 September 2017 are prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The report is prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*. Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the annual financial statements as a result of the adoption of these standards.

Stephen Lucas (CA)SA, in his capacity as financial director, was responsible for the preparation of these unaudited consolidated interim results for the six months ended 30 September 2017. These consolidated interim financial results have not been reviewed or reported on by the company's auditors.

DIVIDEND DECLARATION DETAILS

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

Notice is hereby given of the declaration of the gross interim dividend (number 4) of 47.02 cents per share for the six months ended 30 September 2017 ("**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 21 November 2017.

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

DIVIDEND DECLARATION DETAILS (continued)

Salient dates and times	
Record date for Shareholders to be registered in the company's securities register in order to be entitled to receive the Circular	Friday, 10 November
Circular and Form of Election posted to Shareholders and announced on SENS	Tuesday, 21 November
Finalisation announcement of Share Alternative issue price announced on SENS ("**Finalisation Announcement**")	Tuesday, 28 November
Last day to trade ("**LDT**") *cum*-dividend and Share Alternative	Tuesday, 5 December
Shares to trade *ex*-dividend	Wednesday, 6 December
Listing of maximum possible Share Alternative Shares commences on the JSE at 09:00 on	Friday, 8 December
Last day to elect to receive the Share Alternative (no late Forms of Election will be accepted) at 12:00 on	Friday, 8 December
Record date to determine which Shareholders may participate in the Cash Dividend/ Share Alternative ("**Record Date**")	Friday, 8 December
Announcement of results of Cash Dividend and the Share Alternative on SENS on	Monday, 11 December
Cheques posted to certificated Shareholders and accounts credited by CSDPs or Brokers of dematerialised Shareholders who will receive the Cash Dividend	Monday, 11 December
Share certificates posted to certificated Shareholders and accounts credited by CSDPs or Brokers of dematerialised Shareholders who have elected the Share Alternative on	Monday, 11 December
Adjustment to number of Shares listed on or about	Friday, 15 December

Notes:

- All times are South African times. The above dates and times are subject to change and any change will be advised via SENS and press announcements.
- **Shareholders electing the Share Alternative are reminded that the new Shares will be listed on LDT+3 and that these new Shares can only be traded on LDT+3 as a result of the settlement of Shares three days after the Record Date, which differs from the conventional one day after the Record Date settlement process.**
- Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 6 December 2017 and the close of trade on Friday, 8 December 2017, both dates inclusive.
- 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 Limited Listings Requirements and a cash payment will be made for the fraction.

TAX IMPLICATIONS

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

South African tax residents

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

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

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

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

Non-resident Shareholders

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

Since 22 February 2017, 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 37.616 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or Broker in respect of uncertificated shares, or the company, in respect of certificated shares:

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

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

should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident Shareholders are advised to contact their CSDP, Broker or the company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.
The company's tax reference number is 90274205245.

Non-participating shares

An amalgamation and merger agreement was entered into between the company, Castle Rock Investments Proprietary Limited and the HJS Trust prior to listing, in terms of which the company acquired all the assets owned by Stor-Age Self Storage Proprietary Limited in terms of s44 of the Income Tax Act ("the Agreement") in consideration for the allotment of 10 000 000 ordinary shares in the company ("Consideration Shares"), comprising 3.44% (2016: 5.65%) of the issued share capital, and the distribution of those shares to Castle Rock Investments Proprietary Limited and HJS Trust as a dividend.

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

	% of the Consideration Shares entitled to participate in the distribution of the Distributable Profits
16 November 2015 to 31 March 2016	–
1 April 2016 to 31 March 2017	–
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

DIVIDEND DECLARATION DETAILS (continued)

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

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

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

Distributable profits (R'000)	133 081
Number of shares entitled to the dividend ('000)	283 030
Number of shares in issue as at the date of this announcement ('000)	290 530
Consideration Shares not entitled to the dividend ('000) (note 2)	7 500
Dividend per share (cents)	47.02

Notes:

1. Stor-Age did not undertake any disposals of any properties during the year ended 30 September 2017 and all of the distributable profits of Stor-Age were earned in the ordinary course of business.
2. Comprises 7 500 000 Stor-Age shares, being all of the Consideration Shares that are excluded from participating in the Distributable Profits.
3. At the date of this announcement, Stor-Age had 290 530 040 ordinary shares in issue.

On behalf of the board.

PA Theodosiou
Chairman

GM Lucas
CEO

Cape Town
21 November 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2017

	Unaudited 30 September 2017 R'000	Unaudited 30 September 2016 R'000	Audited 31 March 2017 R'000
Assets			
Non-current assets	2 382 715	1 600 120	2 263 524
Investment properties	2 111 906	1 393 523	2 050 210
Property and equipment	2 290	1 223	2 070
Stor-Age share purchase scheme loans	125 252	123 512	125 480
Goodwill and intangible assets	83 686	81 862	83 670
Derivative assets	58 315	–	–
Deferred taxation	1 266	–	2 094
Current assets	31 933	16 740	20 593
Trade and other receivables	24 213	9 175	10 674
Inventories	1 808	1 259	1 888
Cash and cash equivalents	5 912	6 306	8 031
Total assets	2 414 648	1 616 860	2 284 117
Equity and liabilities			
Shareholders' interest	1 920 846	1 380 740	1 889 831
Stated capital	1 796 284	1 365 246	1 766 561
Non-distributable reserve	198 792	16 863	141 058
Accumulated loss	(74 230)	(1 369)	(17 788)
Non-current liabilities	160 207	137 092	113 000
Bank borrowings	151 921	133 359	106 202
Derivative liabilities	2 853	912	1 409
Finance lease obligation	5 433	2 821	5 389
Current liabilities	333 595	99 028	281 286
Bank borrowings	147 677	–	146 470
Trade and other payables	32 153	27 168	38 573
Provisions	20 004	15 751	20 047
Finance lease obligation	680	294	906
Dividends payable	133 081	55 815	75 290
Total equity and liabilities	2 414 648	1 616 860	2 284 117
Net asset value per share (cents)	1 070	989	1 068
Tangible net asset value per share (cents)	1 023	930	1 021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2017

	Unaudited 6 months 30 September 2017 R'000	Unaudited 6 months 30 September 2016 R'000	Audited 12 months 31 March 2017 R'000
Property revenue	114 710	78 526	166 663
– Rental income	110 106	75 573	158 801
– Other income	4 604	2 953	7 862
Direct property costs	(25 466)	(18 824)	(38 348)
Net property operating income	89 244	59 702	128 315
Other revenue	9 315	8 211	13 748
– Management fees	9 315	8 211	13 748
Administration expenses	(14 058)	(11 668)	(24 995)
Operating profit	84 501	56 245	117 068
Gain on bargain purchase	371	–	41
Fair value adjustment to investment properties	–	–	127 240
Fair value adjustment to derivative financial instruments	58 315	(1 263)	–
Depreciation and amortisation	(933)	(756)	(1 552)
Profit before interest and taxation	142 254	54 226	242 797
Interest income	5 942	5 250	13 026
Interest expense	(10 970)	(5 768)	(15 769)
Profit before taxation	137 226	53 708	240 054
Taxation expense	(1 232)	–	671
– Deferred taxation	(1 232)	–	671
Profit for the period	135 994	53 708	240 725
Items that may be reclassified to profit or loss			
Fair value adjustment to derivative financial instruments	(1 444)	–	(1 760)
Deferred taxation	404	–	394
Other comprehensive income for the period, net of taxation	(1 040)	–	(1 366)
Total comprehensive income for the period	134 954	53 708	239 359
Basic and diluted earnings per share (cents)	79.58	41.49	181.46

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000	Total R'000
Audited balance at 31 March 2016	1 362 647	18 126	(525)	1 380 248
Total comprehensive income for the period	–	–	53 708	53 708
Profit for the period	–	–	53 708	53 708
Other comprehensive income	–	–	–	–
Transactions with shareholders, recognised directly in equity				
Issue of 269 440 shares in August 2016	2 599	–	–	2 599
Proceeds	2 599	–	–	2 599
Share issue costs	–	–	–	–
Transfer to non-distributable reserve	–	(1 263)	1 263	–
Dividends	–	–	(55 815)	(55 815)
Total transactions with shareholders	2 599	(1 263)	(54 552)	(53 216)
Unaudited balance at 30 September 2016	1 365 246	16 863	(1 369)	1 380 740
Total comprehensive income for the period	–	–	185 651	185 651
Profit for the year	–	–	187 017	187 017
Other comprehensive income	–	–	(1 366)	(1 366)
Transactions with shareholders, recognised directly in equity				
Issue of 37 002 776 shares in February 2017	399 163	–	–	399 163
Proceeds	400 000	–	–	400 000
Share issue costs	(837)	–	–	(837)
Issue of 200 000 shares in February 2017	2 152	–	–	2 152
Proceeds	2 152	–	–	2 152
Share issue costs	–	–	–	–
Transfer to non-distributable reserve	–	126 784	(126 784)	–
Transaction costs capitalised on acquisition of subsidiary	–	(2 589)	–	(2 589)
Dividends	–	–	(75 286)	(75 286)
Total transactions with shareholders	401 315	124 195	(202 070)	323 440
Audited balance at 31 March 2017	1 766 561	141 058	(17 788)	1 889 831

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 September 2017

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000	Total R'000
Total comprehensive income for the period	–	–	134 954	134 954
Profit for the year	–	–	135 994	135 994
Other comprehensive income	–	–	(1 040)	(1 040)
Transactions with shareholders, recognised directly in equity				
Issue of 225 070 shares in April 2017	1 927	–	–	1 927
Proceeds	1 938	–	–	1 938
Share issue costs	(11)	–	–	(11)
Issue of 173 347 shares in May 2017	2 266	–	–	2 266
Proceeds	2 284	–	–	2 284
Share issue costs	(18)	–	–	(18)
Issue of 2 277 658 shares in July 2017	25 530	–	–	25 530
Proceeds	25 741	–	–	25 741
Share issue costs	(211)	–	–	(211)
Transfer to non-distributable reserve	–	58 315	(58 315)	–
Transaction costs capitalised on acquisition of subsidiary	–	(581)	–	(581)
Dividends	–	–	(133 081)	(133 081)
Total transactions with shareholders	29 723	57 734	(191 396)	(103 939)
Unaudited balance at 30 September 2017	1 796 284	198 792	(74 230)	1 920 846

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2017

	Unaudited 6 months 30 September 2017 R'000	Unaudited 6 months 30 September 2016 R'000	Audited 12 months 31 March 2017 R'000
Cash flows from operating activities			
Cash generated from operations	65 407	56 966	118 589
Interest income	5 466	473	3 320
Interest paid	(14 320)	(5 963)	(15 769)
Dividends paid	(75 290)	(38 906)	(94 717)
Net cash (outflow)/inflow from operating activities	(18 737)	12 570	11 423
Cash flows from investing activities			
Acquisition of investment properties	(11 460)	(23 127)	(75 283)
Repayments of Stor-Age share purchase scheme loans	228	892	8 605
Acquisition of property and equipment	(1 141)	(338)	(1 781)
Acquisition of intangible assets	(16)	(153)	(239)
Acquisition of subsidiaries, net of cash acquired and settlement of financial liabilities	(42 655)	–	(465 342)
Net cash outflow from investing activities	(55 044)	(22 726)	(534 040)
Cash flows from financing activities			
Advance of bank borrowings	46 926	4 338	123 651
Proceeds from the issue of shares	25 158	2 599	400 000
Share issue costs	(240)	–	(837)
Costs of finance leases	(182)	(333)	(2 024)
Net cash inflow from financing activities	71 662	6 604	520 790
Net cash outflow for the period	(2 119)	(3 552)	(1 827)
Cash and cash equivalents at beginning of period	8 031	9 858	9 858
Cash and cash equivalents at end of period	5 912	6 306	8 031

SEGMENTAL INFORMATION
for the six months ended 30 September 2017

Segmental information is based on the geographic location of each investment property. The group trades in five of the nine provinces in South Africa. 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 to: Rental income, other income, fair value adjustment to investment properties and direct property costs.
- On the statement of financial position: Investment property, tenant debtors and inventories.

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 R'000
30 September 2017 (unaudited)						
Property revenue	55 400	51 849	1 787	2 293	3 381	114 710
– Rental income	53 648	49 205	1 714	2 258	3 281	110 106
– Other income	1 752	2 644	73	35	100	4 604
Direct property costs	(11 024)	(12 062)	(643)	(850)	(887)	(25 466)
Segment operating profit	44 376	39 787	1 144	1 443	2 494	89 244
30 September 2016 (unaudited)						
Property revenue	32 262	39 222	1 668	2 046	3 328	78 526
– Rental income	31 133	37 615	1 594	2 026	3 205	75 573
– Other income	1 129	1 607	74	20	123	2 953
Direct property costs	(6 463)	(10 133)	(613)	(804)	(811)	(18 824)
Segment operating profit	25 799	29 089	1 055	1 242	2 517	59 702
31 March 2017 (audited)						
Property revenue	67 085	84 141	3 684	5 179	6 574	166 663
– Rental income	65 425	79 334	3 537	4 126	6 379	158 801
– Other income	1 660	4 807	147	1 053	195	7 862
Direct property costs	(13 021)	(20 747)	(1 264)	(1 669)	(1 647)	(38 348)
Segment operating profit	54 064	63 394	2 420	3 510	4 927	128 315
Fair value adjustment to investment properties	75 670	38 628	1 332	9 530	2 080	127 240

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

SEGMENTAL INFORMATION (continued)
for the six months ended 30 September 2017

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 R'000	Un-allocated R'000	Total as reported R'000
30 September 2017 (unaudited)								
Investment properties	1 049 280	945 715	24 560	34 224	58 127	2 111 906	–	2 111 906
Trade and other receivables	754	1 186	50	31	69	2 090	22 123	24 213
Inventories	721	666	37	39	45	1 508	300	1 808
30 September 2016 (unaudited)								
Investment properties	609 323	682 813	23 115	22 407	55 865	1 393 523	–	1 393 523
Trade and other receivables	435	1 011	64	36	108	1 654	7 521	9 175
Inventories	370	375	42	28	48	863	396	1 259
31 March 2017 (audited)								
Investment properties	996 892	938 818	24 500	32 000	58 000	2 050 210	–	2 050 210
Trade and other receivables	891	941	37	50	62	1 981	8 693	10 674
Inventories	977	773	43	43	52	1 888	–	1 888

EARNINGS PER SHARE
for the six months ended 30 September 2017

Reconciliation between earnings, headline earnings and distributable earnings (dividend declared)

	Unaudited 6 months 30 September 2017 R'000	Unaudited 6 months 30 September 2016 R'000	Audited 12 months 31 March 2017 R'000
Profit for the period	135 994	53 708	240 725
Basic earnings *	135 994	53 708	240 725
Adjusted for:			
Gain on bargain purchase	(371)	–	(41)
Fair value adjustment to investment properties	–	–	(127 240)
Headline earnings *	135 623	53 708	113 444
Adjusted for:			
Fair value adjustment to derivative financial instruments	(58 315)	1 263	–
Depreciation and amortisation	933	756	1 552
Deferred tax	1 232	–	–
Antecedent dividend	53 608	88	16 105
Distributable earnings	133 081	55 815	131 101
Total shares in issue ('000)	179 552	139 674	176 876
Weighted average shares in issue ('000)	178 385	139 449	142 662
Shares in issue entitled to dividends ('000)	283 030	129 674	167 275
Weighted average shares in issue entitled to dividends ('000)	170 885	129 449	132 662
Dividend per share (cents)	47.02	43.04	88.05
Basic and diluted earnings per shares (cents)	79.58	41.49	181.46
Basic and diluted headline earnings per share (cents)	79.37	41.49	85.51

The board declared an interim dividend of 47.02 cents per share for the six months ended 30 September 2017 on 17 November 2017.This represents a growth of 9.25% over the comparative period.

Stor-Age has no dilutive instruments in place.
* *There are no tax effects or non-controlling interests.*

FINANCIAL INSTRUMENT FAIR VALUE MEASUREMENT

for the six months ended 30 September 2017

The company's financial assets and liabilities 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 shows financial assets and liabilities carried at fair value, where the fair value approximates the carrying value, according to their fair value hierarchy level classification:

	Carrying value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 September 2017 (unaudited)				
Assets				
Derivative assets	58 315	–	58 315	–
Liabilities				
Derivative liabilities	2 853	–	2 853	–
30 September 2016 (unaudited)				
Liabilities				
Derivative liabilities	912	–	912	–
31 March 2017 (audited)				
Liabilities				
Derivative liabilities	1 409	–	1 409	–

The following table reflects the valuation techniques used in measuring the 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 Capital 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: forward exchange contracts	Fair valued monthly by Investec Bank Limited using mark-to-market mid market values. This is determined, inter alia, using quoted forward exchange rates at the reporting date and a present value calculation.	Not applicable.	Not applicable.

BUSINESS COMBINATIONS

On 9 May 2017 the company (through its wholly-owned subsidiary Roeland Street Investment Proprietary Limited ("RSI")) subscribed for 2 230 shares in Unit Self Storage Proprietary Limited ("Unit"). On the effective date, Unit repurchased 100 shares from the existing shareholders, resulting in RSI owning 100% of the share capital in the company. The total consideration paid for the subscription of shares and repurchase of shares is R42.08 million. The consideration was settled in cash to the vendors.

The acquired business contributed revenue of R1.58 million and net profit before tax of R1.22 million to Stor-Age from the effective date of 9 May 2017 to 30 September 2017. In the previous financial year, prior to the acquisition by RSI, Unit earned revenue of R3.6 million and a net profit before tax of R1.1 million.

The assets and liabilities as at 9 May 2017 arising from the acquisition are as follows:

Investment property*	42 081
Plant and equipment	12
Trade and other receivables	1 053
Cash and cash equivalents	7
Trade and other payables	(701)
Fair value of net assets	42 452
Gain on bargain purchase	(371)
Total purchase consideration	42 081

* *The valuation technique used to determine the fair value of the investment property acquired is based on the company's accounting policy.*

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The shares of Stor-Age are widely held.

Identity of the related parties with whom material transactions have occurred

Subsidiaries

– Roeland Street Investments Proprietary Limited
– Wimbledonway Investments Proprietary Limited
– N14 Self Storage Proprietary Limited
– Storage RSA Investments Proprietary Limited
– Units 1–4 Somerset West Business Park Proprietary Limited
– Unit 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
– Roeland Street Investments 2 Proprietary Limited
– Stor-Age Property Holdings Proprietary Limited
– Stor-Age Property Holdings Trust
– Castle Rock Capital Trust
– Fairstore Trust
– Roeland Street Investments 3 Proprietary Limited

Material related party transactions and balances

Related party balances	Unaudited 6 months 30 September 2017 R'000	Unaudited 6 months 30 September 2016 R'000	Audited 12 months 31 March 2017 R'000
Loan accounts – owing to related parties	1 751	3 751	1 406
Loan accounts – owing by related parties	8 585	3 488	2 558
Related party transactions			
Interest received on Stor-Age share purchase scheme loans	5 022	4 777	9 706
Construction fees paid to related party	18 193	18 657	39 225
Development fees received from related parties	2 351	1 536	2 353
Asset management fees received from related party	3 624	2 841	6 130
Property management fees received from related party	3 249	1 561	3 393
Acquisition fees received from related party	–	826	826
Office rental paid to related party*	392	359	741

* *The group leases certain premises on an arm's length basis.*

Stor-Age entered into a related party transaction with Stor-Age Property Holdings Proprietary Limited ("SPH") for the development and subsequent acquisition of a new self storage property in Bryanston, as announced on SENS on 4 July 2017. SPH is an associated entity of the executive directors of Stor-Age. In aggregate the total purchase consideration is R99.3 million. The property is still under development at 30 September 2017.

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