

# DIRECTORS' REPORT

## for the year ended 31 March 2019

### 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 2019.

#### 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 2018 and 2019 financial years.

#### Financial results

The financial results for the year ended 31 March 2019 are set out in the accompanying financial statements and notes. The financial statements are prepared in terms of International Financial Reporting Standards, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

#### 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. 4 160 000 Ordinary shares issued at R12.50 per share in April 2018
2. 1 401 503 Ordinary shares issued at R12.33 per share in July 2018
3. 1 130 000 Ordinary shares issued at R12.39 per share in September 2018
4. 33 333 333 Ordinary shares at R12.00 per share in October 2018
5. 4 852 861 Ordinary shares at R12.00 per share in December 2018
6. 46 245 059 Ordinary shares at R11.65 per share in March 2019

At 31 March 2019 there were 392 986 858 shares in issue.

387 986 858 of the shares in issue rank for the dividend declared for the year ended 31 March 2019. Refer to note 12 for further information regarding the shares in issue.

### Dividend distribution

A dividend of 51.30 cents per share was declared by the directors for the interim period ended 30 September 2018. A further dividend of 55.38 cents per share was declared for the 6 month period ended 31 March 2019. The dividend for the full year amounts to 106.68 cents per share (2018: 97.83 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 6.67% (2018: 6.54%) at 31 March 2019 and 110% (2018: 99.3%) of borrowings were subject to fixed interest rates (on a net debt basis), with a weighted average fixed interest rate expiry of approximately 3.4 years (2018: 2.5 years). The group's borrowing capacity amounts to R2.626 billion (2018: R1.401 billion) and facilities utilised at year end amounted to R2.04 billion (2018: R758.0 million). The group has undrawn facilities of R585.6 million (2018: R642.0 million) and a gearing ratio of 24.6% (2018: 16.1%). Details of the group's long-term borrowings are set out in note 15.

### 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: MS Moloko and GBH Fox.

Details regarding the directors' shareholding in the company and remuneration are set out in notes 28.3 and 28.4.

## DIRECTORS' REPORT (continued) for the year ended 31 March 2019

### Significant events

The group completed the following acquisitions during the year:

Effective date	Acquisition	Consideration R million
April 2018	All-Store Self Storage – Cape Town (“Stor-Age Stikland”) Roeland Street 2 (RF) Proprietary Limited and Roeland Street 3 (RF) Proprietary Limited – (“Managed Portfolio”)	52.0
October 2018	Roeland Street 2 (RF) Proprietary Limited and Roeland Street 3 (RF) Proprietary Limited – (“Managed Portfolio”)	58.0
March 2019	Viking Self Storage Bedford Limited – (“Storage King – Bedford”)	239.9
March 2019	The Storage Pod Limited – (“Storage King – Weybridge”)	155.2

Further details of the acquisitions are set out in note 22.

### 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 2019 is included in note 31.

### 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 group's current liabilities exceed its current assets at 31 March 2019 taking account of the upcoming refinancing of two Nedbank property loans.

The two Nedbank loans (Facility B and E) expire in December 2019 and November 2019 respectively. The group has engaged with Nedbank to refinance the facilities and it is expected that the facilities will be renewed on acceptable terms prior to their expiry dates.

Excluding tenant security deposits, provisions (see note 17) and the dividend payable, and taking into account surplus cash in the loan facilities, current assets exceed current liabilities. As indicated in note 30, the directors are satisfied that the company and its subsidiaries have access to sufficient facilities to meet the foreseeable cash requirements (see note 15).

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)  
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