OUR PERFORMANCE

CEO'S REPORT

FINANCIAL REVIEW

OUR PERFORMANCE

CEO'S REPORT

Despite the severely constrained South African and global economic environment, I am pleased to report another strong set of financial and operational results for the fifth year in a row. This was underpinned by organic growth in our South African and UK portfolios and our ability to execute asset and revenue management initiatives to enhance our value proposition.

We are sector leaders in South Africa, evidenced by our status as the top self storage operator by lettable area, number of properties, number of tenants and value, and exceptional geographic representation. The acquisition of the five-property Flexi Store portfolio consolidated our position as the sixth largest self storage brand in the UK. We also launched a third-party management platform and entered into a Heads of Terms to form a new development-focused joint venture ("JV") that will support further expansion in the region.

OUR PERFORMANCE

Our total shareholder distribution of R452.5 million translated into a dividend per share of 112.05 cents. This represents 5.03% growth compared to 106.68 cents in the prior period. Distribution growth was driven by like-for-like growth in rental income and net property operating income of 29.7% and 34.1% respectively.

The group's solid trading performance reflects the highly defensive and resilient nature of our business model and the excellent quality of our underlying property portfolio. This is evidenced by the growing level of enquiries we continue to generate and receive in South Africa and the UK.

Our unrelenting focus on maintaining a healthy, conservatively geared and hedged balance sheet remains a priority for the group. Our LTV of 30.1% at year end is comfortably within our 25-35% target range. Post year end in May 2020 we raised R250 million of new equity via an accelerated bookbuild, reflecting continued investor confidence in the group's performance.

COVID-19

IMPACT ON STOR-AGE

The provision of storage or "mini-logistics" forms an essential part of the logistics network. In South Africa, our properties remained accessible throughout the lockdown for tenants either storing essential goods or providing essential services as defined by the government regulations. Our properties in the UK remained open for business but under strict conditions. In both markets we swiftly ensured the implementation of necessary protocols and procedures, and our accessible properties were managed by one member of staff, in a retail store environment closed to the public, ensuring strict social distancing.

> "By enacting our business continuity plans prior to the lockdown, we ensured a seamless continuation of operations despite our head office teams in both markets working remotely."

Our primary responsibility was the safety, health and well-being of our staff and customers. We immediately increased our focus on hygiene and cleanliness across our property portfolio and ensured all necessary safety protocols were put in place. As our properties are not crowded environments and are typically low-intensity in their use relative to other real estate types, social distancing could be practiced with little effort.

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

Stor-Age entered the current downcycle from a position of strength. We have a conservative balance sheet, with our LTV at 30.1% and a strong liquidity position with approximately R246 million in cash and R654 million of undrawn credit facilities (prior to the R250 million capital raise in May 2020).

In the two-month period to the end of May, overall occupancy in South Africa decreased by 300 m² (representing less than 0.1% of GLA). In the UK, occupancy decreased by 800 m² (representing less than 1.0% of GLA).

Approximately 70% and 95% of South African and UK tenants respectively are on direct debit or equivalent.

At year end, our portfolios benefited from mature occupancy levels of 85.0% and 78.8% in South Africa and the UK respectively. With 34 700 tenants in total, we also benefit from having significantly less tenant concentration risk than many of our REIT peers on the JSE.

SELF STORAGE SECTOR RESILIENCE

COVID-19 has created an unprecedented health and economic crisis. Unfortunately, this crisis arrived at a point in time when the South African economy had already been under significant pressure for a number of years. While the UK economy has suffered as a result of Brexit, direct fiscal stimulus and greater relative economic strength should allow it to better manage the associated fallout. As a result of the above, the general risk outlook is significantly elevated as there is no certainty regarding the exact impact and duration of the pandemic. Accordingly, we have adopted a conservative and prudent outlook and have planned for a challenging 12-month trading period ahead.

> "Whether the economy is growing or contracting, the life-changing events that drive demand for self storage continue to occur."

That said, Stor-Age and the self storage business model have a track record of resilience in constrained economic environments. While there is little doubt about the pending significant contraction in the economies in both South Africa and the UK, the primary drivers of demand for our product are positive and negative life-changing events and/or dislocation. Demand is further supported by fluctuating economic conditions. Our customers typically require the product either temporarily or permanently for various reasons throughout the economic cycle. This creates a market depth that contributes significantly towards the resilience of the self storage product.

> "In April, May and June 2020, we collected more than 93% and 98% of rental due in South Africa and the UK respectively."

Stor-Age is also well positioned to benefit in the medium to long-term from the rapid acceleration of change brought about by COVID-19. We anticipate that the incremental 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 incremental demand for our product in South Africa and the UK.

GROWING OUR PROPERTY PORTFOLIO

Stor-Age seeks investment opportunities where we can achieve strong market penetration, leverage and further benefit from our economies of scale, enjoy limited competition and produce high operating margins. Our property growth strategy is tempered with a commitment to high quality self storage assets. We believe that in focusing on assembling a portfolio at the quality end of the spectrum, we will not compromise the sustainability of our business by chasing short-term growth targets.

SOUTH AFRICA

We continue to identify promising investment opportunities to expand our South African property portfolio. This includes adding space to existing properties, acquiring trading self storage properties from third parties, and leveraging our proven in-house capability to develop new properties in high-profile, prime locations.

The Craighall development in Johannesburg, which Stor-Age acquired during the period, was completed below budget under the Certificate of Practical Completion ("CPC") structure[1] at a development cost of R109 million. On full fit-out the property will comprise over 6 500 m² of GLA.

[1] *Stor-Age entered into the CPC agreement with Stor-Age Property Holdings Proprietary Limited for the development of its self storage property in Craighall. The CPC structure reduces the development and lease-up risk for Stor-Age and provides an opportunity to develop high-profile properties in prime locations without diluting the group's distribution growth profile over the medium-term. In addition, the CPC is subject to strict independent and regulatory controls.*

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

UNITED KINGDOM

Looking towards the UK, Storage King offers scale and a high-quality property portfolio. It also offers a pipeline of opportunities and an attractive level of underlying earnings growth through rental rate and occupancy increases year-on-year.

Continuing to leverage the existing relationships of Storage King's management, we acquired the Flexi Store portfolio for a purchase consideration of £13.4 million in December 2019. The acquisition is in line with our stated growth and investment strategy and comprises a portfolio of five self storage properties in locations which complement the existing portfolio.

The portfolio, which traded under licence of the Storage King brand, will be managed under the existing operating infrastructure of the group. The acquisition increases the total number of owner operated Storage King properties to 21. It adds an additional 14 600 m^2 of GLA with a maximum lettable area of 17 650 m^2.

In September 2019, we launched 'Management 1^{st}' in the UK, a comprehensive third-party management solution offered to independent operators, developers and private equity owners. Management 1^{st} provides an attractive management option for smaller property owners. It further enables Storage King to leverage its existing operations infrastructure to earn additional revenue streams and expand the brand's reach, while providing a natural acquisitions pipeline over the medium to long-term.

CEO'S REPORT (continued)

> As true sector specialists, the ability to seamlessly transport our online capability across borders assists us in continuing to unlock value for shareholders and remains a significant strength regardless of where we operate.

In March 2020, we entered into a non-binding Heads of Terms with a UK-based specialist private equity group. Our ambition is to form a JV and develop a five to seven asset portfolio with a gross asset value of approximately £50 million. The JV will aim to develop high-profile properties, targeting London and the South East. Discussions and work to finalise the definitive binding documentation are ongoing.

Equity capital contributions to the JV are envisaged to be in the approximate ratio of 75:25, with Storage King contributing 25%. All newly developed properties will be managed by Storage King under the Management 1st offering. Storage King will also earn management fees for developing the assets and will have a pre-emptive right to acquire all newly developed assets once certain pre-defined operating criteria have been met.

We see significant opportunity to further grow and strengthen our UK business through acquisitions and new developments over the medium-term. Buoyed by the success of our underlying operations to date, the attractive levels of real growth in rentals despite Brexit, as well as our ability to identify, negotiate, close and integrate acquisitions, we anticipate that the growth in our UK portfolio will outstrip the growth in our South African portfolio over the medium-term.

TECHNOLOGY AS A BUSINESS ENABLER

At its core, self storage is a real estate business with an operational overlay that benefits from country specific scale and the relative strength of its brand. Despite this, it primarily remains a micro-market, micro-managed and localised business trading in a defined catchment area. As evidence of this, the 2020 Self Storage Association UK Annual Industry Report found that 56% and 71% of customers travel 15 minutes and 20 minutes or less respectively to their self storage property.

The lifeblood of a self storage business is enquiry generation, which was traditionally generated by how visible properties were to potential users. Visibility remains critical. However, a strong online presence, a contemporary web user-experience, and a highly effective multi-channel online customer acquisition and sales platform are as important in current times, if not

more so. Our in-house capability to identify new online customer acquisition opportunities, develop solutions, deploy to the live environment, measure and evaluate results at speed, and then repeat the cycle, is a key skill set.

With online enquiries representing more than 60% of all enquiries in our South African business and more than 80% in our UK business, online enquiry generation at the right price is a critical driver of success.

The complexity and cost of online sales is significant. While it is easy to talk about, developing, maintaining and continuously enhancing the skill set is costly and challenging. It is no longer sufficient to merely participate online. The capability to leverage the underlying prospect and tenant data, and continuously adapt rapidly, is critical.

Recognised by Google and Facebook as an accredited digital marketing agency, Stor-Age is a digitally engaged business, with digital solutions and processes throughout.

Our capability in this sphere is a skill set with a niche sector specific overlay that is seamlessly transportable across borders. It remains a significant strength regardless of where we operate. We continue to invest significant time and resources to ensure that we have the capability to respond and evolve as required, and this remains a strategic focus area going forward.

In line with our multi-year digital strategy, a significant focus during the year was the successful redevelopment of our South African-based back-end in the Microsoft Azure Cloud Platform. This not only improved security and the user experience, but also allows for deeper integration with our UK platforms. This covered the entire application lifecycle. We further enabled DevOps, a hosted service providing development and collaboration tools. We see this work as critical to enhancing our agility in the digital environment.

SUSTAINABILITY AS A BUSINESS ENABLER

We continue to reduce our carbon footprint. During the year we fitted an additional nine properties with solar photovoltaic installations and we plan to fit an additional six properties in the upcoming year. Stor-Age was the first South African self storage company to install solar technology for three-phase power generation. In total we now have 13 properties fitted with solar photovoltaic installations, with a total system size of 375 kW. During the year these properties generated approximately 614 000 kWh of solar energy and resulted in a reduction of approximately 510 tonnes of CO_2 emissions.

> “The benefit of a nine-person in-house digital marketing team is a key differentiator relative to all of our peers in South Africa and the majority of our peers in the UK.”

All of our South African properties are fitted with LED lighting internally and externally, and we harvest rainwater at 21 of our properties in South Africa.

Post year end, we introduced e-leases for tenant onboarding in South Africa and the UK. We anticipate that this will achieve an estimated reduction in paper utilisation of approximately 80% going forward.

OUR PEOPLE

Our strong performance during the year was in large part attributable to the efforts of our committed and hardworking employees. Our people remain pivotal to achieving our strategic objectives and we strive to ensure that we continue to recognise this internally.

In line with our core value of Excellence, we set our standards exceptionally high across the business. It remains critical that our employees are engaged and equipped with the competencies required to remain competitive. We place a strong focus on customer service and superior selling skills at point of sale to earn the trust of customers visiting our properties. We continue to work hard at remaining nimble and responsive, while balancing the need to introduce enhanced organisational frameworks and structures to support sustainable growth. Our distinct non-hierarchical structure with fully accessible management endeavours to continuously reward everyone for their contribution to our success.

In pursuit of Excellence, ongoing training, learning and development remain at the heart of our culture. We continue to invest in our in-house, bespoke learning and development programme, underpinned by a strategic focus on technology. We recorded more than 700 hours

CEO'S REPORT (continued)

of training across 61 separate modules on Edu-Space, our online Learner Management Platform in South Africa and the UK. We also continued to benefit from access to LinkedIn Learning during the year, an online, on-demand learning platform for senior managers and functional teams. Recognising the rapid growth of the business in recent years, a particular area of focus was the ongoing development of staff comprising our middle to senior management team. Accordingly, we hosted workshops during the year geared towards equipping them with enhanced skills to take their careers and the business forward sustainably. We also rolled out a revised online sales and customer service training course for all South African staff, as well as facilitated bi-annual senior management planning workshops for the South African and UK teams.

> "Our operating platform plays a critical role in driving performance and extracting value. It's an area of the business where the executives continue to dedicate significant time and resources."

Our people and our sophisticated, decentralised platform are two key drivers to our long-term success.

Our formal management committee (manco) structure introduced in 2019 continues to grow in influence. The manco met four times during the year to set annual priorities and quarterly action items, identify key performance indicators and delineate appropriate channels of accountability. Ultimately, this drives alignment and productivity across the business.

OUTLOOK AND THANKS

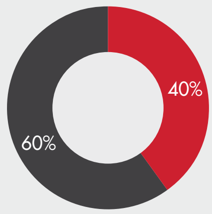
On behalf of the executives, I would like to take this opportunity to express my sincere gratitude to Paul Theodosiou, the previous chairman of our board, who retired from Stor-Age at the end of December 2019. As our inaugural chairman, over and above the value contributed from his vast commercial and listed property experience, Paul played an instrumental role in seeding the enduring foundations on which our board is built, as well as in displaying exemplary levels of leadership.

PORTFOLIO ANALYSIS

• South Africa • UK

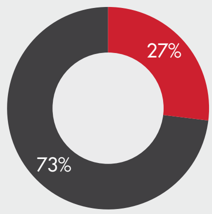
Total property value

VALUE OF PROPERTY (R7.0 billion)



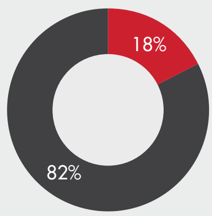
Total number of tenants

NUMBER OF TENANTS (34 700)



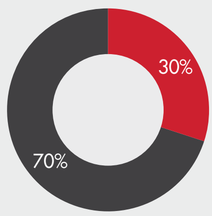
Total GLA

GLA (448 200 m²)



Total number of properties

NUMBER OF PROPERTIES (71)



I would also like to welcome Graham Blackshaw as our new chairman and wish him well for the future. At the same time, I would like to thank Graham and the rest of the board members for their continuing support, wisdom, guidance and ongoing advice during the period.

COVID-19 rapidly ushered in a period of significant economic contraction globally, including in South Africa and the UK, as well as extremely high levels of uncertainty. While we are no doubt only at the beginning of the pandemic and its associated impact, we take great confidence in Stor-Age's resilience displayed to date.

As a result of the conservative, strategic and disciplined management of Stor-Age, we are fortunate to have entered the current downcycle from a position of strength. Stor-Age remains a world-class self storage business and a dynamic sector specialist, with the benefit of a core product which has traditionally been highly resilient in challenging trading conditions and a conservatively geared and interest-rate hedged balance sheet.

Stor-Age remains well placed to withstand the tough economic headwinds, as well as global macro-economic volatility.

Gavin Lucas
CEO

22 June 2020

"While we are no doubt only at the beginning of the pandemic and its associated impact, we take great confidence in Stor-Age's resilience displayed to date."

FINANCIAL REVIEW

Stor-Age's continued strong results for the year reflect a resilient trading performance against the backdrop of challenging macro conditions in South Africa, 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.

INTRODUCTION

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.

PORTFOLIO REVIEW

	31 March 2020			31 March 2019		
	GLA m²	Occupied m²	% occupied	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

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

Closing occupancy increased by 1.0% to 85.0%, with occupied space increasing by 9 800 m² 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 7 400 m². The occupancy of Craighall at year end was 2 400 m² (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 12 000 m² we had anticipated to achieve.

The UK portfolio closed at 82 800 m² GLA (2019: 66 100 m²), up 16 700 m² 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 800 m² 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 South Africa, with occupancy peaking in the spring and summer months. Similar to South Africa, 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 2 500 m².

TENANT PROFILE

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

	31 March 2020		31 March 2019	
	SA	UK	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

FINANCIAL REVIEW (continued)

FINANCIAL RESULTS

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

	31 March 2020			31 March 2019			% variance		
	SA Rm	UK Rm	Total Rm	SA Rm	UK Rm	Total Rm	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.

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

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 90.

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) South African 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%. Average occupancy and rental rate increased 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 South Africa, 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 South Africa 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.

Other revenue of R4.7 million (2019: R11.1 million) comprises property and other management fees in South African 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 South Africa, 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 South African-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. 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 South Africa 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.

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)[1]	**22.5%**	**40.7%**	**40.7%**	**30.1%**

[1] *LTV ratio is defined as the ratio of net debt as a percentage of gross investment property.*

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 (excluding a three month rolling note of R160 million which is refinanced quarterly).

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.

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

SA

Expiry period	Facility Rm	Drawn Rm	Undrawn Rm	% of facility drawn
FY21	**160.0**	**160.0**	**–**	**100.0%**
FY22	**745.0**	**672.3**	**72.7**	**90.2%**
FY23	**150.0**	**–**	**150.0**	**–%**
FY24	**650.0**	**298.3**	**351.7**	**45.9%**
Total	**1 705.0**	**1 130.6**	**574.4**	**66.3%**

FY21 is a three-month rolling note which is refinanced quarterly.

UK

Expiry period	Facility £m	Drawn £m	Undrawn £m	% of facility drawn
FY22	**8.0**	**5.7**	**2.3**	**71.3%**
FY25	**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.

FINANCIAL REVIEW (continued)

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

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 South Africa 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**

INVESTMENT PROPERTY

The fair value of our investment properties increased by 13.3% to R7.074 billion (2019: R6.242 billion).

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 South African 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.

FINANCIAL REVIEW (continued)

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 6 500 m² GLA.

In December 2019, the acquisition was completed of the five-property Flexi Store portfolio (16 700 m² 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.

PIPELINE

Total committed pipeline subject to town planning consent c.53 000 m²+.

Site	Location	City	Status	Anticipated GLA (m²)
Tygervalley	Highly visible location on Durban Road just off the N1 highway	Cape Town	Under construction	7 100
Sunningdale	Highly visible location on the corner of Berkshire Boulevard and Whitehall Way	Cape Town	Under construction	6 350
Cresta	Prominent location on the corner of Weltevreden Road and Valley Lane – opposite Cresta Shopping Mall	Johannesburg	Under construction	7 400
De Waterkant	Prominent location on corner of Rose and Waterkant Streets	Cape Town	Town planning approved, development planning underway	6 600
Bryanston	Highly visible location alongside the Virgin Active Gym at the Grosvenor Crossing	Johannesburg	Town planning approved, development planning underway	4 800
Hillcrest	Prominent location on the corner of Main and Kassier Roads	Durban	DBN Town planning approved, development planning underway	7 400
Johannesburg 1	To be announced	Johannesburg	JHB Town planning approved, development planning underway	7 500
Johannesburg 2	To be announced	Johannesburg	Secured and town planning under negotiation	6 000

DEVELOPMENT PIPELINE

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 receiving and dispatch 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 South Africa'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.