OUR PERFORMANCE

CEO'S REPORT

FINANCIAL REVIEW

CEO'S REPORT

Due to the strength and resilience of our operating model, Stor-Age was once again able to navigate another year of macro and political instability to deliver a robust performance. We continue to benefit from a high-quality property portfolio and a well-managed balance sheet. Our success in building Stor-Age into a sector-leading business is also supported by the strength and quality of our multi-year strategic planning.

Stor-Age is the largest self storage property fund and most recognisable brand in South Africa. The portfolio comprises 93 trading properties across South Africa (57) and the UK (36), providing space to more than 49 000 customers[1]. The combined value of the portfolio was R12.9 billion[2] (SA R5.6 billion; UK £335 million) at year end. The maximum lettable area, including the pipeline and ongoing developments, now exceeds 620 000 m^2.

Benefiting from continued healthy demand, the resilient operating performance saw rental income up 17.3% year-on-year and growth in portfolio occupancy of 21 200 m^2, along with an increase in tangible net asset value of 8.2% to R14.71 per share.

We are now in the third year of our five-year growth plan to 2025. This plan sets out extensive and detailed property strategies to further grow our asset base through the execution of high-quality acquisitions and new developments while pursuing organic growth via the expansion of our existing properties.

Importantly, our growth plan is responsive to our evolving operating environment and our property strategies are increasingly influenced by the significant role that technology is playing in our business. An example of this is our third-party digital services offering, Digital First. We also remain committed to strengthening Stor-Age's social and environmental resilience and made excellent progress against our ESG strategy during the year. This is unpacked in more detail in the Chairman's letter on page 18.

[1] *Includes properties held in JVs and managed by the Group as at 31 May 2023.*
[2] *Includes 100% of trading properties held in JVs as at 31 March 2023.*

Consistent execution of our growth strategy continues to be complemented by the careful management of our balance sheet, which remains robust, reflected in our LTV ratio of 30.8% and with over 83.5% of our net debt subject to interest rate hedging at year end. This ensures that we can take advantage of market opportunities as they present themselves.

An integral component of our growth strategy is JVs and leveraging the platform into non-direct property revenue streams. Our third-party management offering forms a key component of this strategy, allowing us to generate additional revenue with minimal capital investment by leveraging our existing superior infrastructure and skills. During the year our third-party management fees amounted to R36.0 million, an increase of 146% compared to the prior year. Read more about our third-party management fee revenue on page 48.

GROWING OUR PROPERTY PORTFOLIO

Despite the challenging operating environment, we continued to deploy capital strategically, adding significant quality and scale to our high-quality portfolio on a select basis and in line with our strict investment criteria. The extent of this growth was evidenced by the fact that we had several major developments underway simultaneously in multiple cities across South Africa and the UK during the year, while also closing multiple new store and site acquisitions.

The full development pipeline at year end consisted of 13 properties, with nine of these located in South Africa and four

in the UK. Including properties that have already opened in FY24, there will be a total of eight new properties, split evenly between South Africa and the UK, that will be completed and open for trading during the year.

In South Africa, this included developments in Bryanston, Morningside, Paarden Eiland, Pinelands and Century City, and we concluded the acquisition of Think Secure Self Storage in Parklands. Post year end, in May 2023 the Morningside property began trading. In the UK, we extended existing properties in Chester, Doncaster and Bedford, began development in Heathrow, Bath, Canterbury and West Bromwich, and also began a major extension at Crewe, as well as the redevelopment of Milton Keynes.

Post year end, we completed the acquisition of a property in Acton, West London, in the Moorfield JV for redevelopment, while the Bath property began trading in May and the Heathrow property in July 2023. We also successfully entered into a new JV and completed the acquisition of the high-quality four-property Easistore portfolio in south east England.

What we have been able to achieve this year demonstrates the strength, competitiveness and sophistication of our platforms in South Africa and the UK. This continues to support our ambition of assembling a portfolio of prime self storage assets despite significant economic and market uncertainty

GROWING OUR SOUTH AFRICAN PORTFOLIO

> " We remain sector leaders in South Africa, offering a property portfolio that is unmatched in quality, value, lettable area, number of tenants, location and geographic footprint. Our strict focus on growing the portfolio with properties that display excellent fundamentals continues to underpin our success. "

In November 2022 we acquired Think Secure Self Storage in Parklands, a suburb on Cape Town's west coast, for a purchase consideration of R65.0 million. The property is well located, servicing the broader Parklands, Sunningdale and Table View areas, with the location being highly complementary to our existing Sunningdale and Table View properties. The purpose-built multi-storey property consists of 4 000 m^2 GLA on a fully fitted-out basis, while also benefiting from significant additional bulk.

Silver Park Self Storage (GLA 7 600 m^2) and Green Cube Self Storage (GLA 5 500 m^2), both of which are in Cape Town, were acquired in the second half of FY22 and have been rebranded and seamlessly integrated into the operational platform. Both properties continue to trade in line with expectations.

Following an extensive and near five-year town planning process, during the year we pleasingly received approvals to develop a bespoke, modern multi-storey Big Box self storage property on a prime site in Sandton, Johannesburg. The property is situated alongside Sandton Drive and will add an estimated 6 500 m^2 GLA to our portfolio upon completion.

Developments currently underway in South Africa comprise five properties at an approximate total cost of R388 million and which will add an estimated 28 200 m^2 GLA to the portfolio, representing more than 7% of the total current South African portfolio GLA.

The lease-up of newly developed properties to a stabilised and mature level of occupancy forms a considerable component of a property's overall formation cost. To mitigate the short-term financial impact, we entered a JV with Nedbank in September 2021. The JV is currently developing four high-profile properties at an estimated cost of R322 million in Bryanston (4 700m^2 GLA) and Kramerville (5 400m2 GLA) in Johannesburg, and in Pinelands (7 300m^2 GLA) and Paarden Eiland (4 700m^2 GLA) in Cape Town.

In addition to the JV with Nedbank, we also recently entered into a JV with the Rabie Property Group to develop a high-profile property in Century City (6 100 m^2 GLA). At a cost of approximately R96 million, construction began in the latter stages of FY23. Looking forward, we anticipate that the majority of our new developments will be completed in a JV structure with a development partner, thus enabling a measured rollout of our development pipeline.

We remain concerned about the degradation of municipal infrastructure in recent years in certain parts of South Africa, as well as the negative impact that an intermittent power supply is having on the economy, businesses and individuals.

That said, we remain committed to executing our South African growth strategy and maintaining our sector leading position. To navigate these challenges and ensure that we play our part in South Africa's economic turnaround, our focus is on growing our portfolio responsibly. This includes creating employment opportunities and investing in our people and sustainable energy and water infrastructure capacity.

To this end, we recently completed a successful trial during the year to integrate our existing PV systems with battery storage and the existing diesel generators, for a more optimal solution. We anticipate an investment of an estimated R45.0 to R50.0 million over a three-year rollout period into additional solar infrastructure and battery capacity across all our properties in South Africa, in order to reduce reliance on the national government's electricity supply and the extended use of in-place diesel generators. For each new development, we aim to have a fully integrated solution that includes a PV system, battery storage, and diesel generator, wherever feasible.

GROWING OUR UK PORTFOLIO

> " Looking back on our strategic entry into the UK in 2017, we are extremely pleased with our progress and the successful execution of our international growth strategy. "

We have built a strong foundation in the UK, which is now enabling us to pursue significant growth on all fronts. Across our UK portfolio we are completing extensions and additional fitouts; securing new sites for development that are either in the town planning process, under construction or recently opened; and acquiring multiple new sites and portfolios.

We completed three major extensions at Chester, Bedford and Doncaster during the year, bringing online an additional 54 000 sq. ft GLA. These extensions demonstrate our approach to unlocking value within the existing portfolio.

In August 2022 we acquired the adjoining section of a building that forms part of our Crewe property (41 300 sq. ft GLA) for a purchase consideration of £2.75 million. The acquisition enables us to extend the existing property by adding an estimated 16 300 sq. ft GLA. With the operating costs largely embedded in the existing cost base, the expansion will provide an attractive return on capital invested in a high-demand location. Construction began on-site in the latter stages of FY23 and we anticipate the expansion will be completed during the third quarter of FY24.

Recent acquisitions concluded (Blackpool, Storagebase, and McCarthy's Storage World) have all been rebranded and seamlessly integrated into the operational platform, with the properties performing in line with expectations during the period. Various asset management initiatives are also in progress to unlock further value at some of these properties.

Construction began on-site in late FY23 to add an estimated 21 000 sq. ft GLA to our Milton Keynes property. We also currently have planning applications in progress for extensions at our Huddersfield (22 000 sq. ft GLA), Blackpool (23 000 sq. ft GLA) and Wakefield (7 000 sq. ft GLA) properties.

We continue to accelerate our growth trajectory by leveraging our JV with Moorfield to assemble a portfolio of high-quality self storage properties in prime locations. The JV had four developments in progress during the year:

- Bath (46 000 sq. ft), at an estimated cost of £11.7 million, opened for trading in May 2023
- Heathrow (61 000 sq. ft), at an estimated cost of £13.8 million, opened for trading in July 2023
- Canterbury (54 000 sq. ft), at an estimated cost of £9.8 million, scheduled to open in the third quarter of FY24
- West Bromwich (64 000 sq. ft), at an estimated cost of £12.0 million, scheduled to open in the third quarter of FY24

In addition, the JV secured a property in Acton, west London, for redevelopment in the last quarter of FY23, with the transaction concluding in April 2023. The property is well located and offers approximately 55 000 sq. ft of gross building area. Benefiting from a land use that allows for its immediate use or conversion to self storage, investigations are currently underway to extend the building vertically, by up to two floors.

As with our South African operations, JV structures form an integral part of our growth strategy in the UK. We also continue to see opportunities through our third-party management offering. In the UK we provide this under Management 1st, and we now have 11 properties[1] operating on this platform.

Our highly strategic yet flexible approach to partnering with the most suitable equity capital providers, as evidenced through our ability to enter into and successfully execute multiple JVs, coupled with the track-record and operational strength and expertise of our third-party management platform, provide us with a real opportunity to compete in the highly sought-after and competitive UK market. In particular, we are seeing an increasing number of capital providers seeking an opportunity to partner with a sophisticated and experienced self storage platform, allowing them to invest into the niche sector with confidence.

Accordingly, post year end in April 2023, we announced the acquisition of the Easistore portfolio in a JV with Nuveen Real Estate ("Nuveen"), one of the largest and most established global investment managers, with Stor-Age holding a 10% equity interest in the JV. The Easistore portfolio comprises four well-located properties across Kent and West Sussex with 22 500 m^2 GLA. The properties will be branded and managed by Storage King under its Management 1st platform and the group will also earn acquisition and ongoing property management fees, providing an attractive return on invested capital. The £82.0 million acquisition was 50% funded with a five-year loan from NatWest (fixed at 5.64%). Stor-Age's equity contribution, including transaction costs, amounted to £4.4 million.

[1] *Includes Heathrow property, which begin trading in July 2023.*

The Easistore acquisition represented the third, four-store portfolio that Stor-Age either acquired or part-acquired in the UK in the preceding 16-month period.

Looking forward, we continue to see opportunities over the medium term to further grow and strengthen our UK business together with our joint venture partners.

UK REIT ADOPTION

HMRC criteria for UK REIT qualification was recently amended, providing the opportunity for the Group to pursue UK REIT adoption for Storage King. Accordingly, the board intends electing to classify the Storage King group of companies as a UK REIT during FY24, subject to satisfying various conditions and approval from HMRC. Read more about the potential for UK REIT adoption for Storage King on page 67.

TECHNOLOGY AS A BUSINESS ENABLER

> "Digital enquiry generation remains the lifeblood of a self storage business. It is therefore essential to remain at the forefront of the sector digitally."

We continue to invest considerable time and resources in our digital strategy and in ensuring that Stor-Age remains a digitally-engaged business. In particular, the strength of our digital-first marketing approach and demand creation capability, continually strengthened by our ongoing agency status with Google and Meta, provides a significant competitive advantage. This is evidenced by the continued successful and consistent delivery of digital prospects at an attractive price point to our properties and operational platforms in South Africa and the UK. Pleasingly, we continue to see an improvement in the quality of the enquiries being generated and we've also noted the significant increase in direct chat on our online channels.

Our strength as self storage digital specialists is also evident in the significant progress being made with our third-party digital services offering, Digital First. Officially launched at the European Self Storage Conference in Portugal in September 2022, to date 23 independent operators (95 properties) across 15 countries have contracted with the Group for this service, which leverages the benefits of our highly skilled in-house digital marketing capability and 'low-cost' emerging market head office infrastructure. The estimated annualised revenue stream from our current contracts amounts to R12.5 million. This compares favourably to the previously reported R6.6 million in our interim results announced in November 2022. This represents a 63% increase assuming constant exchange rates, albeit off a relatively low base. Given that Digital First is a digitally native business operating within the defined sphere of self storage, which displays characteristics of being homogenous across markets, the global self storage industry represents further opportunities for expansion.

In addition, we continue to deploy digital solutions at our properties to make our customers' lives as easy as possible when using our services. This includes making use of technology, such as smart locks and digital keys, also improving overall security. We recently installed smart locks at our Heathrow and Bath properties, enabling customers to access their units using their smartphones. Based on the success of these installations, we will consider further adoption at future developments.

OUR PEOPLE

> "Maintaining a motivated and engaged workforce, together with ensuring a rewarding culture for our people, remains a core area of focus."

Training, learning and development remain at the heart of our culture, and we continue to invest in our in-house, bespoke learning and development programme, underpinned by a strategic focus on customer service and technology. A highlight for the year includes recording more than 1 000 hours of online training, with more than 49 new online courses on Edu-Space, our online learner management platform in South Africa and the UK.

We further supported nine employees on our bursary programme and enrolled seven of our head office employees in a 12-month online learnership programme delivered in partnership with an accredited learnership and training provider. In addition, we once again provided a 12-month learnership programme to 12 previously disadvantaged learners in January 2023. The learnership programme assists youth in becoming qualified in areas that fall within the ambit of scarce and critical skills of South Africa, as well as supporting economic transformation at a local level.

Backed by the strength of our brands and sophisticated operational platform, our employees are fundamental to and drive the Group's ongoing growth and success. We continue to engage with our employees and invest in initiatives to help them maintain or improve their physical, financial and emotional wellbeing. We were pleased to see the results of our annual anonymous staff survey in South Africa, which indicated that more than 96% of our employees are proud to be part of the Stor-Age team.

OUTLOOK AND THANKS

Thank you to every employee for your unwavering dedication, determination and commitment to Stor-Age and the role you played in helping the Group deliver another robust operational performance, with growth in revenue, earnings and cashflow in a challenging environment. I also thank our chairman and the board for their ongoing support, wisdom, guidance and advice.

We benefit from a high-quality property portfolio in both markets, industry-leading operating and digital platforms, deep sector specialisation and a well-managed balance sheet. The defensive and resilient nature of our business model, together with financial prudence, means that we are well placed to navigate the challenges that lie ahead as well as take advantage of opportunities as they present themselves. As always, we remain focused on the disciplined execution of our multi-year growth strategy to continue delivering long-term value for our stakeholders.

Gavin Lucas
CEO
31 July 2023

FINANCIAL REVIEW

Stor-Age achieved a 5.6% increase in dividend per share for the year ended 31 March 2023, in line with its revised guidance of 5.0 – 6.0%.

SA occupancy profile	31 March 2023 GLA m²	31 March 2023 Occupied m²	31 March 2023 %	31 March 2022 GLA m²	31 March 2022 Occupied m²	31 March 2022 %
Own portfolio	**387 100**	**352 300**	**91.0%**	380 700	335 000	88.0%
JV portfolio	**6 300**	**5 900**	**93.7%**	4 100	4 000	97.2%
Total	**393 400**	**358 200**	**91.1%**	384 800	339 000	88.1%
Same-store	**360 800**	**332 600**	**92.2%**	358 000	322 600	90.1%
Non same-store	**32 600**	**25 600**	**78.6%**	26 800	16 400	61.1%

UK occupancy profile	31 March 2023 GLA m²	31 March 2023 Occupied m²	31 March 2023 %	31 March 2022 GLA m²	31 March 2022 Occupied m²	31 March 2022 %
Own portfolio	**107 800**	**90 700**	**84.2%**	101 000	89 300	88.3%
JV portfolio	**25 200**	**17 800**	**70.5%**	19 800	17 200	87.3%
Total	**133 000**	**108 500**	**81.6%**	120 800	106 500	88.2%
Same-store	**94 200**	**80 500**	**85.4%**	89 000	80 300	90.4%
Non same-store	**38 800**	**28 000**	**72.3%**	31 800	26 200	81.9%

Occupancy growth for the year	SA m²	UK m²
Same-store	**10 000**	**200**
Non same-store – acquired and developed in FY22	**6 700**	**1 800**
Non same-store – acquired in FY23	**2 500**	**–**
Total	**19 200**	**2 000**

Year-on-year occupancy, including properties held in JVs, grew by 21 200 m² (SA 19 200 m²; UK 2 000 m²) reflecting organic growth in the same-store portfolio and new developments, acquisitions (SA only), and expansions at existing properties. Excluding the Think Secure acquisition, year-on-year occupancy increased by 16 700 m² in SA. Closing occupancy in the SA same-store portfolio reached a record high of 92.2% at year end with same-store rental income increasing by 9.8% year-on-year.

In the UK, same-store occupancy finished at 85.4% and was impacted by extensions to existing properties during the year which diluted the closing occupancy compared to the prior year. After a strong performance in the first half of FY23, the UK traded in line with expectations for the remainder of the year. Same-store rental income increased by 8.9% year-on-year with occupancy growth of 2 000 m².

The closing rental rate was up 8.3% and 6.2% year-on-year in SA and the UK respectively.

Portfolio analysis	Number of properties	% of property valuation	% of NPOI	% of GLA
SA				
Freehold	**51**	**96.6%**	**95.0%**	**95.8%**
Leasehold	**3**	**3.4%**	**5.0%**	**4.2%**
Total	**54**	**100.0%**	**100.0%**	**100.0%**
UK				
Freehold	**18**	**92.4%**	**71.0%**	**73.3%**
Leasehold	**8**	**7.6%**	**29.0%**	**26.7%**
Total	**26**	**100.0%**	**100.0%**	**100.0%**
Total own properties	**80**	**100.0%**	**100.0%**	**100.0%**
Freehold	**69**	**94.5%**	**83.7%**	**90.9%**
Leasehold	**11**	**5.5%**	**16.3%**	**9.1%**
Managed properties	**13**			
SA	**3**			
UK	**10**			
Total trading properties	**93**			
SA	**57**			
UK	**36**			
Under development	**8**			
SA	**4**			
UK	**4**			
Total including properties under development	**101**			
SA	**61**			
UK	**40**			

Trading properties includes Bath (UK) and Morningside (SA), which commenced trading shortly after year end, and the four-property Easistore portfolio acquired in April 2023 in the Nuveen JV.

FINANCIAL RESULTS

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

SA	31 March 2023 SS Rm	Non SS Rm	Total Rm	31 March 2022 SS Rm	Non SS Rm	Total Rm	% change SS	Total
Rental income								
Self storage	**479.5**	**27.7**	**507.2**	436.6	9.9	446.5	9.8	13.6
Other	**8.6**	**0.8**	**9.4**	8.9	0.6	9.5	(3.4)	(1.2)
Ancillary income	**19.9**	**1.2**	**21.1**	18.5	0.5	19.0	7.6	11.3
Sundry income	**1.7**	**0.2**	**1.9**	1.5	0.1	1.6	11.2	20.1
Bad debt	**(4.1)**	**(0.3)**	**(4.4)**	(2.5)	(0.2)	(2.7)	(63.4)	(64.3)
Direct operating costs	**(113.4)**	**(13.3)**	**(126.7)**	(103.3)	(6.8)	(110.1)	(9.8)	(15.1)
Net property operating income	**392.2**	**16.3**	**408.5**	359.7	4.1	363.8	9.0	12.3
Bad debt as a % of rental income	**0.85%**	**1.04%**	**0.86%**	0.57%	1.64%	0.60%		

SS – same-store

UK	31 March 2023 SS £'000	Non SS £'000	Total £'000	31 March 2022 SS £'000	Non SS £'000	Total £'000	% change SS	Total
Rental income								
Self storage	**19 300**	**2 392**	**21 692**	17 730	408	18 138	8.9	19.6
Other	**535**	**411**	**946**	538	3	541	(0.6)	74.9
Ancillary income	**1 917**	**361**	**2 278**	1 782	55	1 837	7.6	24.0
Sundry income	**187**	**35**	**222**	148	8	156	26.4	42.3
Bad debt	**(73)**	**(17)**	**(90)**	(51)	(2)	(53)	(43.1)	(69.8)
Direct operating costs	**(6 257)**	**(953)**	**(7 210)**	(5 327)	(149)	(5 476)	(17.5)	(31.7)
Net property operating income	**15 609**	**2 229**	**17 838**	14 820	323	15 143	5.3	17.8
Bad debt as a % of rental income	**0.38%**	**0.71%**	**0.41%**	0.29%	0.49%	0.29%		

GROUP	31 March 2023 SS Rm	Non SS Rm	Total Rm	31 March 2022 SS Rm	Non SS Rm	Total Rm	% change SS	Total
Rental income								
Self storage	**874.2**	**76.6**	**950.8**	796.4	18.2	814.6	9.8	16.7
Other	**19.5**	**9.2**	**28.7**	19.9	0.6	20.5	(2.0)	39.6
Ancillary income	**59.1**	**8.6**	**67.7**	54.6	1.6	56.2	8.2	20.4
Sundry income	**5.5**	**1.0**	**6.5**	4.5	0.3	4.8	22.6	34.2
Bad debt	**(5.6)**	**(0.6)**	**(6.2)**	(3.5)	(0.2)	(3.7)	(59.2)	(66.3)
Direct operating costs	**(241.3)**	**(32.8)**	**(274.1)**	(211.4)	(9.9)	(221.3)	(14.1)	(23.9)
Net property operating income	**711.4**	**62.0**	**773.4**	660.5	10.6	671.1	7.7	15.2
Bad debt as a % of rental income	**0.64%**	**0.76%**	**0.65%**	0.44%	1.12%	0.46%		

The commentary below relates to the Group's operating performance set out in the above tables. A reconciliation between the disclosures set out in the above tables and the consolidated statement of profit or loss and other comprehensive income is set out on page 48.

Self storage rental income increased by 16.7% to R950.8 million (2022: R814.6 million), driven by organic growth, the impact of acquisitions, foreign exchange movements, and the strong performance of new developments during their lease-up phase.

Same-store rental income in SA and the UK increased by 9.8% (occupancy 2.1%; rental rate 7.6%) and 8.9% (occupancy 0.8%; rental rate 8.0%), respectively. Move-outs in SA were 4.5% lower compared to the prior year, with average rental rates in the second half of FY23 increasing by 8.4% compared to the same period in the prior year.

Other rental income (SA: R9.4 million; UK: £0.9 million) relates mainly to parking and the rental of office space at certain properties in the portfolio.

Bad debt as a percentage of rental income was 0.65% for the Group (2022: 0.46%). Although this reflects some deterioration compared to the prior year, it remains below our 1.0% target.

Ancillary income of R67.7 million (2022: R56.2 million) comprises merchandise sales (such as packaging materials and padlocks), administration fees, late fees and insurance income (UK only). Although this income stream represents a relatively small proportion of total revenue, each component makes a meaningful contribution to earnings with little capital investment. In both markets, ancillary income increased by 7.6% year-on-year in the same-store portfolio.

Direct operating costs of R274.1 million (2022: R221.3 million) reflect the impact of acquisitions, foreign exchange movements and a year-on-year increase in costs in the same-store portfolio (SA – 9.8%; UK – 17.5%). Across both markets, property rates, staff costs, utilities, insurance, maintenance and marketing costs account for the majority of direct operating costs.

In SA, we reallocated R3.4 million of costs in FY23 relating to our internal facilities management team from administration expenses to direct operating costs. Excluding this reallocation, direct operating costs in SA increased by 7.6% in the same-store portfolio.

In the UK, the increase relates mainly to marketing and electricity costs. The prior year reflected a substantial underspend in the UK marketing budget of £204 000. This arose due to very high organic enquiry numbers and low vacancy at our properties resulting in significant savings in digital spend in FY22. Approximately 55% of this underspend was utilised in FY23. Increasing demand and the conflict in Ukraine had a significant impact on electricity costs which increased by more than 150% year-on-year. Although a small component of our operating costs, it had an unavoidable negative impact. While wholesale prices have fallen due to various reasons, they remain higher than pre-pandemic levels.

To date, we have installed solar PV systems at nine properties in the UK. Work is currently underway at an additional seven properties, which includes properties being developed in the Moorfield JV. A further four properties are awaiting approval from the local electricity provider.

Excluding the impact of the marketing underspend in the prior year and higher electricity costs, direct operating costs in the UK increased by 6.3% in the same-store portfolio. This can be attributed to increased spend on property maintenance (certain projects were deferred due to the pandemic) and higher payroll costs.

In the UK, the new rating revaluation took effect on 1 April 2023 which will result in our FY24 business rates increasing by 17.3% (£360 000). Rating revaluations normally take place every five years with the last one occurring in 2017. The 2022 revaluation was deferred due to the ongoing impact of the pandemic and the expected impact on property valuations. The increase in business rates will be partially offset by the reduction in electricity costs compared to the significantly higher costs experienced over the past 18 months.

The commentary below relates to disclosures set out in the consolidated statement of profit or loss and other comprehensive income.

Management fees comprise the following:

	31 March 2023 Rm	31 March 2022 Rm
Recurring fees		
Property management fees (including UK franchisee licence fees)	**11.0**	4.8
Digital First	**5.3**	1.4
Total – recurring fees	**16.3**	6.2
Non-recurring		
JV development fees – SA	**5.2**	0.4
JV development fees – UK	**8.9**	–
JV acquisition fees – SA	**3.0**	–
JV acquisition fees – UK	**2.6**	8.0
Total – non-recurring fees	**19.7**	8.4
Total recurring and non-recurring	**36.0**	14.6

Third-party management allows us to generate additional revenue with minimal capital investment by leveraging our existing superior infrastructure and skills. This is an integral part of our growth strategy. In FY23, third-party management fees amounted to R36.0 million, an increase of 146% compared to the prior year.

Recurring management fees increased by over R10.0 million to R16.3 million. Although non-recurring management fees of R19.7 million are one-off in nature, they demonstrate the value of the third-party management platform when undertaking developments or acquisitions with other capital providers. On completion of the development or immediately after an acquisition, the Group will also earn recurring property management fees.

Administration expenses amounted to R152.8 million (2022: R103.5 million). After adjusting for the Conditional Share Plan charge of R17.7 million (2022: R11.3 million), we saw an increase in costs primarily related to staff costs to support our expansion and development activity. Legal and professional costs relating to valuation work, corporate tax, audit fees and general compliance also increased. In addition, there were market-related adjustments to non-executive director remuneration.

The fair value adjustment to investment properties of R244.0 million reflects an increase in the carrying value of investment properties at 31 March 2023 (2022: R642.3 million). Further details are set out in the Investment Property section. Fair value adjustments to financial instruments of R9.6 million (2022: R121.5 million gain) relate to mark-to-market adjustments of derivative hedging instruments.

Interest income comprises the following:

	31 March 2023 Rm	31 March 2022 Rm
Share purchase scheme loans	**6.4**	7.8
Cross currency interest rate swaps ("CCIRS")	**9.6**	14.2
Loans to JVs	**9.8**	2.0
Money market and deposit balances	**4.6**	1.9
Total	**30.4**	25.9

The lower interest received on share purchase scheme loans is the result of loan balances repaid over the last 12 months. The Group also reduced its exposure to CCIRS, resulting in a lower contribution to earnings for the year.

Interest expense of R170.6 million (2022: R116.8 million) comprises mainly interest on bank borrowings.

The normal tax charge of R32.7 million (2022: R36.0 million) relates to a provision for UK corporation tax of 19% on the estimated taxable income arising in the UK for the year. The lower amount compared to the prior year relates to an overprovision in the estimated tax payable.

Share of profit from JVs of R30.2 million (2022: loss of R0.5 million) relates to the Group's proportionate interest of the IFRS profit in respect of its JVs. Further details are provided in note 7 of the annual financial statements.

A deferred tax charge of R30.7 million (2022: R235.4 million) was also recognised on the fair value adjustment to UK investment properties for the year. Under IFRS, a potential capital gains tax liability is required to be recognised as a deferred tax charge on revaluation gains of UK investment properties.

The table below shows the reconciliation between the Group's operating performance ("performance table"on page 46) and the condensed consolidated statement of profit or loss and other comprehensive income ("statement of profit or loss"):

	Unaudited 31 March 2023 R'000	Unaudited 31 March 2022 R'000
Reconciliation of rental income		
Performance table:		
Rental income – self storage	**950 848**	814 552
Rental income – other	**28 691**	20 341
Non-core income	**985**	–
Rental underpin	**5 564**	4 504
Insurance claim proceeds relating to loss of revenue	**10 547**	10 319
Rental income – Statement of profit or loss	**996 635**	849 716
Reconciliation of other income		
Performance table:		
Ancillary income	**67 699**	56 259
Sundry income	**6 454**	4 707
Other income – Statement of profit or loss	**74 153**	60 966

INVESTMENT PROPERTY

A fair value gain to investment property combined with acquisitions, capital expenditure and exchange rate fluctuations, resulted in an increase in investment property (before the deduction of leasehold liabilities) of R1.196 billion from R9.535 billion at 31 March 2022 to R10.731 billion at 31 March 2023.

The table below summarises the increase in investment property over the year:

	SA Rm	UK £m	UK Rm	Total Rm
Balance at 31 March 2022	**5 090.3**	**232.6**	**4 444.7**	**9 535.0**
Acquisitions	**92.4**	**2.8**	**54.4**	**146.8**
Transfer of properties to Nedbank JV*	**(191.0)**	**–**	**–**	**(191.0)**
Capital expenditure on:				
Properties transferred to Nedbank JV	**54.1**	**–**	**–**	**54.1**
Existing properties	**68.3**	**6.2**	**134.5**	**202.8**
Properties held for development	**14.4**	**–**	**–**	**14.4**
Remeasurement of leasehold assets	**–**	**2.1**	**45.8**	**45.8**
Revaluation gain	**86.4**	**7.2**	**157.6**	**244.0**
Exchange rate fluctuations	**–**	**–**	**679.3**	**679.3**
Balance at 31 March 2023	**5 214.9**	**250.7**	**5 516.3**	**10 731.2**
Lease obligations relating to leasehold investment property	**(46.6)**	**(13.0)**	**(286.3)**	**(332.9)**
Investment property net of lease obligations	**5 168.3**	**237.7**	**5 230.0**	**10 398.3**

* *Bryanston, Morningside, Pinelands and Paarden Eiland were transferred to the Nedbank JV in FY23. Stor-Age has a 50% equity interest in the JV. The properties were therefore derecognised from investment property in the Group consolidated financial statements. Stor-Age's proportionate interest in the properties is included in Investment in JVs as set out in note 3 of the annual financial statements.*

Investment properties are valued using the discounted cash flow ("DCF") method to determine fair value. The valuation of freehold and long leasehold properties is based on a DCF of the net operating income over a 10-year period and a notional sale of the asset at the end of the 10th year. The same DCF methodology is used for short leasehold properties, except that the cash flows reflect only the unexpired lease period from the valuation date.

In SA, 28 of the 54 trading properties in the SA portfolio were independently valued by Mills Fitchet Magnus Penny and Jones Lang LaSalle ("JLL") at 31 March 2023 for financial statement purposes. The Group's policy is to value 50% of its SA properties at year end and the other 50% at the interim reporting date. The remaining properties were valued internally by the board at 31 March 2023 using the same methodology applied by the external valuers. In the UK, the entire portfolio was valued independently by CBRE and Cushman and Wakefield at 31 March 2023 for financial statement purposes. Further details of the assumptions used in the valuations are set out in the Group financial statements.

The table below summarises the breakdown of investment property at 31 March 2023:

SA	% of portfolio	Valuation Rm
Leasehold	**3.4%**	**173.7**
Gross value		**219.3**
Lease obligations		**(45.6)**
Freehold^	**96.6%**	**4 994.6**
Investment property net of lease obligations	**100.0%**	**5 168.3**
Trading properties	**97.4%**	**5 030.7**
Development properties	**2.1%**	**109.4**
Properties under construction	**0.5%**	**28.3**
Investment property net of lease obligations	**100.0%**	**5 168.3**

^ *Stor-Age Tokai comprises both a freehold (7 494 m² GLA) and leasehold (620 m² GLA) component. For the purposes of the above analysis, the property is reflected as freehold*

UK	% of portfolio	Valuation £m	Valuation Rm
Leasehold	7.6%	18.0	395.0
Gross value		31.0	681.3
Lease obligations		(13.0)	(286.3)
Freehold and long leasehold+	92.4%	219.7	4 835.0
Investment property net of lease obligations	100.0%	237.7	5 230.0
Trading properties	100.0%	237.7	5 230.0

+ *Freehold includes two properties with 999 year peppercorn leases which are classified as virtual freeholds*
^ *Stor-Age Tokai comprises both a freehold (7 494 m² GLA) and leasehold (620 m² GLA) component. For the purposes of the above analysis, the property is reflected as freehold.*

	Average value per m² (R)	Discount rate	Exit cap rate
SA – Trading properties	12 837	14.08%	8.53%

	Average value per m² (£)	Discount rate	Exit cap rate
UK – Trading properties	196	9.22%	6.16%

Exit cap rate relates to freehold and long leasehold properties only
Average value per m² and sqf based on fully fitted-out GLA and net investment property values

Further details of the investment property valuations are set out in note 3 of the annual financial statements.

The table below summarises the Group's net investment property and investment property held in JVs:

	SA Rm	UK £m	UK Rm	Total Rm
Own portfolio:				
Trading	5 030.7	237.7	5 230.0	10 260.7
Under development	109.4	–	–	109.4
Under construction	28.3	–	–	28.3
Moorfield JV:				
Trading	–	63.9	1 405.4	1 405.4
Under development	–	33.2	729.9	729.9
Nedbank JV – under development	284.3	–	–	284.3
Sunningdale JV – trading	92.7	–	–	92.7
Century City JV – under development	20.6	–	–	20.6
Total including 100% of JV properties	5 566.0	334.7	7 365.3	12 931.3
Total including proportionate share of JV properties	5 366.9	261.8	5 761.7	11 128.6

Stor-Age has a 24.9% equity interest in the Moorfield JV and a 50% equity interest in each of the Nedbank, Sunningdale and Century City JVs

Further details of investments in JVs are set out in note 7 of the annual financial statements.

CAPITAL STRUCTURE

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

	ZAR facilities Rm	GBP facilities £m	GBP facilities Rm	Total facilities Rm
Total debt facilities	1 872.0	115.0	2 530.8	4 402.8
Undrawn debt facilities	455.8	13.5	296.7	752.4
Gross debt	1 416.2	101.5	2 234.2	3 650.4
Gross debt net of cash held in facilities	1 360.2	101.5	2 234.2	3 594.4
Net debt	1 101.6	97.1	2 137.3	3 238.9
Hedge cover	1 055.0	75.0	1 650.5	2 705.5
– Interest rate derivatives	700.0	54.0	1 188.4	1 888.4
– Cross currency interest rate swaps	102.0	–	–	102.0
– Fixed rate loans	214.0	21.0	462.2	676.2
– Interest bearing loans to JVs	38.9	–	–	38.9
% hedge cover on:				
– Gross debt	74.5%	73.9%	73.9%	74.1%
– Gross debt net of cash held in debt facilities	77.6%	73.9%	73.9%	75.3%
– Net debt	95.8%	77.2%	77.2%	83.5%
Effective interest rate	9.04%	4.65%	4.65%	6.35%
Investment property (net of lease obligations)	5 168.3	237.7	5 230.0	10 398.3
Carrying value of joint ventures	50.9	16.9	371.1	422.0
LTV ratio	24.9%	34.6%	34.6%	29.9%
Weighted average expiry of debt (years)	2.33	3.72	3.72	3.18
Weighted average expiry of hedge cover (years)	1.80	3.38	3.38	2.78

LTV ratio is defined as net debt as a percentage of the sum of net investment property and investment in JVs
£9.0 million of GBP borrowings is secured against SA investment property assets – for the purposes of the above table, the SA LTV ratio includes this
GBP borrowings includes £3.1 million of unsecured borrowings
The Group has agreed refinancing terms for two ZAR borrowing facilities (R650 million in aggregate) due for expiry at the end of November 2023. The disclosures and calculations in the Capital Structure section are based on these new terms
Weighted average expiry of debt excludes a three-month rolling note of R160 million refinanced on a quarterly basis
Weighted average expiry of GBP debt includes one 12-month extension option on facilities of £75 million
Hedge cover excludes R100m expiring in June 2023 and includes R100m hedge cover entered into in May 2023
Weighted average expiry of hedge cover excludes interest bearing loans to JVs

Our cash position at 31 March 2023, including cash held in our debt facilities, amounted to R411.5 million. Total undrawn borrowing facilities amounted to R752.4 million and the average cost of debt for the Group was 6.35%. On a net debt basis, 83.5% of borrowings was hedged. Net debt stood at R3.239 billion with an LTV ratio (as defined above) of 29.9%. The LTV calculated in accordance with the SA REIT Best Practice Recommendations for financial reporting is 30.8%.

Further details of the Group's borrowings are set out in notes 13 and 24 of the annual financial statements.


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