

DIRECTORS' REPORT

for the year ended 31 March 2018

TO THE SHAREHOLDERS OF STOR-AGE PROPERTY REIT LIMITED

We have pleasure in presenting the financial statements of the Stor-Age Property REIT Limited group and company for the year ended 31 March 2018.

Nature of business

Stor-Age Property REIT Limited is a fully integrated and internally managed real estate investment trust which owns, operates and develops self storage facilities. The group and company operate in South Africa and in the United Kingdom through subsidiary Betterstore Self Storage Holdings Limited (refer to note 6). The nature of business and operations are set out in detail in the year under review section in the Integrated Annual Report.

Period of operations

The company was incorporated on 25 May 2015 and the group formed on the effective date of 16 November 2015. The company has traded for 12 months in the 2017 and 2018 financial years.

Financial results

The financial results for the year ended 31 March 2018 are set out in the accompanying financial statements and notes. The financial statements are prepared in terms of International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Stated capital

The company's authorised stated capital consists of 1 000 000 000 ordinary shares of no par value. The following shares were issued during the year:

1. 225 070 Ordinary shares issued at R11.03 per share in April 2017
2. 173 347 Ordinary shares issued at R11.22 per share in May 2017
3. 51 983 Ordinary shares issued at R11.23 per share in June 2017
4. 2 225 675 Ordinary shares at R11.30 per share in July 2017
5. 1 10 977 620 Ordinary shares at R11.50 per share in October 2017
6. 760 000 Ordinary shares at R11.73 per share in November 2017
7. 1 050 000 Ordinary shares at R11.81 per share in November 2017
8. 7 824 062 Ordinary shares at R11.65 per share in December 2017
9. 1 700 000 Ordinary shares at R12.80 per share in March 2018

At 31 March 2018 there were 301 864 102 shares in issue.

Subsequent to 31 March 2018, the company issued 4.16 million shares at R12.50 per share in April 2018 through a vendor consideration placement to fund the acquisition of the All-Store Self Storage property (see note 30). These shares are entitled to participate in the final dividend declared for the year ending 31 March 2018.

298 524 102 of the shares in issue rank for the dividend declared for the year ending 31 March 2018. Refer to note 12 for further information regarding the shares in issue.

Dividend distribution

A dividend of 47.02 cents per share was declared by the directors for the interim period ending 30 September 2017. A further dividend of 50.81 cents per share was declared for the 6 month period ending 31 March 2018. The dividend for the full year amounts to 97.83 cents per share (2017: 88.05 cents per share).

The dividend has been declared from distributable earnings and meets the requirements of a REIT "qualifying distribution" for purposes of section 25BB of the Income Tax Act, No 58 of 1962 (as amended). The company has chosen dividend per share as its measurement metric as per the JSE Listings Requirements.

Borrowings

The group has an average borrowing cost of 6.54% (2017: 9.39%) at 31 March 2018 and 99.3% (2017: 82.0%) of borrowings were subject to fixed interest rates (on a net debt basis), with a weighted average fixed interest rate expiry of approximately 2.5 years (2017: 2.5 years). The group's borrowing capacity amounts to R1.401 million (2017: R1.025 million) and facilities utilised at year end amounted to R621.0 million (2017: R252.7 million). The group has undrawn facilities of R642.0 million (2017: R393.7 million) and a gearing ratio of 16.1% (2017: 11.9%). Details of the group's long-term borrowings are set out in note 14.

Subsidiaries

Details of the company's interest in its subsidiaries are set out in note 6.

Directorate

At the date of this report the following directors held office:

	Appointment date
<i>Executive:</i>	
GM Lucas (Chief executive officer)	25 May 2015
SC Lucas (Financial director)*	25 May 2015
SJ Horton	25 May 2015
<i>Non-executive:</i>	
PA Theodosiou (Chairman)*+	2 September 2015
MS Moloko#	12 October 2015
GA Blackshaw	2 September 2015
GBH Fox*+	2 September 2015
KM de Kock#	2 May 2018
P Mbikwana#	2 May 2018

Independent

+ British citizen

In terms of the Memorandum of Incorporation, the following directors retire at the forthcoming annual general meeting and are eligible for re-election: PA Theodosiou, GA Blackshaw, KM de Kock and P Mbikwana.

Details regarding the directors' shareholding in the company and remuneration are set out in notes 26.3 and 26.4.

DIRECTORS' REPORT (continued)

for the year ended 31 March 2018

Significant events

The group completed the following acquisitions during the year:

Effective date	Acquisition	Consideration R million
9 May 2017	Unit Self Storage Proprietary Limited	42.1
2 November 2017	Dancor Properties Proprietary Limited ("StorTown")	145.0
2 November 2017	Betterstore Self Storage Holdings Limited ("Storage King")	1 006.5

Further details of the acquisitions are set out in note 21.

During the year the group entered into agreements with StorAge Property Holdings Proprietary Limited ("SPH") for the development of self storage properties in Bryanston and Craighall, summarised below:

Date	Development	Consideration R million
4 July 2017	Bryanston	99.3
7 December 2017	Craighall	95.1

These agreements are managed in terms of a development and acquisition structure known as a Certificate of Practical Completion ("CPC") and they result in the risk and reward of ownership effectively passing to the company on 'practical' completion of the development.

The CPC structure is rooted in the United States' self storage REIT 'Certificate of Occupancy' deals, for which there is recent favourable precedent. The CPC structure reduces the development and lease up risk for the company and provides an opportunity to develop high-profile properties in prime locations without diluting the group's distribution growth profile over the medium term. The CPC structure is subject to strict independent and regulatory controls.

SPH is a party related to the executive directors of the company. Further details of related party transactions are set out in note 26.

Performance against forecast

The forecast revenue, earnings and distributable earnings as disclosed in the circular issued on 18 September 2017, relating to the acquisition of Storage King, have been materially achieved.

Subsequent events

Information on material events that occurred after 31 March 2018 is included in note 30.

Going concern

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group and company financial statements. The company has reasonably satisfied the liquidity and solvency test as required by the Companies Act of South Africa and the directors have satisfied themselves that the company and its subsidiaries are in a sound financial position and that it has access to sufficient facilities to meet its foreseeable cash requirements.

Secretary

The Company Secretary is HHO Steyn CA(SA)
 Business address: 216 Main Road, Claremont, 7807
 Postal address: PO Box 53154, Kenilworth, 7745