STOR-AGE PROPERTY REIT LIMITED

CONDENSED UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 30 September 2019

INTERIM DIVIDEND UP 7.0% TO 54.89 CENTS PER SHARE

- Rental income and net property income up 40.8% and 49.4%
- Like-for-like rental income up 7.0% (SA) and 3.0% (UK)
- SA closing rental rate up 9.3%
- Closing total occupancy of 83.8% (record closing level in UK of 84.2%)
- Investment property value up 47.0% to R6.2billion
- Total GLA up 103 800m² to 429 400m²
- Gearing of 27.3%
  93.2% hedged on a net debt basis
- First-time inclusion in JSE SA Listed Property Index
- Attractive pipeline of new developments — 8 properties secured in SA, estimated 53 000m² + GLA
- JV with Garden Cities for development of new property in Sunningdale, Cape Town
- New flagship property announced in Cape Town CBD — De Waterkant
- Craighall development completed and trading strongly
- Terms agreed for acquisition of Flexi Store post period-end — 5 property portfolio in UK

Stor-Age Property REIT Limited
Registration number: 2015/168454/06
Approved as a REIT by the JSE
Share code: SSS ISIN: ZAE000208963
("Stor-Age" or "the group" or "the Company")

COMMENTARY

INTRODUCTION

Stor-Age continued its uninterrupted growth trajectory since listing with a 7.0% increase in dividend per share for the six months to September 2019 ("the period"). In a challenging macro and trading environment in both SA and the UK, Stor-Age continues to outperform, reflecting the resilient nature of our portfolio and specialist sector skill.

Intense operational focus and discipline at a property level proved successful in extracting occupancy and revenue growth. Our hands-on management approach across both markets remains critical to delivering outperformance. The SA portfolio continued to record solid occupancy gains and rental rate growth despite increasing pressure on consumers and a stagnating economy. In the UK occupancies reached a record closing level of 84.2%, with the two recent acquisitions in March 2019 fully integrated and performing as anticipated.

Our balance sheet position remains strong. Gearing of 27.3% provides us with the headroom to pursue development and acquisition opportunities as they arise. We remain highly disciplined and focused in the execution of our strategy including capital allocation.

We continue to enhance our operating platform, focusing on technology and innovation in our revenue management systems, digital marketing, automation efficiencies and data analytics to drive customer acquisition, grow earnings and consistently deliver a premium customer experience.

GROUP SNAPSHOT

Stor-Age is the largest and most recognisable self storage property fund and brand in South Africa. The portfolio comprises 66 self storage properties across both SA (50) and the UK (16). The SA portfolio is valued at R4.2 billion and the UK portfolio – under the brand Storage King – at R2.0 billion. In the UK a further 12 properties trade under the licence of the Storage King brand and generate licence and management fee revenue. In total this represents 28 properties trading under the Storage King brand. On completion of the Flexi Store Self Storage Limited ("Flexi Store") acquisition (see Events After the Reporting Date), the portfolio will comprise 71 self storage properties with a value of R6.4 billion.

OPERATIONAL REVIEW

- Total portfolio occupancy up 89 100m² (SA 79 700m²; UK 9 400m²)
- Closing occupancy of 83.7% (SA); 84.2% (UK)
- Closing rental rate of R102.3/m², up 9.3% (SA); £21.68/sqf[1], up 1.0% (UK)

Occupancy profile

	30 September 2019			30 September 2018		
	GLA m²	Occupied m²	Occupied %	GLA m²	Occupied m²	Occupied %
SA	363 100	303 900	83.7	268 400	224 200	83.5
UK	66 300	55 800	84.2	57 200	46 400	81.2
Total	429 400	359 700	83.8	325 600	270 600	83.1

SA – South Africa
m² – square metres
UK – United Kingdom
sqf – square foot
Managed Portfolio – a portfolio of 12 properties previously managed and operated by Stor-Age, now owned by Stor-Age
EU – European Union
CPC – Certificate of Practical Completion
GLA – gross lettable area
LTV – loan to value
Like-for-like – refers to properties trading for the full six months in the current and comparative reporting period

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

COMMENTARY (continued)

SA

The SA portfolio closed at 363 100m² GLA (2018: 268 400m²), up by 94 700m² year-on-year due to the acquisition of the Managed Portfolio (87 200m²) in October 2018, the opening of Craighall (3 100m²) in August 2019, and expansion at existing properties (4 400m²).

Like-for-like occupancy growth was 3 100m², a pleasing result in a harsh economic and trading landscape. The Managed Portfolio delivered exceptionally strong growth with occupancy increasing by 6 300m² to close at 83.1%. In August 2019 we commenced trading at Craighall, our second new property developed under the CPC structure. In the six weeks since opening to the period-end, occupancy grew by 1 100m². Bryanston, which began trading in September 2018, continued its robust growth and reported an increase in occupancy of 3 100m², to bring its total occupancy growth since opening to 3 800m². This represents a 62.5% occupancy level on the full GLA fit-out of 6 100m² in just over 12 months. The strong trading activity affirms our strategy to place a quality product in a premium location within an under-supplied market.

UK

The UK portfolio closed at 66 300m² GLA (2018: 57 200m²), up 9 100m² year-on-year as a result mainly of the acquisitions of Viking Self Storage ("Viking") and The Storage Pod ("Pod") in March 2019. Closing occupancy increased by 3.0% to 84.2%, driven by an increase of 2 200m² in like-for-like occupancy and the positive impact of the acquisitions (7 200m²).

The UK self storage industry experiences a more marked degree of seasonality than locally, with occupancy peaking in the spring and summer months. Although we anticipate some occupancy loss to come through in the winter months ahead, the growth in the first half of the financial year has laid a firm foundation for the full year performance and reflects the success of the UK-based management team – supported by the broader SA business – in managing and growing the portfolio since acquisition by Stor-Age in November 2017.

Launch of Management 1st

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

With large operators owning only an estimated 30%[2] of self storage properties in the UK, the significant majority of properties are owned by a multitude of smaller operators. Without the benefits of scale, smaller operators are finding it increasingly difficult to compete with the larger brands, in particular regarding their ability to generate online enquiries in a sophisticated and competitive digital marketing space.

Management 1st includes managing staff, budgets, billing, collections, revenue management, digital marketing, insurance and maintenance, with the aim of enhancing the customer experience and maximising the performance of the property.

While Management 1st provides an attractive management option for smaller property owners, it provides Storage King with an avenue to leverage its existing operations infrastructure, earn additional revenue streams and expand the brand's reach, while at the same time allowing for the assembly of a natural property growth pipeline over the medium to long term.

Tenant profile

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

	30 September 2019		30 September 2018	
	SA	UK	SA	UK
Number of tenants	24 800	8 300	23 500	8 000
Average length of stay – months (existing tenants)	22.3	25.1	21.7	23.4
Average length of stay – months (tenants vacating during the period)	14.1	8.3	13.7	9.2

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

FINANCIAL RESULTS

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

	30 September 2019			30 September 2018			% variance		
	SA R'000	UK R'000	Total R'000	SA R'000	UK R'000	Total R'000	SA	UK	Total
Property revenue	213 414	117 442	330 856	134 986	93 847	228 833	58.1	25.1	44.6
Rental income[3]	186 828	105 897	292 725	125 812	84 011	209 823	48.5	26.1	39.5
Rental underpin	6 306	–	6 306	4 300	–	4 300	46.7	–	46.7
Rental guarantee	13 193	–	13 193	–	–	–	–	–	–
Ancillary income	6 281	9 946	16 227	3 803	7 992	11 795	65.2	24.4	37.6
Sundry income	806	1 599	2 405	1 071	1 844	2 915	(24.7)	(13.3)	(17.5)
Impairment losses	(1 827)	(204)	(2 031)	(861)	(891)	(1 752)	(112.2)	77.1	(15.9)
Direct operating costs	(45 357)	(35 670)	(81 027)	(32 188)	(29 003)	(61 191)	(40.9)	(23.0)	(32.4)
Net property operating income	166 230	81 568	247 798	101 937	63 953	165 890	63.1	27.5	49.4

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 29.

In the condensed statement of profit or loss and other comprehensive income on page 15, the rental underpin is included in rental income and the rental guarantee is included in other income.

Total property revenue increased by 44.6% to R330.9 million (2018: R228.8 million) including the impact of acquisitions and organic growth.

Rental income for the year was R292.7 million (2018: R209.8 million), a 39.5%[4] increase.

On a like-for-like basis (excluding the acquisitions in the 2018 and 2019 financial years) SA rental income increased by 7.0%, driven by a 1.5% increase in average occupancy levels and a 5.5% increase in the average rental rate. The period was characterised by a strong focus on growing and retaining occupancy levels. Rental rate growth is slightly lower than previous periods, although still above the current CPI, and is a satisfactory result in the context of the SA economic environment.

Total occupancy in the SA portfolio grew by 79 700m² year-on-year. Excluding the impact of acquisitions, occupancy growth in the SA portfolio was 3 100m². The closing rental rate was up 9.3% year-on-year.

The UK portfolio delivered a robust operational performance with like-for-like rental income (excluding the acquisitions of Viking and Pod) increasing by 3.0%. This growth was driven predominantly by occupancy growth. Total occupancy grew by 9 400m² year-on-year, made up of like-for-like occupancy growth of 2 200m² and acquisitions of 7 200m². The closing rental rate was up 1.0% year-on-year.

The rental guarantee of R13.2 million relates to the acquisition of the Managed Portfolio and the rental underpin of R6.3 million relates to the CPC developments (Bryanston and Craighall). Both the rental guarantee and rental underpin, provided by the sellers of the properties, effectively provides income protection to Stor-Age as the properties lease up to mature occupancy levels. At 30 September 2019, R21.3 million (Managed Portfolio) and R22.2 million (CPC developments) was still available to be utilised in future periods.

---

3 *Before rental guarantee and rental underpin.*
4 *Based on information disclosed in table above.*

COMMENTARY (continued)

Ancillary income of R16.2 million (2018: R11.8 million) reflects the positive contribution of acquisitions and organic growth. Although ancillary income is a relatively small proportion of total revenue, each component makes a meaningful contribution to earnings with little capital investment. In SA, ancillary income increased by 10.4% on a like-for-like basis, driven mainly by improved volumes of merchandise sales and late fees charged to debtors. In the UK, ancillary income was broadly flat year-on-year and is an area of focus to improve its overall contribution to earnings.

Other revenue of R3.1 million (2018: R9.0 million) comprises property management fees in SA charged on sectional title units owned by third parties, 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.

The increase in direct operating costs to R81.0 million (2018: R59.9 million) reflects the impact of acquisitions. On a like-for-like basis, direct operating costs increased by 6.9% and 2.6% in SA and the UK (in GBP terms), respectively.

Administration expenses amounted to R27.1 million (2018: R28.1 million). Excluding the impact of foreign exchange movements and non-recurring items, administrative costs were broadly in line with the prior period.

Interest income of R26.7 million (2018: R22.1 million) comprises interest received on the share purchase scheme loans (2019: R7.2 million; 2018: R6.6 million); cross-currency interest rate swaps (2019: R15.5 million; 2018: R14.4 million) and call and money market accounts (2019: R4.0 million; 2018: R1.1 million).

Interest expense of R49.7 million (2018: R22.0 million) comprises mainly interest on bank borrowings. The increase is due to higher levels of debt in SA and the UK relating to acquisitions (Managed Portfolio, Viking, Pod, Bryanston and Craighall), expansion and capex incurred at existing properties, and the development pipeline in SA. Further details of bank borrowings are set out in Capital Structure below.

CAPITAL STRUCTURE

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to enable the group to expand the portfolio and achieve our strategic growth objectives. 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 on a tax efficient basis.

Details of the group's borrowing facilities at 30 September 2019 are set out below:

	30 September 2019		
	SA Rmillion	UK Rmillion	Total Rmillion
Total debt facilities	1 645.0	969.6	2 614.6
Undrawn debt facilities	424.5	153.3	577.8
Gross debt	1 220.5	816.4	2 036.9
Gross debt net of cash held in debt facilities	916.9	816.4	1 733.3
Net debt	894.5	785.5	1 680.0
Investment property	4 148.0	2 018.2	6 166.2
Subject to fixed rates	830.0	735.6	1 565.6
% hedged on:			
– Gross debt	68.0%	90.1%	76.9%
– Gross debt net of cash held in debt facilities	90.5%	90.1%	90.3%
– Net debt	92.8%	93.6%	93.2%
Effective interest rate	8.97%	3.78%	6.52%
Gearing (LTV ratio)[5]	21.6%	38.9%	27.3%

[5] *LTV ratio is defined as the ratio of net debt as a percentage of gross investment property of R6.390 billion less lease obligations relating to leasehold investment property of R223.8 million.*

COMMENTARY (continued)

At 30 September 2019 the group had SA loan facilities of R1.645 billion. The respective maturities of the various facilities range from October 2019 to November 2021, with a weighted average maturity of 1.59 years. R1.125 billion of the facilities accrues interest at an average rate of 1.40% below prime and the remaining R520 million accrues interest at JIBAR plus 1.66%. Post period-end, two facilities (R300 million in total) were extended at JIBAR plus 1.78% with a 48-month term, increasing the weighted average maturity of our SA loan facilities to 2.24 years.

The UK loan facility is £52.0 million (R969.6 million) with an expiry date of November 2024 and is priced at LIBOR plus 2.75%. The interest rate risk on the loan is hedged at approximately 90.0% of the gross debt, in line with underlying LIBOR fixed at 1.05%. During the period, we restructured certain interest rate swaps taking advantage of the favourable impact on forward rates as a result of uncertainty surrounding Brexit. This resulted in a reduction of the effective interest rate from 3.89% at 31 March 2019 to 3.78% at period-end.

We also restructured certain interest rate hedges on our SA loan facilities during the period. The restructuring, together with the expiry of certain hedges and the 25 basis points reduction in the repo rate in July 2019, reduced the effective interest rate on our SA loan facilities from 9.15% at 31 March 2019 to 8.97% at period-end.

At 30 September 2019, Stor-Age's total gross borrowings amounted to R2.037 billion (31 March 2019: R2.040 billion) with 76.9% (31 March 2019: 79.6%) subject to fixed rates, and total undrawn borrowing facilities of R577.8 million (31 March 2019: R585.6 million).

On a net debt basis, 93.2% of borrowings were subject to fixed rates (31 March 2019: over 100.0%). Net debt stood at R1.680 billion at 30 September 2019 (31 March 2019: R1.483 billion) with a gearing ratio (LTV) of 27.3% (31 March 2019: 24.6%). At 30 September 2019, R577 million of our investment property portfolio was unencumbered (31 March 2019: R515 million).

The effective interest rate at 30 September 2019 was 6.52% (31 March 2019: 6.67%).

Net asset value per share (net of non-controlling interest) was R11.73 (30 September 2018: R11.71) and net tangible asset value per share (net of non-controlling interest) was R11.37 (30 September 2018: R11.23).

CROSS-CURRENCY INTEREST RATES SWAPS ("CCIRS") AND HEDGING OF GBP EARNINGS

The acquisition of Storage King in November 2017 was financed through a combination of SA equity capital and GBP-denominated debt. The group also makes use of CCIRS as part of its treasury management policy to create a synthetic matching of GBP funding in relation to GBP-denominated assets at optimal levels. The CCIRS create an effective hedge of the net investment in our offshore operations from foreign currency fluctuations.

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

	30 September 2019 £'000	31 March 2019 £'000	30 September 2018 £'000
Investment property	108 305	107 558	83 281
Bank debt	(43 782)	(43 782)	(24 250)
Other net assets	777	1 594	3 138
Net investment	65 300	65 370	62 169
Notional value of CCIRS	25 000	25 000	25 000
CCIRS as a % of investment property	23.1%	23.2%	30.0%
Effective hedge of net investment	38.3%	38.2%	40.2%
Effective hedge of total assets	63.1%	63.0%	57.0%

COMMENTARY (continued)

At 30 September 2019 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 38.3% (31 March 2019: 38.2%) of the net investment in Storage King.

The group's GBP-denominated debt of £43.8 million (31 March 2019: £43.8 million), together with the notional value of the CCIRS, equates to an effective hedge of 63.1% (31 March 2019: 63.0%) of GBP-denominated assets.

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

- 12 month forecast – a minimum cover of 80%
- 13–24 month forecast – a minimum cover of 75%
- 25–36 month forecast – a minimum cover of 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/£
Sep-19	100	22.68
Mar-20	100	22.85
Sep-20	100	23.02
Mar-21	100	23.19
Sep-21	90	23.37
Mar-22	75	23.54
Sep-22	75	24.15

INVESTMENT PROPERTY

The fair value of our investment properties, net of lease obligations relating to leasehold investment property, increased by 47.0% to R6.2 billion (2018: R4.2 billion). The majority of this growth relates to the acquisitions and fair value accretion. Investment properties are valued by the Company's board of directors (the "Board") at each reporting period 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.

For year end reporting purposes, 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.

COMMENTARY (continued)

ACQUISITIONS AND DEVELOPMENTS

Craighall

In August 2019 the new Craighall property, developed by Stor-Age Property Holdings Proprietary Limited under the CPC structure, was completed. The estimated final cost for the completed development once the full fit-out is completed is R113.5 million, resulting in a total estimated saving to Stor-Age of R3.0 million compared to the original budget of R116.5 million. On full fit-out the property will comprise 6 650m^2 GLA.

Development pipeline

Tygervalley

Located in Cape Town's northern suburbs, the property is situated on Durban Road with visibility to the intersection of Durban Road and the N1 highway.

The property will comprise 7 100m^2 of GLA over six levels with the design catering for a separate receipting and despatch area to accommodate a growing demand from our commercial user segment. The total project costs are approximately R88 million.

Cresta

The property is well located on the corner of Weltevreden Road and Valley Lane, directly opposite the open parking area to the Cresta Shopping Mall.

The property will comprise 7 400m^2 of GLA over six levels with the design also catering for separate receipting and despatch areas for commercial customers. The total project costs are approximately R102 million.

De Waterkant

In December 2018 Stor-Age acquired the property situated at 2 Rose Street in the Cape Town CBD for a purchase consideration of R45 million.

A rezoning application had been submitted to the local authorities in November 2018 to amend the zoning to allow for self storage. The City of Cape Town's Municipal Planning Tribunal has approved the rezoning of the property to Mixed Use which allows for self storage as a land use, subject to a final appeal process which is scheduled to conclude before the end of November 2019.

Located prominently on the corner of Rose and Waterkant Streets in the Cape Town CBD and in close proximity to the V&A Waterfront, the property is well located to service the residents and businesses of the Cape Town CBD, the V&A Waterfront, De Waterkant, Bo Kaap, Tamboerskloof and the Atlantic Seaboard suburbs of Green Point, Sea Point, Fresnaye, Bantry Bay, Clifton and Camps Bay.

Anticipated to become one of the portfolio's most high profile and valued assets, the property will comprise up to 6 600m^2 GLA over 14 levels, with excellent visibility to commuters travelling both into and out of the Cape Town CBD on Buitengracht Street.

The development will complement our existing Gardens property in Roeland Street at the top of the Cape Town CBD, and our Sea Point property in Regent Street, providing Stor-Age with a presence in three excellent locations in the heart of some of SA's most densely populated and sought-after areas.

COMMENTARY (continued)

Sunningdale

On 30 September 2019 Stor-Age entered into a joint venture agreement with Garden Cities to develop a new self storage property in Sunningdale. Located on the Western Seaboard approximately 30 kilometres from the city of Cape Town, Sunningdale is a successful and sought-after Garden Cities suburban development.

Located prominently on the corner of Berkshire Boulevard and Whitehall Way and close to the new Table Bay Mall, it will comprise 6 350m^2 GLA with excellent visibility to commuters accessing the retail and residential nodes of Parklands and Sunningdale. The property will also trade into the nearby suburbs of Bloubergstrand, Blouberg Rise, Big Bay and West Beach.

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 estimated R67 million development and will also earn development fees prior to opening, and ongoing property management fees once the property commences trading.

Capital commitments

At the date of this announcement, our future uncontracted capital commitments over the next 12 – 18 months are anticipated to be approximately R250 – R300 million (excluding the purchase of Flexi Store).

EVENTS AFTER THE REPORTING DATE

As previously announced Stor-Age, through its subsidiary, Betterstore Self Storage Properties 1 Limited ("Betterstore"), has agreed terms on which Betterstore will acquire 100% of the issued share capital of Flexi Store for an initial purchase consideration of £13.4 million ("Purchase Price"). The transaction is subject only to formal exchange and completion of transaction documentation and the satisfaction of prescribed banking conditions under the group's existing facilities.

The acquisition comprises a portfolio of five self storage properties in locations which complement the existing portfolio. The portfolio, which has been trading under licence of the Storage King brand, will now also be managed under the existing operating infrastructure of the group.

The acquisition increases the total number of owner operated Storage King properties to 21, adding an additional 157 000 sqf (14 600m^2) GLA with a maximum lettable area 190 500 sqf (17 700m^2).

The Board is not aware of any other events to date, other than disclosed in this report, that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

OUTLOOK

The SA economy remains severely constrained in a low growth environment with little prospect of improvement in the short to medium term. The UK continues to face a protracted period of uncertainty as the impasse on the terms of Brexit continues. Notwithstanding these challenges, we remain confident that our specialist sector skills and focus, and our defensive business model, will continue to deliver earnings growth going forward.

The Board has revised its full year guidance of distribution growth to 31 March 2020 to 7% – 8% higher than the prior year (previously 7% – 9%).

This guidance is based on the assumptions that there is no further deterioration in the macroeconomic environment, demand for self storage remains at its current level, electricity supply remains stable and that we will be able to absorb the rising utility costs and municipal rates charges. This guidance is the sole responsibility of the Board and has 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 cash dividend (number 8) of 54.89 cents per share for the six months ended 30 September 2019 ("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 Tuesday, 19 November 2019.

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 central securities depository participant ("CSDP") or broker with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker.

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

DIVIDEND DECLARATION DETAILS (continued)

Salient dates and times	2019
Record date for Shareholders to be registered in the Company's Securities Register in order to be entitled to receive the Circular	Friday, 8 November
Circular and Form of Election posted to Shareholders and announced on SENS	Tuesday, 19 November
Finalisation announcement of Share Alternative issue price released on SENS ("Finalisation Announcement")	Tuesday, 26 November
Finalisation Announcement published in the press	Wednesday, 27 November
Last day to trade ("LDT") cum-dividend and Share Alternative	Tuesday, 3 December
Shares to trade ex-dividend	Wednesday, 4 December
Listing of maximum possible Share Alternative Shares commences on the JSE at 09:00	Friday, 6 December
Last day to elect to receive the Share Alternative (no late Forms of Election will be accepted) at 12:00	Friday, 6 December
Record date to determine which Shareholders may participate in the Share Alternative ("Record Date")	Friday, 6 December
Announcement of results of the Share Alternative on SENS	Monday, 9 December
Cheques posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders who do not elect to receive the Share Alternative	Monday, 9 December
Share certificates posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders who have elected the Share Alternative	Wednesday, 11 December
Adjustment to number of Shares listed on or about	Friday, 13 December

Notes:

- All times are South African times. The above dates and times are subject to change and any change will be advised on SENS and in the press.
- **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, 4 December 2019 and the close of trade on Friday, 6 December 2019 (both days inclusive).

FRACTIONS

Fractions of Shares are not capable of being traded on the JSE. Accordingly, where a Shareholder's entitlement to Shares in relation to the Share Alternative as calculated in accordance with the Reinvestment Price gives rise to a fraction of a new Share, such fraction will be rounded down to the nearest whole number in accordance with the JSE Listings Requirements and a cash payment will be made for the fraction.

TAX IMPLICATIONS

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

DIVIDEND DECLARATION DETAILS (continued)

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 tax resident Shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the Company, in respect of certificated shares:

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

b) a written undertaking to inform the CSDP, broker or the Company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Non-resident Shareholders

Dividends received by non-resident Shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the Shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident Shareholders is 43.912 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 forms to its 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 its CSDP, broker or the Company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

The Company's tax reference number is: 9027205245

Non participating shares

An agreement was entered into between the Company, Castle Rock Investments Proprietary Limited and the HJS Trust, in terms of which Stor-Age acquired all the assets owned by Stor-Age Self Storage Proprietary Limited in terms of section 44 of the Income Tax Act ("the Agreement") in consideration for the allotment of 10 000 000 ordinary shares in the Company ("Consideration Shares"), comprising 2.54% (31 March 2019: 2.54%) of the issued share capital, and the distribution of those shares to Castle Rock Investments Proprietary Limited and the HJS Trust as a dividend.

DIVIDEND DECLARATION DETAILS (continued)

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

	% of the Consideration Shares entitled to participate in the distribution of the Distributable Profits
16 November 2015 to 31 March 2016	0%
1 April 2016 to 31 March 2017	0%
1 April 2017 to 31 March 2018	25%
1 April 2018 to 31 March 2019	50%
1 April 2019 to 31 March 2020	75%
1 April 2020 onwards	100%

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

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

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

Distributable Profits (note 1) (R000's)	**214 348**
Number of shares entitled to the dividend ('000)	**390 505**
Number of shares in issue as at the date of this announcement ('000)	**393 005**
Consideration Shares not entitled to the dividend ('000) (note 2)	**2 500**
Dividend per share (cents per share)	**54.89**

Notes:

1. Stor-Age did not undertake any disposals of any properties during the year ended 31 March 2019 and all of the distributable income of Stor-Age was earned in the ordinary course of business.
2. Excludes 2 500 000 Stor-Age shares, being all of the Consideration Shares that are excluded from participating in the Distributable Profits.
3. At the date of announcement, Stor-Age had 393 005 377 ordinary shares in issue.

On behalf of the Board

PA Theodosiou
Chairman

GM Lucas
CEO

Cape Town
19 November 2019

BASIS OF PREPARATION

The condensed unaudited consolidated interim results are presented in South African Rand and all values are rounded to the nearest thousand ("R'000") except when otherwise indicated.

The condensed unaudited consolidated interim results for the six months ended 30 September 2019 are prepared in accordance with the JSE Listings Requirements for provisional 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. The accounting policies in the preparation of these condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the most recent annual consolidated financial statements except for the adoption of IFRS 16 Leases and new accounting standards and interpretations effective as of 1 January 2019. The impact of the adoption of IFRS 16 Leases is disclosed in a separate note and the comparative information has not been restated for its effect.

Any information included in this announcement that might be perceived as a forward looking statement has not been reviewed or reported on by the Company's auditors in accordance with section 8.40(a) of the JSE Listings Requirements.

The condensed unaudited consolidated interim results were prepared under the supervision of the Financial Director, Stephen Lucas CA(SA).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
Assets			
Non-current assets	6 787 021	4 846 385	6 644 781
Investment properties	6 389 994	4 387 277	6 242 413
Property and equipment	12 657	5 407	8 793
Stor-Age share purchase scheme loans	181 791	184 172	184 739
Goodwill and intangible assets	142 002	148 611	140 842
Other receivables	–	–	9 929
Unlisted investment	4 531	–	4 600
Deferred taxation	15 074	21 244	18 829
Derivative financial assets	40 972	99 674	34 636
Current assets	166 723	116 317	384 085
Trade and other receivables	106 562	62 912	119 273
Inventories	6 881	3 141	5 239
Cash and cash equivalents	53 280	50 264	259 573
Total assets	6 953 744	4 962 702	7 028 866
Equity and liabilities			
Total equity	4 637 295	3 643 587	4 624 751
Stated capital	4 293 122	3 257 766	4 292 941
Non-distributable reserve	538 449	490 046	490 839
Accumulated loss	(228 274)	(137 375)	(206 533)
Foreign currency translation reserve	4 318	3 457	19 149
Share-based payment reserve	2 643	–	190
Total attributable equity to shareholders	4 610 258	3 613 894	4 596 586
Non-controlling interest	27 037	29 693	28 165
Non-current liabilities	1 726 686	956 218	1 706 902
Bank borrowings	1 482 698	769 028	1 493 450
Derivative financial liabilities	38 612	1 143	21 298
Lease obligations	205 376	186 047	192 154
Current liabilities	589 763	362 897	697 213
Bank borrowings	250 617	18 428	248 861
Trade and other payables	100 177	148 658	206 062
Provisions	1 720	15 535	6 266
Lease obligations	22 901	7 452	21 157
Dividends payable	214 348	172 824	214 867
Total equity and liabilities	6 953 744	4 962 702	7 028 866

At 30 September 2019 the group's current liabilities exceed its current assets by R423 million. Excluding tenant security deposits (R18.3 million), the dividend payable (R214 million) and taking into account the refinancing of two loan facilities (R300 million – see commentary on page 5) and surplus cash of R303 million held in debt facility, current assets exceed current liabilities. The Board is satisfied that the group has sufficient facilities to meet the foreseeable cash requirements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 30 September 2019

	Unaudited 6 months 30 September 2019 R'000	Unaudited 6 months 30 September 2018 R'000	Audited 12 months 31 March 2019 R'000
Property revenue	**330 856**	225 769	524 351
– Rental income	**299 031**	212 371	485 284
– Other income	**31 825**	13 398	39 067
Impairment losses recognised on tenant debtors	**(2 031)**	–	(3 230)
Direct property costs	**(81 027)**	(59 879)	(135 837)
Net property operating income	**247 798**	165 890	385 284
Other revenue	**3 071**	9 017	11 065
– Management fees	**3 071**	9 017	11 065
Administration expenses	**(27 087)**	(28 082)	(43 805)
Operating profit	**223 782**	146 825	352 544
Transaction and advisory fees	**–**	–	(357)
Restructure of bank borrowings	**–**	–	(13 590)
Fair value adjustment to investment properties	**70 338**	–	85 675
Fair value adjustment to financial instruments	**(22 728)**	(32 960)	(120 431)
– Realised	**10 975**	5 474	12 649
– Unrealised	**(33 703)**	(38 434)	(133 080)
Impairment loss on intangible asset	**–**	–	(4 000)
Depreciation and amortisation	**(4 017)**	(2 229)	(6 679)
Profit before interest and taxation	**267 375**	111 636	293 162
Interest income	**26 692**	22 125	48 917
Interest expense	**(49 698)**	(22 021)	(81 786)
Profit before taxation	**244 369**	111 740	260 293
Taxation expense	**(3 466)**	476	(2 398)
– Normal taxation	**–**	471	291
– Deferred taxation	**(3 466)**	5	(2 689)
Profit for the period	**240 903**	112 216	257 895
Items that may be reclassified to profit or loss			
Translation of foreign operations	**(15 915)**	127 022	143 183
Other comprehensive income for the period, net of taxation	**(15 915)**	127 022	143 183
Total comprehensive income for the period	**224 988**	239 238	401 078
Profit attributable to:	**240 903**	112 216	257 895
Shareholders of the Company	**240 217**	111 121	257 566
Non-controlling interest	**686**	1 095	329
Total comprehensive income attributable to:	**224 988**	239 238	401 078
Shareholders of the Company	**225 386**	235 310	397 452
Non-controlling interest	**(398)**	3 928	3 626
Earnings per share			
Basic earnings per share (cents)	**61.52**	36.81	80.01
Diluted earnings per share (cents)	**61.30**	36.81	79.99

Definitions

Other income *comprises ancillary income such as the sale of merchandise (e.g. packaging materials and padlocks), administration fees, late fees, insurance income (UK only), the rental guarantee and other sundry income.*

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

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

Restructure of bank borrowings *relates to expensing the unamortised portion of the raising fee relating to the Royal Bank of Scotland loan facility which was settled in the prior year as part of the UK debt restructuring.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2019

	Stated capital R'000	Non-distributable reserve R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Total R'000	Non-controlling Interest R'000	Total equity R'000
Balance at 1 April 2018	3 175 075	523 006	(108 855)	(120 732)	–	3 468 494	25 765	3 494 259
Total comprehensive income for the period	–	–	257 566	139 886	–	397 452	3 626	401 078
Profit for the period	–	–	257 566	–	–	257 566	329	257 895
Other comprehensive income	–	–	–	139 886	–	139 886	3 297	143 183
Transactions with shareholders, recognised directly in equity								
Issue of shares	1 117 866	–	–	–	–	1 117 866	–	1 117 866
Proceeds	1 126 512	–	–	–	–	1 126 512	–	1 126 512
Share issue costs	(8 646)	–	–	–	–	(8 646)	–	(8 646)
Transfer to non-distributable reserve	–	(32 167)	32 167	–	–	–	–	–
Equity settled share-based payment	–	–	–	–	190	190	–	190
Dividends	–	–	(387 468)	–	–	(387 468)	(1 174)	(388 642)
Total transactions with shareholders	1 117 866	(32 167)	(355 301)	–	190	730 588	(1 174)	729 414
Changes in ownership interests								
Acquisition of non-controlling interest without a change in control	–	–	57	(5)	–	52	(52)	–
Balance at 31 March 2019	4 292 941	490 839	(206 533)	19 149	190	4 596 586	28 165	4 624 751
Balance at 1 April 2019	4 292 941	490 839	(206 533)	19 149	190	4 596 586	28 165	4 624 751
Total comprehensive income for the period	–	–	240 217	(14 831)	–	225 386	(398)	224 988
Profit for the period	–	–	240 217	–	–	240 217	686	240 903
Other comprehensive income	–	–	–	(14 831)	–	(14 831)	(1 084)	(15 915)
Transactions with shareholders, recognised directly in equity								
Issue of shares	181	–	–	–	–	181	–	181
Proceeds	240	–	–	–	–	240	–	240
Share issue costs	(59)	–	–	–	–	(59)	–	(59)
Transfer to non-distributable reserve	–	47 610	(47 610)	–	–	–	–	–
Equity settled share-based payment	–	–	–	–	2 453	2 453	–	2 453
Dividends	–	–	(214 348)	–	–	(214 348)	(730)	(215 078)
Total transactions with shareholders	181	47 610	(261 958)	–	2 453	(211 714)	(730)	(212 444)
Balance at 30 September 2019	4 293 122	538 449	(228 274)	4 318	2 643	4 610 258	27 037	4 637 295

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 September 2019

	Unaudited 6 months 30 September 2019 R'000	Restated 6 months 30 September 2018 R'000	Restated 12 months 31 March 2019 R'000
Cash flows from operating activities			
Cash generated from operations	199 496	134 651	341 252
Interest received	17 593	13 414	44 982
Interest paid	(49 655)	(19 898)	(75 283)
Dividends paid#	(215 597)	(151 690)	(325 696)
Taxation received	–	–	471
Net cash outflow from operating activities	(48 163)	(23 523)	(14 274)
Cash flows from investing activities			
Additions to investment properties	(146 198)	(106 885)	(292 539)
Repayment/(advance) of Stor-Age share purchase scheme loans	10 111	(14 323)	(3 778)
Acquisition of property and equipment	(2 241)	(757)	(6 352)
Acquisition of intangible assets	(1 331)	(205)	(764)
Acquisition of unlisted investment	–	–	(4 600)
Asset acquisitions, net of cash acquired	–	–	(426 130)
Net cash outflow from investing activities	(139 659)	(122 170)	(734 163)
Cash flows from financing activities			
Advance of bank borrowings	–	97 951	735 526
Repayment of bank borrowings	(2 015)	–	(507 460)
Repayment of loans from previous shareholder of RSI 2^ and RSI 3*	–	–	(326 389)
Proceeds from the issue of shares	–	83 278	1 112 512
Share issue costs	–	(587)	(8 646)
Repayment of lease obligations	(11 779)	(10 411)	(22 310)
Net cash (outflow)/inflow from financing activities	(13 794)	170 231	983 233
Net cash (outflow)/inflow for the period	(201 616)	24 538	234 796
Effects of movements in exchange rate changes on cash held	(4 677)	3 903	2 954
Cash and cash equivalents at beginning of period	259 573	21 823	21 823
Cash and cash equivalents at end of period	53 280	50 264	259 573

Dividends paid includes the antecedent dividend component (30 September 2019: R27.0 million; 30 September 2018: R22.0 million; 31 March 2019: R18.4 million)

^ *Roeland Street Investments 2 (RF) Proprietary Limited*

* *Roeland Street Investments 3 (RF) Proprietary Limited*

SEGMENTAL INFORMATION

Segmental information is based on the geographic location of each investment property, which is a similar basis of segmentation when compared to the previous annual financial statements. The group trades in five of the nine provinces in South Africa and in the United Kingdom through its subsidiary Betterstore Self Storage Holdings Limited. The group is managed on a consolidated basis and inter-segmental transactions have been eliminated. The segmental information is limited:

- On the statement of profit or loss and other comprehensive income to: Rental income, other income, impairment losses recognised on tenant debtors, fair value adjustment to investment properties and direct property costs.
- On the statement of financial position to: Investment property, tenant debtors, inventories, goodwill and intangible assets, bank borrowings and lease obligations.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME EXTRACTS*

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Total as reported R'000
For the six months ended 30 September 2019 (unaudited)								
Property revenue	75 955	101 542	2 339	25 461	8 117	213 414	117 442	330 856
– Rental income	70 264	90 839	2 194	22 796	7 041	193 134	105 897	299 031
– Other income	5 691	10 703	145	2 665	1 076	20 280	11 545	31 825
Impairment losses recognised on tenant debtors	(379)	(737)	(62)	(449)	(200)	(1 827)	(204)	(2 031)
Direct property costs	(17 155)	(19 513)	(1 006)	(5 374)	(2 309)	(45 357)	(35 670)	(81 027)
Segment operating profit	58 421	81 292	1 271	19 638	5 608	166 230	81 568	247 798
Fair value adjustment to investment properties	25 054	15 628	2 330	22 210	5 116	70 338	–	70 338
Segment property operating profit	83 475	96 920	3 601	41 848	10 724	236 568	81 568	318 136
For the six months ended 30 September 2018 (unaudited)								
Property revenue	57 906	56 104	1 844	13 111	3 848	132 813	92 956	225 769
– Rental income	56 543	54 262	1 772	12 933	3 741	129 251	83 120	212 371
– Other income	1 363	1 842	72	178	107	3 562	9 836	13 398
Direct property costs	(12 815)	(12 966)	(766)	(3 246)	(1 083)	(30 876)	(29 003)	(59 879)
Segment operating profit	45 091	43 138	1 078	9 865	2 765	101 937	63 953	165 890
For the year ended 31 March 2019 (audited)								
Property revenue	130 995	151 148	4 050	33 702	11 401	331 296	193 055	524 351
– Rental income	125 551	140 510	3 866	31 616	10 586	312 129	173 155	485 284
– Other income	5 444	10 638	184	2 086	815	19 167	19 900	39 067
Impairment losses recognised on tenant debtors	(760)	(888)	(88)	(314)	(75)	(2 125)	(1 105)	(3 230)
Direct property costs	(28 828)	(33 397)	(1 595)	(8 947)	(2 882)	(75 649)	(60 188)	(135 837)
Segment operating profit	101 407	116 863	2 367	24 441	8 444	253 522	131 762	385 284
Fair value adjustment to investment properties	53 586	26 257	2 802	4 886	1 064	88 595	(2 920)	85 675
Segment property operating profit	154 993	143 120	5 169	29 327	9 508	342 117	128 842	470 959

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

SEGMENTAL INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION EXTRACTS

	Western Cape R'000	Gauteng R'000	Free State R'000	KwaZulu-Natal R'000	Eastern Cape R'000	Total South Africa R'000	Total United Kingdom R'000	Un-allocated R'000	Total as reported R'000
30 September 2019 (unaudited)									
Investment properties	1 633 639	1 903 180	31 000	491 781	131 400	4 191 000	2 198 994	–	6 389 994
Goodwill and intangible assets	–	–	–	–	–	–	58 673	83 329	142 002
Trade and other receivables*	1 601	1 892	78	708	221	4 500	16 040	86 022	106 562
Inventories	2 579	2 757	81	419	144	5 980	901	–	6 881
Bank borrowings	–	–	–	–	–	–	816 404	916 911	1 733 315
Lease obligations	22 336	3 114	–	17 761	–	43 211	180 782	4 284	228 277
Total assets	1 637 819	1 907 829	31 159	492 908	131 765	4 201 480	2 274 608	477 656	6 953 744
Total liabilities	22 336	3 114	–	17 761	–	43 211	997 186	1 276 052	2 316 449
30 September 2018 (unaudited)^									
Investment properties	1 222 084	1 134 500	25 700	226 471	59 092	2 667 847	1 719 430	–	4 387 277
Goodwill and intangible assets	–	–	–	–	–	–	62 679	85 932	148 611
Trade and other receivables*	1 535	1 260	74	641	67	3 577	10 543	48 792	62 912
Inventories	1 120	1 070	60	200	71	2 521	620	–	3 141
Bank borrowings	–	–	–	–	–	–	446 887	340 569	787 456
Lease obligations	2 612	3 121	–	–	–	5 733	187 766	–	193 499
Total assets	1 224 739	1 136 830	25 834	227 312	59 230	2 673 945	1 793 272	495 485	4 962 702
Total liabilities	2 612	3 121	–	–	–	5 733	634 653	678 729	1 319 115
31 March 2019 (audited)									
Investment properties	1 588 030	1 838 579	28 600	443 869	126 000	4 025 078	2 217 335	–	6 242 413
Goodwill and intangible assets	–	–	–	–	–	–	58 894	81 948	140 842
Trade and other receivables*	2 254	2 142	64	796	256	5 512	10 081	103 680	119 273
Inventories	1 918	2 027	78	308	127	4 458	781	–	5 239
Bank borrowings	–	–	–	–	–	–	826 131	916 180	1 742 311
Lease obligations	22 608	3 104	–	–	–	25 712	187 599	–	213 311
Total assets	1 592 202	1 842 748	28 742	444 973	126 383	4 035 048	2 287 091	706 727	7 028 866
Total liabilities	22 608	3 104	–	–	–	25 712	1 013 730	1 364 673	2 404 115

^ *Certain balances are represented to conform with current year disclosure.*
* *Tenant debtors have been allocated.*

EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings per share disclosed below is calculated in terms of IAS 33 Earnings per share and Circular 4/2018, issued by SAICA.

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
Basic earnings (profit attributable to shareholders of the parent)	240 217	111 121	257 566
Basic earnings	240 217	111 121	257 566
Adjusted for:	(70 338)	–	(81 605)
Impairment loss on intangible asset	–	–	4 000
Fair value adjustment to investment properties	(70 338)	–	(85 675)
Fair value adjustment to investment properties (NCI)+	–	–	70
Headline earnings	169 879	111 121	175 961
Total shares in issue ('000)	393 005	308 556	392 987
Weighted average shares in issue ('000)	392 997	306 913	326 937
Shares in issue entitled to dividends ('000)	390 505	336 889	387 987
Weighted average shares in issue entitled to dividends ('000)	390 497	301 913	321 937
Weighted potential dilutive impact of conditional shares	1 402	–	57
Diluted weighted average number of shares in issue entitled to dividends	391 899	301 913	321 994

	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Earnings per share			
Basic earnings per share (cents)	61.52	36.81	80.01
Diluted earnings per share (cents)	61.30	36.81	79.99
Headline earnings per share			
Basic headline earnings per share (cents)	43.50	36.81	54.66
Diluted headline earnings per share (cents)	43.35	36.81	54.65

+ *Non-controlling interest*

FAIR VALUE MEASUREMENT

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

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

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

	Carrying value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 September 2019 (unaudited)				
Assets				
Investment properties	6 389 994	–	–	6 389 994
Derivative assets	40 972	–	40 972	–
Other receivables: Rental guarantee	21 308	–	–	21 308
Unlisted investment	4 531	–	4 531	–
Liabilities				
Derivative liabilities	38 612	–	38 612	–
30 September 2018 (unaudited)				
Assets				
Investment properties	4 387 277	–	–	4 387 277
Derivative assets	99 674	–	99 674	–
Liabilities				
Derivative liabilities	1 143	–	1 143	–
31 March 2019 (audited)				
Assets				
Investment properties	6 242 413	–	–	6 242 413
Derivative assets	34 636	–	34 636	–
Other receivables: Rental guarantee	32 232	–	–	32 232
Unlisted investment	4 600	–	4 600	–
Liabilities				
Derivative liabilities	21 298	–	21 298	–

FAIR VALUE MEASUREMENT (continued)

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

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

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

RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. These related parties include directors of the Company and key management personnel who are responsible for planning, directing and controlling the activities of the Company. The shares of Stor-Age Property REIT are widely held.

Identity of the related parties with whom material transactions have occurred

- Subsidiaries
  - Roeland Street Investments Proprietary Limited
  - Roeland Street Investments 2 (RF) Proprietary Limited ("RSI 2")
  - Roeland Street Investments 3 (RF) Proprietary Limited ("RSI 3")
  - 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
  - Stor-Age Properties KZN Proprietary Limited (previously known as Dancor Properties Proprietary Limited)
  - Stor-Age International Proprietary Limited
  - Betterstore Self Storage Holdings Limited
- Directors as listed in this announcement
- Related through common shareholding/directorships or affiliation with related parties
  - Madison Square Holdings Close Corporation ("MSH")
  - Stor-Age Property Holdings Proprietary Limited

Material related party transactions and balances

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
Related party balances			
Owing to related parties	–	67 199	55 500
Owing by related parties	3 167	3 126	60
Related party transactions			
Interest income on Stor-Age share purchase scheme loans	7 163	6 605	13 819
Interest income from related party	–	244	309
Interest expense due to related party	–	901	1 223
Construction fees due to MSH (note 1)	23 162	7 435	45 656
Development fee income from related parties	–	932	369
Asset management fees income from related parties	–	3 212	3 212
Property management fees income from related parties	–	3 159	3 449
Office rental expense due to related party	661	419	1 270
Office rental income due from related party	108	–	100
Purchase of Bryanston self storage property	–	80 946	80 946
Purchase of Craighall self storage property	88 904	–	–
Acquisition of RSI 2 and RSI 3 from related parties	–	–	36 250

RELATED PARTY TRANSACTIONS (continued)

NOTE 1:

Where appropriate, the Board may elect to enter into agreements with MSH in relation to the provision of construction and refurbishment services ("the MSH Services"). MSH is an associate of the executive directors and is therefore deemed to be a related party to Stor-Age in terms of the JSE Listings Requirements.

The MSH Services play an important role in the construction, refurbishment and expansion of the Company's property portfolio in line with its strategy. The construction techniques, skills set and processes, which are specialist in nature and specific to the self storage industry, have been developed and refined by MSH over the last 10 years. This ensures that a high quality and cost-effective service is provided to the Company for the benefit of shareholders. In the opinion of the Board, it is neither feasible nor appropriate for construction related activities to be carried out by the Company itself given the risk profile of construction in general; the associated large fixed overhead costs; the negative impact on cash available for distribution to shareholders; and the potential detriment to the Company's REIT status.

From a governance perspective and in order to ensure that the agreements concluded with MSH are market related, the Company employs the services of an independent third-party quantity surveyor to provide the necessary guidance and assurance to the Company's non-executive directors that the terms and conditions of the agreements for the provision of the MSH Services are in line with market-related terms and conditions for such services. The non-executive directors rely on this independently procured assurance in order to assess the terms and conditions of the agreements, and to approve them prior to entering into any agreements with MSH. The executive directors recuse themselves from the decision-making process in the appointment of MSH.

In the event that details of agreements entered into with MSH are required to be announced on SENS in accordance with the JSE Listings Requirements for related party transactions, the Company's non-executive directors will provide confirmation to the JSE that the terms and conditions of all agreements entered into between Stor-Age and MSH for the provision of the MSH Services are market-related in accordance with the procedures outlined above and comply with the requirements set out in the JSE Listings Requirements for such transactions.

CHANGE IN ACCOUNTING POLICY: ADOPTION OF IFRS 16 LEASES

The group adopted IFRS 16 Leases from 1 April 2019 and has not restated comparative results in accordance with IFRS 16. The following practical expedients have been applied as permitted by IFRS 16:

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

LESSOR ACCOUNTING

IFRS 16 does not have an impact on leases with customers as leases are for one month only and renew for further periods of one month until either Stor-Age or the customer provides notice to vacate.

LESSEE ACCOUNTING

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

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

The effect of adopting IFRS 16 at 1 April 2019 resulted in investment property increasing by R17.8 million and property and equipment increasing by R4.7 million with an equal increase in lease obligations. The approach adopted has no impact on opening retained earnings.

CASH FLOW RESTATEMENT NOTE DISCLOSURE

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

This resulted in cash generated from operations being overstated at 30 September 2018 for Bryanston and overstated at 31 March 2019 for Craighall. The group believes that the restatement results in the statement of cash flows providing a more accurate description of the impact of the CPC developments on the statement of cash flows.

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

	As reported September 2018	Movement	Restated September 2018
Cash flows from operating activities			
Cash generated from operations	203 396	(68 745)	134 651
Net cash inflow/(outflow) from operating activities	45 222	(68 745)	(23 523)
Cash flows from investing activities			
Additions to investment properties	(175 630)	68 745	(106 885)
Net cash outflow from investing activities	(190 915)	68 745	(122 170)

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

NET ASSET VALUE PER SHARE AND KEY RATIOS

	Unaudited 30 September 2019	Unaudited 30 September 2018	Audited 31 March 2019
Number of shares in issue	393 005 377	308 555 605	392 986 858
Net asset value*			
Net asset value per share (cents)	1 179.96	1 180.85	1 176.82
Net asset value per share excluding non-controlling interest (cents)	1 173.08	1 171.23	1 169.65
Tangible net asset value per share (cents)	1 143.82	1 132.69	1 140.98
Net tangible asset value per share excluding non-controlling interest (cents)	1 136.95	1 123.07	1 133.82
Key reporting ratios*			
Total property cost-to-income ratio	26%	27%	27%
Based on the total direct property costs divided by property revenue (excluding rental guarantee).			
Administrative cost-to-income ratio	8%	12%	9%
Based on the administration expenses divided by total revenue.			

* *The ratios are computed based on IFRS reported figures and have not been audited by the group's external auditors.*

RECONCILIATION OF HEADLINE EARNINGS TO DISTRIBUTABLE EARNINGS

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

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
Headline earnings	169 879	111 121	175 961
Adjusted for:			
Equity-settled share-based payment expense	2 453	–	190
Fair value adjustment to financial instruments	33 703	38 434	133 080
Restructure of bank borrowings	–	–	13 590
Depreciation and amortisation	4 017	2 229	6 679
Deferred tax	3 466	(5)	2 689
Foreign exchange gain available for distribution	1 356	5 602	10 149
Leases change in estimate	–	(2 956)	–
Transaction and advisory fees	–	–	357
Antecedent dividend^	–	18 399	45 353
	44 995	61 703	212 087
Other adjustments			
Non-controlling interests in respect of the above adjustments	(526)	–	(357)
Distributable earnings	214 348	172 824	387 691
Dividend declared for the six months ended 30 September	214 348	172 824	172 824
Dividend declared for the six months ended 31 March	–	–	214 867
Total dividends for the period	214 348	172 824	387 691
Dividends per share (cents)	54.89	51.30	106.68
– Interim dividend (cents)	54.89	51.30	51.30
– Final dividend (cents)	–	–	55.38

The Board declared an interim dividend of 54.89 cents (2018: 51.30 cents) per share for the six months ended 30 September 2019 on 19 November 2019.

This represents growth of 7.0% over the comparative period.

^ *In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as a result of the issue of shares during the period for which the Company did not have full access to the cash flow from such issue.*

RECONCILIATION OF OPERATING PERFORMANCE TO STATEMENT OF PROFIT OR LOSS

The table below shows the reconciliation between the group's operating performance set out in the table on page 3 ("performance table") and the condensed consolidated statement of profit or loss and other comprehensive income on page 15 ("statement of profit or loss"):

	Unaudited 6 months 30 September 2019 R'000	Unaudited 6 months 30 September 2018 R'000
Reconciliation of rental income		
Performance table:		
Rental income before rental guarantee and rental underpin	292 725	209 823
Rental underpin	6 306	4 300
Impairment losses (note 1)	–	(1 752)
Rental income – statement of profit or loss	299 031	212 371
Reconciliation of other income		
Performance table:		
Rental guarantee	13 193	–
Ancillary income	16 227	11 795
Sundry income	2 405	2 915
Operating costs netted off against ancillary income (note 2)	–	(1 312)
Other income – statement of profit or loss	31 825	13 398
Reconciliation of property revenue		
Performance table:		
Property revenue	330 856	228 833
Impairment losses (note 1)	–	(1 752)
Operating costs netted off against ancillary income (note 2)	–	(1 312)
Property revenue – statement of profit or loss	330 856	225 769
Reconciliation of direct operating costs		
Performance table:		
Direct operating costs	(81 027)	(61 191)
Operating costs netted off against ancillary income (note 2)	–	1 312
Direct operating costs – statement of profit or loss	(81 027)	(59 879)

Note 1:
Impairment losses of R1.752 million are disclosed separately in the performance table for 2018 but are netted off against rental income in the statement of profit or loss.

Note 2:
In 2018, ancillary income was disclosed net of associated costs of R1.312 million in the statement of profit or loss.
In 2019, ancillary income is disclosed on a gross basis (before netting off associated costs) in the statement of profit or loss.
Direct operating costs are also reflected on a gross basis for these costs in the statement of profit or loss.
The 2018 disclosures in the performance table have been amended to reflect the same treatment as 2019 to allow for meaningful comparison.

ADMINISTRATION

Registered office
216 Main Road
Claremont
7708

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

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

Company secretary
HH-O Steyn

Transfer secretaries
Computershare Investor Services Proprietary Limited
2nd Floor
Rosebank Towers
15 Biermann Avenue
Rosebank

Sponsor
Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston

GREYMATTER & FINCH # 13280

stor-age
self storage

www.stor-age.co.za