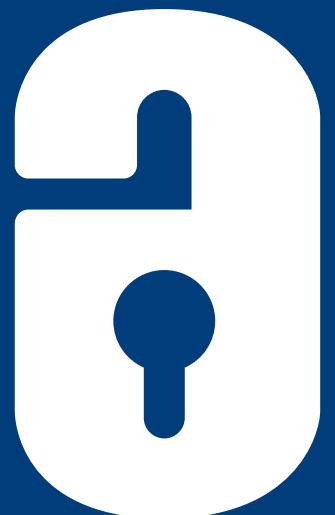


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# Annual report 2016

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**Safestore Holdings plc**  
Annual report and financial statements 2016



# A third consecutive year of double-digit EPS growth

“The Group has delivered another strong financial year, building on the improvements made to its operating performance over the last three years. Over this three year period, we have grown EPS by 78% and increased our dividend per share by over 100%.”

Frederic Vecchioli, Safestore's Chief Executive Officer



## Highlights

### Strong financial performance

- Group like-for-like<sup>1</sup> revenue at CER<sup>2</sup> up 8.1% with UK up 9.2% and Paris up 5.0%
- Cash tax adjusted earnings per share<sup>3</sup> up 19.3% at 19.8 pence
- 21% increase in the final dividend to 8.05 pence (FY2015: 6.65 pence)

### Operational focus

- Balanced approach to revenue management
  - Like-for-like average occupancy for the year up 3.5%
  - Good like-for-like pricing growth with UK rate up 4.5% and Paris rate up 2.3%
- Twelve Space Maker stores acquired for £42.3 million, immediately earnings enhancing
- Enquiry growth of 7.5% after implementation of new consumer website
- Opened five new stores (including Chiswick on 4 November 2016), completed one extension on time and on budget, with a second extension completing in January 2017, and secured a new freehold site in Mitcham, London

### Strong and flexible balance sheet

- Group loan-to-value ratio (“LTV”<sup>4</sup>) at 31%, interest cover ratio (“ICR”<sup>5</sup>) at 5.5x and full year underlying finance costs reduced by £1.3 million, notwithstanding acquisition of Space Maker

#### Notes

- 1 Like-for-like adjustments have been made to remove the impact of the closure of Whitechapel and New Malden in 2015, and the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.
- 2 CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, and the impact of foreign exchange swaps has been reversed, in order to present the reported results on a more comparable basis).
- 3 Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).
- 4 LTV ratio is loan-to-value ratio, which is defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swap) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).
- 5 ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

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Further information and investor updates can be found on our website at [www.safestore.co.uk/corporate/](http://www.safestore.co.uk/corporate/)

## Financial highlights

### Key measures

	Year ended 31 October 2016	Year ended 31 October 2015	Change	Change – CER <sup>1</sup>
<b>Underlying and operating metrics – like-for-like<sup>2</sup></b>				
Revenue	£112.5m	£102.3m	10.0%	8.1%
Underlying EBITDA <sup>3</sup>	£62.7m	£55.9m	12.2%	11.8%
Closing occupancy (let sq ft – million) <sup>4</sup>	3.61	3.56	1.4%	n/a
Closing occupancy (% of MLA) <sup>5</sup>	73.7%	72.7%	+1.0ppts	n/a
Average occupancy (let sq ft – million) <sup>4</sup>	3.54	3.42	3.5%	n/a
Average storage rate	£26.31	£24.85	5.9%	3.9%
<b>Underlying and operating metrics – total</b>				
Revenue	£115.4m	£104.8m	10.1%	8.3%
Underlying EBITDA <sup>3</sup>	£64.2m	£57.1m	12.4%	12.1%
Closing occupancy (let sq ft – million) <sup>4</sup>	3.97	3.58	10.9%	n/a
Closing occupancy (% of MLA) <sup>5</sup>	71.0%	72.6%	(1.6ppts)	n/a
Average storage rate	£26.17	£24.85	5.3%	3.3%
Cash tax adjusted earnings per share <sup>6</sup>	19.8p	16.6p	19.3%	n/a
Dividend per share	11.65p	9.65p	20.7%	n/a
Free cash flow <sup>7</sup>	£42.4m	£37.3m	13.7%	n/a
EPRA basic NAV per share	£3.00	£2.56	17.0%	n/a
<b>Statutory metrics</b>				
Profit before tax <sup>8</sup>	£94.9m	£118.2m	(19.7%)	n/a
Basic earnings per share	42.0p	52.4p	(19.8%)	n/a

### Financial highlights

#### Revenue (£'m)

£115.4m  
+10.1%

16	115.4
15	104.8
14	97.9
13	96.1
12	98.8

#### Underlying EBITDA<sup>3</sup> (£'m)

£64.2m  
+12.4%

16	64.2
15	57.1
14	53.0
13	50.8
12	50.3

#### Dividend (pence per share)

11.65p  
+20.7%

16	11.65
15	9.65
14	7.45
13	5.75
12	5.65

#### Notes

- CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, and the impact of foreign exchange swaps has been reversed, in order to present the reported results on a more comparable basis).
- Like-for-like adjustments have been made to remove the impact of the closure of Whitechapel and New Malden in 2015, and the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.
- Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.
- Occupancy excludes offices but includes bulk tenancy. As at 31 October 2016, closing occupancy includes 37,000 sq ft of bulk tenancy (31 October 2015: 64,000 sq ft).
- MLA is maximum lettable area. Group MLA has been adjusted to 5.59m sq ft (FY2015: 4.93m) following the acquisition of Space Maker and the openings of Wandsworth, Altrincham, Birmingham and Emerainville.
- Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).
- Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.
- Profit before tax decreased by £23.3 million to £94.9 million (FY2015: £118.2 million) as a result of the reported valuation gain on investment properties of £41.7 million being £37.2 million lower than the prior year (FY2015: £78.9 million). Excluding the valuation gain, profit before tax for the year would have increased by £13.9 million compared to the prior year.
- LTV ratio is loan-to-value ratio, which is defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swap) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).
- ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

## Chairman's statement

# This has been another year of good progress across the business



I am pleased to announce, on behalf of the Board of Safestore, another strong set of results for the year ended 31 October 2016.

This has been another year of good progress across the business with management building further on the operational improvements made over the previous two years as well as implementing a number of growth initiatives. The opening of five new stores and the acquisition of Space Maker have strengthened our market-leading store portfolio.

We have the balance sheet flexibility and capacity to continue to take advantage of carefully selected development and acquisition opportunities. I am confident that the business is well positioned for growth and to deliver additional value for shareholders.

### Financial results

Revenue for the year was £115.4 million, 10.1% ahead of last year (FY2015: £104.8 million) and up 8.1% on a like-for-like and constant currency basis respectively. This result was driven by a strong performance in the UK which grew like-for-like revenue by 9.2%, combined with another good performance by Une Pièce en Plus, our Parisian business, which grew like-for-like revenue by 5.0%.

Underlying EBITDA increased by 12.4% to £64.2 million (FY2015: £57.1 million) and 12.1% on a constant currency basis. Underlying EBITDA after rental costs increased by 15.2% to £55.4 million (FY2015: £48.1 million).

The annualisation of the August 2015 amendment and extension of our bank facilities resulted in a reduction in the year in the underlying finance charge of £1.3 million or 11.4% to £10.1 million (FY2015: £11.4 million). Over the last three years we have reduced our finance charges by 45% or £8.3 million.

As a result of the above factors, cash tax adjusted earnings per share grew by 19.3% to 19.8 pence (FY2015: 16.6 pence). EPS has grown by 8.7 pence or 78% over the last three years.



The Group's dividend has increased by 103% in the last three years



### Capital structure

The Group's balance sheet remains robust with a Group LTV<sup>9</sup> ratio of 31% and an interest cover ratio<sup>10</sup> of 5.5x. This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

### Dividend

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 21.1% increase in the final dividend to 8.05 pence per share (FY2015: 6.65 pence per share) resulting in an increase of 20.7% in the total dividend to 11.65 pence per share for the year (FY2015: 9.65 pence per share). The total dividend for the year is covered 1.70 times by cash tax earnings (1.72 times in 2015). The Group's dividend has increased by 103% in the last three years. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 22 March 2017 and, if approved, the final dividend will be payable on 7 April 2017 to shareholders on the register at close of business on 10 March 2017.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2017 and beyond. In the medium term it is anticipated that the Group's dividend will grow at least in line with cash tax earnings<sup>6</sup>.

### People

In another year of progress, our people continue to be the key to the success of the business. I would like to take this opportunity to thank all my colleagues throughout the business for their hard work and dedication this year.

I would also like to take the opportunity to thank Keith Edelman for his seven years of service to the Board. He has been an invaluable member of the team and I appreciate his contribution over this period. I also welcome Claire Balmforth and Bill Oliver to the Board and look forward to working with them over the coming years.

**Alan Lewis**  
Non-Executive Chairman  
6 January 2017

## Chief Executive's statement

# During the last twelve months we have strengthened our market leading positions in the UK and Paris with the acquisition of Space Maker in the UK and the opening of five new stores



### Summary

Safestore has delivered another strong financial performance through a combination of organic and acquisitive growth. Group revenue increased 8.1%<sup>1</sup> on a like-for-like<sup>2</sup> basis with a strong performance across the UK (+9.2%) and continued strength in Paris (+5.0%). The Group's like-for-like average occupancy increased by 2.3 percentage points ("ppts") to 72.3% with the average storage rate up 3.9%<sup>1</sup>.

Our operational performance across the UK has again been very strong this year. Our new consumer website was successfully launched resulting in good enquiry growth, which, combined with consistent conversion, has resulted in like-for-like new lets growth of 7.6% in the year. As a result, like-for-like occupancy in the UK was up 1.4ppts to 71.8%, driven by growth in both London and the South East (+0.7ppts) and the rest of the UK (+2.3ppts).

In the UK, we successfully acquired and integrated the Space Maker portfolio during the year, which was immediately accretive to earnings. In addition, four new stores in London-Chiswick, London-Wandsworth, Birmingham and Altrincham were opened on time and on budget.

In Paris, our performance has also been robust with revenue growing by 5.0%. Our balanced approach to revenue management resulted in rate growth of 2.3% and average occupancy growth of 2.5%. Like-for-like closing occupancy ended the year at 80.7% (FY2015: 81.8%), but like-for-like average occupancy during the year was ahead of the prior year at 80.3% (FY2015: 78.0%). This is the eighteenth consecutive year of revenue growth in Paris with average growth over the last five years of c.5%. Our new store at Emerainville to the east of Paris opened on time and on budget in September 2016.

Group underlying EBITDA of £64.2 million increased 12.1% at CER<sup>1</sup> on the prior year and 12.4% on a reported basis reflecting the impact of the strengthening Euro on the profit earned on our Paris business. The Group's strong EBITDA performance combined with reduced finance costs arising from the annualisation of the amendment and extension of the bank facilities completed in August 2015 resulted in a 19.3% increase in cash tax adjusted EPS<sup>3</sup> in the period to 19.8 pence (FY2015: 16.6 pence).

Our property portfolio valuation, including investment properties under construction, increased in the year by 15.7% on a constant currency basis. After exchange rate movements the portfolio valuation increased by 22.1% to £954.2 million with the UK portfolio up £107.0 million, including £48.0 million relating to the acquisition of the Space Maker portfolio, to a total UK value of £710.6 million and the French portfolio increased €21.6 million to €270.9 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 21% increase in the final dividend to 8.05 pence per share (FY2015: 6.65 pence) resulting in a full year dividend up 20.7% to 11.65 pence per share (FY2015: 9.65 pence).

### Outlook

Safestore has strengthened its leading market positions in both the UK and Paris during the year with the opening of five new stores (including Chiswick, which opened on 4 November 2016) and the acquisition of Space Maker, which has increased the Group's MLA<sup>4</sup> by 14%. Early trading in all of our new stores is encouraging. We continue to see good levels of interest in self-storage and, with 1.62 million sq ft of unlet space available at 31 October 2016 (the equivalent of 40 stores), we have significant, low cost growth potential ahead.

We remain focused on the continual improvement of the operational performance of the business and leveraging our leading market positions. Our balance sheet flexibility and strong cash generation also provide us with the opportunity to take advantage of further selective development and acquisition opportunities in our key markets subject to our rigorous investment criteria, as is evidenced by our recent acquisition of a development site in Mitcham, South West London.

Self-storage continues to be a relatively immature industry, with significant potential for further growth. Safestore has a resilient business model and we believe that our scale and marketing expertise combined with our improved operational capability and strong balance sheet leaves us well placed to trade robustly through any macro-economic uncertainty that may lie ahead.

### Notes

<sup>1</sup> CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, and the impact of foreign exchange swaps has been reversed, in order to present the reported results on a more comparable basis).

<sup>2</sup> Like-for-like adjustments have been made to remove the impact of the closure of Whitechapel and New Malden in 2015, and the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.

<sup>3</sup> Cash tax adjusted earnings per share is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges, divided by the weighted average number of shares in issue (excluding shares held by the Safestore Employee Benefit Trust).

<sup>4</sup> MLA is maximum lettable area. Group MLA has been adjusted to 5.59m sq ft (FY2015: 4.93m) following the acquisition of Space Maker and the openings of Wandsworth, Altrincham, Birmingham and Emerainville.



We continue to see good levels of interest in self-storage and remain focused on the significant opportunity represented by our currently unlet space

### Our strategy

The Group's strategy remains the same as stated in our last Annual Report. We believe that the Group has a well located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy industry dynamics. As we look forward, we consider that the Group has the potential to significantly further increase its earnings per share by:

- optimising the trading performance of the existing portfolio;
- maintaining a strong and flexible capital structure; and
- taking advantage of selective portfolio management and expansion opportunities.

### Key performance indicators

The key performance indicators ("KPIs") of our business are occupancy and average rental rate, which drive the revenue of our business. These KPIs, along with underlying EBITDA, are reported in the financial highlights section on page 2 and within the trading performance section of the strategic report on pages 12 to 13.

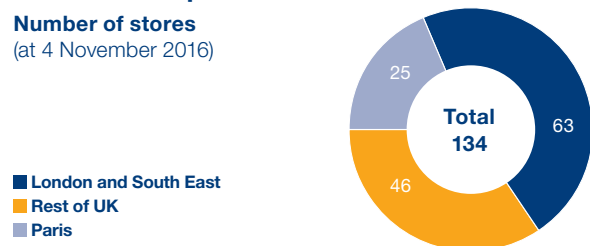
### Optimisation of existing portfolio

With the opening of five new stores in the last few months (including Chiswick, which opened on 4 November 2016), and the acquisition of Space Maker, we have strengthened our market-leading portfolio. We have a high quality, fully invested estate in both the UK and Paris. Of our 134 stores, 88 are in London and the South East of England or in Paris, with 46 in the other major UK cities. We now operate 44 stores within the M25, which represents a higher number of stores than any other competitor.

In the last year, with the aforementioned new store openings and acquisition, our MLA has increased by 13% to 5.59m sq ft at 31 October 2016, excluding Chiswick. At the current occupancy level of 71.0% we have 1.62m sq ft of unoccupied space, of which 1.37m sq ft is in our UK

### Owned store portfolio

Number of stores  
(at 4 November 2016)



stores and 0.25m sq ft in Paris. This is the equivalent of 40 empty stores located across the estate. The available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates.

There are three elements that are critical to the optimisation of our existing portfolio:

- enquiry generation through an effective and efficient marketing operation;
- strong conversion of enquiries into new lets; and
- disciplined central revenue management and cost control.

### In-house digital marketing expertise

Awareness of self-storage is increasing each year but remains relatively low. In the UK over 70% of our new customers are using self-storage for the first time. It is essentially a brand-blind product with only 12% of respondents in the 2016 Self Storage Association Annual Survey stating that a brand would influence their purchase decision. Typically customers requiring storage start their journey by conducting detailed online research using generic keywords in their locality.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which, combined with the employment of carefully selected external partners, has resulted in the development of a leading digital marketing platform that has generated 35% enquiry growth over the last four years.

## Chief Executive's statement continued

### Optimisation of existing portfolio continued

#### In-house digital marketing expertise continued

A key objective of our marketing team has been to improve the volume of organic enquiries generated by the business and we will continue to invest in our search engine optimisation ("SEO") capabilities. In November 2015 we launched a new dynamic customer website designed to further improve our industry-leading web offering with enhanced search engine performance, optimisation for mobile devices and to allow for improved bespoke management of our rich website content. The website features a more responsive design and a social hub featuring a new blog and, since its launch, enquiry capture has improved by 14%. The Group's efforts in this area were acknowledged by its winning the "Best Consumer Products/Services Campaign 2016" at the Drum Search Awards.

Whilst enquiry growth, as envisaged, was initially slower in the first quarter as we transitioned to the new website, enquiries for the full year were up 7.5% on the prior year. The restructured "back-end" of the website has resulted in increased efficiency, which has contributed to a reduction in the cost per enquiry.

The Group has recently launched a new trading website for the Paris business, building on the success of the new UK site.

Online enquiries now represent 81% of our enquiries in the UK and 63% in France. 54% of our online enquiries in the UK originate from mobiles or tablets, compared to 47% last year. It is, therefore, critically important to appear at the top of the rankings of customer searches made through the internet. The ranking in the search pages is a result of a complex function that combines the budget invested directly into the paid search and the capacity to allocate it efficiently on a real-time basis, with the budget invested indirectly into the numerous actions that optimise the website, which, together with its size and traffic, determines its relevance and quality score for the search engines. Our in-house expertise and skills and an annual budget of c.£5.3 million (£4.3 million in the UK and £1 million in Paris) (FY2015: c.£5 million) enable us to achieve the above results. Approximately 95% of our budget in the UK is spent on digital marketing.

Feefo, the independent merchant review system, which allows customers to leave their feedback on the quality of our customer service, has been integrated into our website since 2013. Over this period, our customer satisfaction score has averaged above 95%.

#### Motivated and effective store teams benefiting from improved training and coaching

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store.

Over the last three years we have established an enthusiastic, dynamic and effective store team. Our Director of Operations, Head of HR, 60% of our UK Regional Managers and 50% of our UK Store Managers have joined the business in that period. In addition, in order to make the store team management structure more efficient, we decided to merge the Sales Assistant and Assistant Manager roles into a new Sales Consultant role. We have now completed 85% of this transition and since 2014 we have recruited 170 sales consultants.

“

Our new website has resulted in increased efficiency, which has contributed to a reduction in the cost per enquiry

”

The employees of Space Maker, which was acquired during the year, are now fully integrated into the Safestore training and incentive framework and the twelve stores have each been geographically integrated into one of our eleven regions. Two new Divisional Managers, reporting to our Director of Operations, have been internally recruited to further support our experienced team of Regional Managers.

In the last twelve months we have also invested further resources to manage our building maintenance and facilities management programme in a more efficient and cost-effective manner.

New recruits to the business benefit from enhanced induction and training tools which have been developed in-house, enabling us to quickly identify high potential individuals. All new recruits receive individual performance targets within four weeks of joining the business and certain new recruits are placed on the "pay-for-skills" programme, which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. A key target of our programme is to ensure that close to 100% of our store managers are promoted internally and our management development programme was launched in the period with 15% of our sales consultants participating.

All store staff continue to benefit from ongoing training and development. In 2016, we delivered 27,500 hours of training to sales staff through face-to-face sessions and via our internally developed online learning tool. This Learning Management System also provides the opportunity for team members to receive rigorously enforced health and safety and compliance training, ensuring that our staff are up to date in relation to their technical knowledge in these areas.

Over the last two years we have developed a customised coaching programme for store managers. The training is delivered by Regional Managers and is focused on continual improvement in sales performance.

The performance of all team members is monitored closely via a series of daily, weekly and monthly key performance indicators. A new dashboard was introduced in the year which has enabled increased focus at store and regional level on the key operating metrics of the business. Bonuses of up to 50% of basic salary can be earned monthly based on performance against new lets, occupancy, ancillary sales and pricing targets. In addition, a Values and Behaviours framework is overlaid on individuals' financial performance in order to assess team members' performance and development needs on a quarterly basis.

The benefit of these initiatives is reflected in an improved performance by the stores in converting enquiries into new lets. Conversion of enquiries is now consistently strong and has improved by c.19% since 2013.

As an "Investors in People" organisation since 2003 our aim is to be an employer of choice in our sector and we passionately believe that our continual success is dependent on our highly motivated and well trained colleagues.



### Central revenue management and cost control

We continue to pursue a balanced approach to revenue management. We aim to optimise revenue by improving the utilisation of the available space in our portfolio at carefully managed rates. Our central pricing team is responsible for the management of our dynamic pricing policy, the implementation of promotional offers and the identification of additional ancillary revenue opportunities. Whilst price lists are managed centrally and can be adjusted on a real-time basis when needed, the store sales teams have the ability to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price. The reduction in the level of discount offered over the last three years is linked to store team variable incentives and is monitored closely by the central pricing team.

During the last year, we have continued to enhance the business intelligence software which we implemented in 2015. This has improved the team's ability to identify pricing opportunities, monitor competitive pricing in local markets and to establish optimal unit mix in individual stores.

Our strategy to optimise revenue is implemented by continually reviewing the appropriate mix of occupancy and rate growth targets, store by store. The work of the central pricing team has contributed to like-for-like average rate increases of 4.5% in the UK and 2.3% in Paris over the financial year, while maintaining an average occupancy that was 3.8% up in the UK and 2.5% up in Paris over the previous year on a like-for-like basis.

Rate growth is predominantly influenced by:

- the store location and catchment area;
- the volume of enquiries generated online;
- the store team skills at converting these enquiries into new lets at the expected price; and
- the pricing policy and the confidence provided by analytical capabilities that smaller players may lack.

We believe that Safestore has a very strong proposition in each of these areas.

Costs are managed centrally with a lean structure maintained at the Head Office. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

### Strong and flexible capital structure

Since 2014 we have refinanced the business on two occasions and believe we now have a capital structure that is appropriate for our business and which provides us with the flexibility to take advantage of carefully evaluated development and acquisition opportunities. We will continue to seek opportunities to optimise our capital structure.

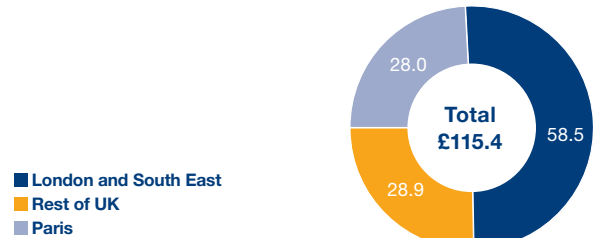
Our current LTV<sup>1</sup> of 31% and our interest cover ratio<sup>2</sup> of 5.5x provides us with significant headroom compared to our banking covenants. We drew down a net £39 million in 2016, primarily to finance the acquisition of Space Maker but, at October 2016, have £104 million (including the remaining £15 million uncommitted accordion facility) of available bank facilities. The weighted average maturity of our debt is 47 months at October 2016.

#### Notes

<sup>1</sup> LTV ratio is loan-to-value ratio, which is defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swap) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).

<sup>2</sup> ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

### Revenue (£'m)



Taking into account the improvements we have made in the performance of the business and the reduction in interest costs of over £8 million per annum over the last three years, the Group is now capable of generating free cash after dividends sufficient to fund the building of one to three new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain LTV of between 30% and 40% for the foreseeable future.

### Portfolio management

As ever, our approach to store development and acquisition in the UK and Paris will continue to be pragmatic, flexible and focused on the return on capital.

Our property teams in both the UK and Paris have recently been strengthened and are continually seeking investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria.

#### Five new stores opened on time and on budget

Between August and November 2016, the Group opened five new stores and completed the extension and refurbishment of our Acton store. An extension of our store in Longpont in Paris is in progress and is due to be completed in January 2017. All the completed projects were opened on time and on budget. Overall, the five new sites provide gross new MLA of 226,000 sq ft (190,000 sq ft net of existing space in Wandsworth and the conditional disposal of our Birmingham Central site).

The Chiswick site, which is located on the A4 in West London, opened on 4 November 2016 and provides a new flagship freehold store of 42,500 sq ft.



Our property teams are continually seeking investment opportunities in new sites



## Chief Executive's statement continued



### Portfolio management continued

#### Five new stores opened on time and on budget continued

In Wandsworth, we had an existing 10,000 sq ft store on Garratt Lane in South West London as well as an additional adjoining 0.25 acre parcel of land. We closed our existing store at the end of 2015 and opened a new purpose-built 33,200 sq ft freehold store in August 2016.

In Birmingham, we opened a new flagship store on the A34 north of the centre of Birmingham in September 2016. The long leasehold store provides 51,000 sq ft of space.

We exchanged contracts in May 2016 on the sale of our Birmingham Central store for £3.6 million to Unite Group plc, subject to the purchaser receiving satisfactory planning permission. Birmingham Central was a highly occupied 26,000 sq ft store and we successfully transferred the majority of our Birmingham Central customers to our new Birmingham store on completion of the build.

In June 2016, we completed the freehold purchase of a building located on an easily accessible site opposite Altrincham Retail Park. Altrincham and Sale is an affluent area with a population of 206,000 and significant inward investment. The 39,000 sq ft store opened in September 2016 and we are confident that it will be a valuable addition to our portfolio.



The acquisition of Space Maker was immediately accretive to Group earnings from completion



In Paris, where regulatory barriers are likely to continue to restrict new development inside the city, we will continue our policy of segmenting our demand and encouraging the customers who wish to reduce their storage costs to utilise the second belt stores. We will also manage occupancy and rates upwards in the more central stores and ensure that pricing recognises the value customers place on the convenience of physical proximity. The strong selling organisation and store network established by Une Pièce en Plus in Paris uniquely enables it to implement this commercial policy.

We announced in February 2016 the acquisition of a freehold site in eastern Paris adjacent to the A4 motorway at Marne-la-Vallée in the town of Emerainville. The site contains an existing warehouse which has been converted into a c.60,000 sq ft self-storage facility and c.8,000 sq ft of serviced offices. The new store opened in September 2016.

The Altrincham and Emerainville stores demonstrate that, with a skilled property development team, it is possible to convert existing buildings into storage facilities in an expeditious and cost-effective manner. In both cases, the time between exchanging contracts and opening the stores was less than twelve months.

We also completed the refurbishment and extension of our Acton store in the period. The Acton store was 89% occupied prior to the extension and we have added a further 4,900 sq ft of space.

Early trading on all completed sites is encouraging and at least in line with our forecasts.

The capital spend on the above completed projects (excluding the historical cost of acquiring the Chiswick, Wandsworth and Birmingham sites) was £25.2 million and was funded from the cash flow and existing debt facilities of the Group.

The Paris Longpont extension, which is due to be completed in January 2017, will add 22,600 sq ft of new space. The store was 83% occupied prior to the commencement of works.

During the period we also extended the lease on our Burnley store. We have now extended the leases on 18 stores or c.47% of our leased store portfolio (including Space Maker) in the UK since FY2012 and our average lease length remaining now stands at 13.7 years as compared to 13.9 years at FY2015.

In December, we acquired the freehold of a site in Mitcham in South West London. Subject to planning permission, we plan to build a c.54,000 sq ft store on this site, scheduled to open in 2018.

#### Acquisition of Space Maker

At the end of July 2016 we announced the completion of the acquisition of Space Maker Stores Ltd ("SMS") from Allodial Capital Ltd and James Elton. The initial consideration, after certain downward adjustments, was £40.9 million and £1.4 million of deferred consideration has subsequently been paid, resulting in a total consideration of £42.3 million.

SMS was the ninth largest self-storage portfolio in the UK with twelve stores, located in Bournemouth (two stores), Colchester, Redhill, Romford, Brentford, Chelmsford, Exeter, Leeds, Plymouth, Portsmouth and Poole, and has a fully invested built out lettable area of c.496,000 sq ft. Six of the SMS stores are freehold or long leasehold and six are leasehold stores with an average remaining lease length of 15.9 years at 31 October 2016.

Safestore has a strong operational knowledge of the SMS portfolio, having managed the business since 2010 under a management services agreement ("MSA") until completion of the acquisition. The MSA, for which Safestore received £0.6 million per annum, had been due to expire at the end of April 2016.

In the year to 30 April 2016, SMS delivered EBITDA (before management fees) of £3.9 million (unaudited) on turnover of £8.7 million. Based on the total consideration net of cash acquired with the business and SMS's unaudited EBITDA, the SMS portfolio has an implied first-year net operating income yield of c.9.3%, before the impact of management charges, which would rise to c.12% if the SMS stores achieve 80% occupancy at the rental rate levels at acquisition.

The SMS portfolio was operating at 66% occupancy (of built out lettable area) at acquisition, which Safestore believes it can improve now that it is fully integrated into its own operational platform. The rebranding of the business is progressing to plan.

The SMS business, which had net assets with a fair value of £47.9 million at acquisition, was acquired on a debt-free basis and was funded from the Group's existing debt facilities, with £45 million of the Group's £60 million accordion facility converted into a committed revolving credit facility.

This acquisition was immediately accretive to Group earnings per share from completion and supports the Group's future dividend capacity.

## Portfolio summary

The self-storage market has been growing in the last 15 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in the city of London and up to 32,000 in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 72% of our French stores are located and which has one of the highest densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently c.234 storage centres within the M25 as compared to only c.87 in the Paris urban area.

In addition, barriers to entry in these two important city markets are high, due to land values and limited availability of sites as well as planning regulation. This is the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 68 stores, contribute £73.1 million of revenue and £49.6 million of store EBITDA and offer a unique exposure to the two most attractive European self-storage markets.

We have a strong position in both the UK and Paris markets operating 109 stores (including Chiswick) in the UK, 63 of which are in London and the South East, and 25 stores in Paris.

In the UK, 67% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher, enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 44 stores (including Chiswick) within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market, with eight stores branded as Une Pièce en Plus ("UPP") ("A spare room") with more than twice the number of stores of our two major competitors combined. 72% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, as at 31 October 2016, London, the South East and Paris represent 65% of our owned stores, 75% of our revenues, as well as 56% of our available capacity.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Glasgow and Edinburgh.

## Owned store portfolio by region

	London and South East	Rest of UK	UK total	Paris	Group total
Number of stores	62	46	108	25	<b>133</b>
Let square feet (m sq ft)	1.76	1.39	3.15	0.82	<b>3.97</b>
Maximum lettable area (m sq ft)	2.41	2.11	4.52	1.07	<b>5.59</b>
Average let square feet per store (k sq ft)	28	30	29	33	<b>30</b>
Average store capacity (k sq ft)	39	46	42	43	<b>42</b>
Closing occupancy %	73.2%	65.7%	69.7%	76.3%	<b>71.0%</b>
Average rate (£ per sq ft)	29.03	18.72	24.60	31.56	<b>26.17</b>
Revenue (£'m)	58.5	28.9	87.4	28.0	<b>115.4</b>
Average revenue per store (£'m)	0.94	0.63	0.81	1.12	<b>0.87</b>

### Notes

The above table represents the 31 October 2016 position and excludes Chiswick, which opened on 4 November 2016.

The reported totals have not been adjusted for the impact of rounding.

## Chief Executive's statement continued

### Market

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self Storage Association ("SSA") Annual Survey (May 2016) confirmed that self-storage capacity stands at 0.59 sq ft per head of population in the UK and 0.15 sq ft per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 sq ft per inhabitant. This compared with 7.75 sq ft per inhabitant in the USA and 1.8 sq ft in Australia.

While capacity increased significantly between 2007 and 2010 with respondents to the survey opening an average of 32 stores per annum, new additions have been limited to an average of 18 stores per annum between 2011 and 2015.

New supply in London and Paris is likely to be limited in the short and medium term as a result of planning restrictions and the availability of suitable land.

Respondents to the survey indicated aspirations to develop an average of 31 stores per annum from 2016 to 2018. However, history has shown that actual developments have averaged less than 50% of respondents' aspirations over the last three years. This suggests that around 15 new stores are likely to be added in the coming year.

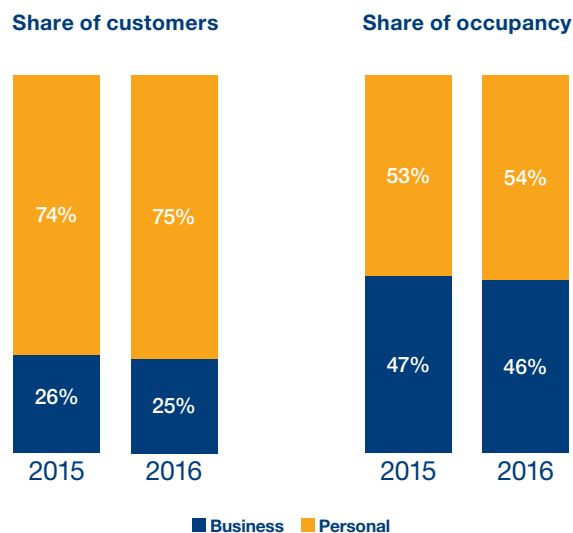
The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 109 wholly owned sites, followed by Big Yellow with 73 wholly owned stores, Access with 58 stores, Lok'n Store with 26 stores, Shurgard with 25 stores and Storage King with 24 stores. In aggregate, the top ten leading operators account for 33% of the UK store portfolio. The remaining c.700 self-storage outlets (including 195 container based operations) are independently owned in small chains or single units. In total there are 490 storage businesses operating in the UK.

Our French business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Consumer awareness of self-storage is increasing but remains low, providing an opportunity for future industry growth. The SSA survey indicated that 58% (55% in 2015) of consumers either knew nothing about the service offered by self-storage operators or had not heard of self-storage at all. The opportunity to grow awareness, combined with limited new industry supply makes for an attractive industry backdrop.

Self-storage is a brand-blind product. In a new question in the 2016 SSA survey, only 12% of people responded positively that a brand would influence their purchase decision. In addition, 59% of respondents were unable to name a self-storage business in their local area. The lack of relevance of brand in the process of purchasing a self-storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA survey where 68% of those surveyed (69% in 2015) confirmed that an internet search would be their chosen means of finding a self-storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was c.28% of respondents (c.24% in 2015).

### Group customer split as at 31 October 2016



There are numerous drivers of self-storage growth. Most private and business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is in our view the reason for its exceptional resilience. The growth of the market is driven both by the fluctuation of economic conditions, which has an impact on the mix of demand, and by growing awareness of the product.

Our domestic customers' need for storage is often driven by lifestyle events such as births, marriages, bereavements, divorces or by the housing market, including house moves and developments and moves between rental properties. It is estimated that UK owner-occupied housing transactions drive around 10-15% of new lets.

Our business customer base includes a range of businesses from start-up online retailers through to multinational corporates utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

Business and personal customers	UK	Paris
<b>Personal customers</b>		
Numbers (% of total)	72%	81%
Square feet occupied (% of total)	51%	65%
Average length of stay (months)	20.4	27.1
<b>Business customers</b>		
Numbers (% of total)	28%	19%
Square feet occupied (% of total)	49%	35%
Average length of stay (months)	30.1	31.3

Safestore's customer base is resilient and diverse and consists of around 55,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

## Business model

Safestore's business model remains unchanged in the last year.

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis and the implementation of VAT on self-storage in 2012, the industry has been exceptionally resilient. In the context of uncertain economic conditions as the UK approaches Brexit, the industry remains well positioned with limited new supply coming into the self-storage market.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry-leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores.

Our capital-efficient portfolio of 134 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow our business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, one-third of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2016 of 13.7 years (FY2015: 13.9 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the optimal and best use of the property or the only one authorised by planning. We observe that our landlords, who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 44% of stores are leaseholds, our leases typically benefit from the well enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties that would have been otherwise unavailable and to generate strong returns on capital invested.

Safestore excels in the generation of customer enquiries which are received through a variety of channels, including the internet, telephone and "walk-ins". In the early days of the industry, local directories and store visibility were key drivers of enquiries.

The internet is now by far the dominant channel, accounting for 81% of our enquiries in the UK and 63% in France. Telephone enquiries comprise 12% of the total (27% in France) and "walk-ins" amount to only 7% (10% in France). This key change is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major

search engines. Safestore has developed a leading digital marketing platform that has generated 54% enquiry growth over the last four years. Towards the end of 2015 the Group launched a new dynamic and mobile-friendly UK website, which has achieved its aim of providing the customer with an even clearer, more efficient experience. In the last month, a similar website has been launched in our Paris business.

Although mostly generated online, our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which now handles 16% of all enquiries, in particular when the store staff are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC staff with system-generated real-time prices managed by our centrally based yield management team. Local staff have certain levels of discretion to flex the system-generated prices but this is continually monitored.

Customer service standards are high and customer satisfaction feedback is consistently very positive. Over the last twelve months we have achieved over 95% customer satisfaction, based on "excellent" or "good" ratings as collected by Feefo via our customer website.

The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide storage locations that are conveniently located close to the customers' requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and, in particular, National Accounts. Business customers in the UK now constitute 49% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business continues to grow with storage revenue increasing by 71% compared with 2013. The space let to National Accounts customers has increased by 16% compared with 2015 and, at 385,000 sq ft, constitutes 12% of our total occupied space in the UK business. Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of 55,000 business and domestic customers with an average length of stay of 30 months and 22 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three staff. Our Group Head Office comprises business support functions such as Yield Management, Property, Marketing, HR, IT and Finance.

Since the completion of the rebalancing of our capital structure in early 2014 and the subsequent amendment and extension of our banking facilities in Summer 2015, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 31 October 2016 we had 1.4 million sq ft of unoccupied space in the UK and 0.2 million sq ft in France, equivalent to over 40 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

## Chief Executive's statement continued

### Trading performance

#### UK – balanced approach to revenue management results in strong growth

	2016	2015	Change
<b>UK operating performance – like-for-like<sup>1</sup></b>			
Revenue (£'m)	<b>84.5</b>	77.4	9.2%
EBITDA (£'m) <sup>2</sup>	<b>45.0</b>	39.3	14.5%
Closing occupancy (let sq ft – million) <sup>3</sup>	<b>2.79</b>	2.73	2.2%
Closing occupancy (% of MLA)	<b>71.8%</b>	70.4%	+1.4ppts
Average occupancy (let sq ft – million) <sup>3</sup>	<b>2.73</b>	2.63	3.8%
Average storage rate (£)	<b>24.73</b>	23.66	4.5%

#### UK Operating Performance – total

Revenue (£'m)	<b>87.4</b>	79.9	9.4%
EBITDA (£'m) <sup>2</sup>	<b>46.5</b>	40.6	14.5%
EBITDA (after leasehold costs) (£'m)	<b>41.6</b>	35.5	17.2%
Closing occupancy (let sq ft – million) <sup>3</sup>	<b>3.15</b>	2.76	14.1%
Maximum lettable area (MLA) <sup>4</sup>	<b>4.52</b>	3.92	15.3%
Closing occupancy (% of MLA)	<b>69.7%</b>	70.2%	(0.5ppts)
Average storage rate (£)	<b>24.60</b>	23.70	3.8%

The UK has delivered another strong year, growing revenue by 9.4%. The acquisition of Space Maker on 29 July 2016 has contributed to this growth but is offset by the closures of Whitechapel and New Malden in the previous year so, on a like-for-like basis, revenue grew by 9.2% in the year. Our first quarter's ownership of the Space Maker portfolio has gone to plan with the business fully integrated into the Group from an operational perspective and the rebranding of the stores well advanced.

Like-for-like new lets increased by 7.6% for the full year reflecting good customer enquiry growth, helped by our new website and consistent conversion performance in our stores.

Total occupancy grew by 397,000 sq ft (FY2015: 76,000 sq ft) over the year reflecting the acquisition of Space Maker and a net like-for-like occupancy growth of 57,000 sq ft which comprised an 84,000 sq ft underlying increase in occupancy partially offset by a planned 27,000 sq ft reduction in the lower yielding discounted bulk occupancy. The addition of three new stores in the last two months of the year (Wandsworth, Birmingham and Altrincham) diluted total closing occupancy, which ended the year at 69.7% (FY2015: 70.2%) but like-for-like closing occupancy grew by 1.4ppts to 71.8% (FY2015: 70.4%). Like-for-like average occupancy for the year grew by 3.8%.



Our UK occupancy growth was accompanied by a 4.5% increase in the like-for-like average storage rate for the year



We take a balanced approach to revenue management and our occupancy growth was accompanied by a 4.5% increase in the like-for-like average storage rate for the year. Sequentially, our Q4 like-for-like average rate was 2.2% higher than the rate achieved in Q3 2016.

We opened three new stores towards the end of the financial year in Wandsworth, Altrincham and Birmingham (and closed our existing Birmingham Central store) and our Chiswick store opened on 4 November 2016. In addition, we completed the extension of our Acton store. These developments were completed on time and on budget and added c.135,000 sq ft of net new space to our portfolio. Early trading at these sites has been encouraging and in line with management's expectations. The Group now operates 109 wholly owned stores in the UK.

We remain focused on our cost base. During the year, our cost base increased by around 4.1% or £1.6 million driven by the variable costs related to incremental revenue, the acquisition of Space Maker and an increase in business rates, offset by reductions arising from the closures of Whitechapel and New Malden in 2015.

As a result EBITDA after leasehold rent costs for the UK business was £41.6 million (FY2015: £35.5 million), an increase of £6.1 million or 17.2%.

#### Notes

- 1 Like-for-like adjustments have been made to remove the impact of the closure of Whitechapel and New Malden in 2015, and the 2016 openings of Wandsworth, Altrincham, Birmingham (including closure of our existing Birmingham store) and Emerainville. In addition, the impact of the acquisition of Space Maker on 29 July 2016 has been adjusted.
- 2 Underlying EBITDA is defined as Operating Profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.
- 3 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2016, closing occupancy includes 37,000 sq ft of bulk tenancy (31 October 2015: 64,000 sq ft).
- 4 MLA is maximum lettable area. Group MLA has been adjusted to 5.59m sq ft (FY2015: 4.93m) following the acquisition of Space Maker and the openings of Wandsworth, Altrincham, Birmingham and Emerainville.

### Paris – another year of solid revenue growth

	2016	2015	Change
<b>Paris operating performance – like-for-like<sup>1</sup></b>			
Revenue (€'m)	<b>35.4</b>	33.7	5.0%
EBITDA (€'m) <sup>2</sup>	<b>22.4</b>	21.2	5.7%
Closing occupancy (let sq ft – million) <sup>3</sup>	<b>0.82</b>	0.83	(1.2%)
Closing occupancy (% of MLA)	<b>80.7%</b>	81.8%	(1.1ppts)
Average occupancy (let sq ft – million) <sup>3</sup>	<b>0.81</b>	0.79	2.5%
Average storage rate (€)	<b>39.85</b>	38.94	2.3%
<b>Paris operating performance – total</b>			
Revenue (€'m)	<b>35.4</b>	33.7	5.0%
EBITDA (€'m) <sup>2</sup>	<b>22.4</b>	21.2	5.7%
EBITDA (after leasehold costs) (€'m)	<b>17.5</b>	15.9	10.1%
Closing occupancy (let sq ft – million) <sup>3</sup>	<b>0.82</b>	0.83	(1.2%)
Maximum lettable area (MLA) <sup>4</sup>	<b>1.07</b>	1.01	5.9%
Closing occupancy (% of MLA)	<b>76.3%</b>	81.8%	(5.5ppts)
Average occupancy (let sq ft- million) <sup>3</sup>	<b>0.81</b>	0.79	2.5%
Average storage rate (€)	<b>39.85</b>	38.94	2.3%
Revenue (£'m)	<b>28.0</b>	24.9	12.4%

Our Paris business had a solid year, growing like-for-like revenue by 5.0%. The impact of the significant weakening of Sterling in the period resulted in the Sterling equivalent like-for-like revenue growing by 12.4% for the full year.

Pricing was robust and our like-for-like average rate was up 2.3% for the full year. Like-for-like closing occupancy ended the year at 80.7% (FY2015: 81.8%). Our average occupancy for the year was up 2.5% on 2015.

Our new store at Emerainville in the east of Paris opened on time and on budget at the end of the financial year, adding 60,000 sq ft of MLA to our portfolio. Given that the store has only recently started to trade, its opening has a dilutive effect on total closing occupancy. The extension of our Longpont store, which will add 22,600 sq ft of new space, is due to complete in January 2017.

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Our Paris business had a solid year growing like-for-like revenue by 5.0%. Pricing was robust and our like-for-like average rate was up 2.3% for the full year

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We continue to pursue our proven strategy of growing the revenue of our market-leading Parisian portfolio by achieving an appropriate balance of rate and occupancy growth and we are now in the eighteenth year of uninterrupted revenue growth in local currency.

The impact of a 7% strengthening in the average Euro exchange rate resulted in a 12.4% increase in revenue in Sterling. In the previous year, the Group had hedging arrangements in place which resulted in a £0.9 million benefit which is reflected in the prior year EBITDA for Paris when reported in Sterling, but not in the revenue line.

The cost base in Paris remained well controlled during the year and, as a result, EBITDA in France grew to €22.4 million (FY2015: €21.2 million prior to the benefit of the Euro hedging arrangements), an improvement of €1.2 million or 5.7% on 2015.

**Frederic Vecchioli**  
**Chief Executive Officer**  
 6 January 2017

## Principal risks

# Effective risk management requires awareness and engagement at all levels of our organisation

### Risks and risk management

#### Risk management process

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place for managing them.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that risk management is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

Strategic risks are identified, assessed and managed by the Main Board and the Audit Committee, with support from the Risk Committee. They are reviewed at Board level to ensure they are valid and that they represent the key risks associated with the current strategic direction of the Group. Operational risks are identified, assessed and managed by the Risk Committee and Executive Team members, and reported to the Main Board and the Audit Committee. These cover all areas of the business, such as finance, operations, investment, development and corporate risks.

The risk management process commences with rigorous risk identification sessions incorporating contributions from functional managers and Executive Team members. The output is reviewed and discussed by the Risk Committee, supported by members of senior management from across the business. The Risk Committee identifies and prioritises the top business risks, which are then challenged by the Board. The process focuses on the identification of key strategic, financial and operational risks. The potential impact and likelihood of the risks occurring are determined, key risk mitigations are identified and the current level of risk is assessed against the Board's risk appetite. These top business risks form the basis for the principal risks and uncertainties detailed in the section below.

#### Principal risks and uncertainties

The principal risks and uncertainties described are considered to have the most significant effect on Safestore's strategic objectives. This list is not intended to be exhaustive. Some risks, however, remain outside of the Group's full control, for example macro-economic issues, changes in government regulation and acts of terrorism.

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Strategic risks are identified, assessed and managed by the Main Board and the Audit Committee, with support from the Risk Committee

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The key strategic and operational risks are monitored by the Board and are defined as those which could prevent us from achieving our business goals. Our current strategic and operational risks and key mitigating actions are as follows:

Risk	Current mitigation activities	Developments since 2015
<b>Strategy</b>		
<p>The Group develops business plans based on a wide range of variables. Incorrect assumptions about the self-storage market, or changes in the needs of customers, or the activities of customers may adversely affect the returns achieved by the Group, potentially resulting in loss of shareholder value.</p>	<ul style="list-style-type: none"> <li>– The strategy development process draws on internal and external analysis of the self-storage market, emerging customer trends and a range of other factors.</li> <li>– Strengthened focus on yield management with regular review of demand levels and pricing at each individual store.</li> <li>– The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments.</li> </ul>	<p>During the year, the Group has continued its programme of operational improvements and maintained good trading momentum.</p> <p>The Group's strategy is regularly reviewed through the annual planning and budgeting process, and regular reforecasts are prepared during the year.</p> <p>The addition of twelve Space Maker stores and five new development stores provides greater geographical diversification to the Group's store portfolio.</p> <p>The level of this risk is broadly the same as last year.</p>
<b>Finance risk</b>		
<p>Lack of funding resulting in inability to meet business plans, satisfy liabilities or breach of covenants.</p>	<ul style="list-style-type: none"> <li>– Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts.</li> <li>– The Group manages liquidity in accordance with Board-approved policies designed to ensure that the Group has adequate funds for its ongoing needs.</li> <li>– The Board regularly monitors financial covenant ratios and headroom.</li> <li>– The Group's banking facilities run to 30 June 2020 and the US private placement notes mature in three and eight years.</li> </ul>	<p>During the year, the Group extended its committed borrowing facilities by £45 million in anticipation of the Space Maker acquisition.</p> <p>The Group's LTV decreased in the year, due to increasing property values, despite the net increase in borrowings to finance the Space Maker acquisition and new development stores.</p> <p>The economic uncertainty following the UK's decision in June to leave the EU has increased this risk, as Brexit may adversely affect UK property values, and therefore also LTV, and may also result in a decrease in available funding.</p>
<b>Treasury risk</b>		
<p>Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.</p>	<ul style="list-style-type: none"> <li>– Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate and currency swaps to manage this risk.</li> <li>– Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.</li> <li>– Use of derivative contracts to fix the exchange rate applicable to principal and interest payments on the US private placement debt.</li> </ul>	<p>Fluctuations in the Euro exchange rate during the year introduced greater volatility to amounts reported in respect of our French business, but the Group's exposure to movements in the US Dollar rate is fully hedged.</p> <p>The UK base rate was reduced following the EU referendum, and is forecast to remain low or be cut even further. The risk of adverse interest rate fluctuations has therefore reduced during the year.</p>
<b>Property investment and development</b>		
<p>Acquisition and development of properties that fail to meet performance expectations or overexposure to developments within a short timeframe may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value.</p>	<ul style="list-style-type: none"> <li>– Thorough due diligence conducted and detailed analysis undertaken prior to Board approval for property investment and development.</li> <li>– The Group's overall exposure to developments is monitored and controlled, with projects phased to avoid over-commitment.</li> <li>– The performance of individual properties is benchmarked against target returns.</li> </ul>	<p>The Group's investment appraisal policy was reviewed during the year.</p> <p>A robust due diligence process was undertaken prior to Space Maker acquisition.</p> <p>The capital requirements of development projects undertaken during the year have been carefully forecast and monitored.</p> <p>Although investment and development activity increased during the year, there has been no significant change to this risk since last year.</p>
<b>Valuation risk</b>		
<p>Value of our properties declining as a result of external market or internal management factors.</p> <p>In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty.</p> <p>Breach of our loan-to-value ("LTV") borrowing covenant could arise in the event of declining property values, possibly triggering default and/or repayment of the facilities.</p>	<ul style="list-style-type: none"> <li>– Independent valuations conducted by experienced, independent, professionally qualified valuers.</li> <li>– A diversified portfolio let to a large number of customers should help to mitigate any negative impact arising from changing conditions in the financial and property market.</li> <li>– Headroom of LTV banking covenants is maintained and reviewed.</li> <li>– Current gearing levels provide sizeable headroom on our portfolio valuation and mitigate the likelihood of covenants being endangered.</li> </ul>	<p>The Group's continuing operational improvements, which are generating increases to both rate and occupancy, and our ongoing lease re-gear programme are both contributing to increases in the Group's property valuation.</p> <p>The addition of twelve Space Maker stores and five new development stores provides greater diversification to the portfolio and has strengthened the Group's balance sheet.</p> <p>However, the level of this risk is viewed as having increased since last year due to increased uncertainty following the UK's decision to leave the EU.</p>

## Principal risks continued

### Risks and risk management continued

#### Principal risks and uncertainties continued

Risk	Current mitigation activities	Developments since 2015
<b>Occupancy risk</b>		
A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.	<ul style="list-style-type: none"> <li>Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer.</li> <li>Dedicated support for improved enquiry capture.</li> <li>Weekly monitoring of occupancy levels and close management of stores.</li> <li>Management of pricing to stimulate demand, when appropriate.</li> <li>Monitoring of reasons for customers vacating and exit interviews conducted.</li> <li>Independent feedback facility for customer experience.</li> <li>The occupancy rate across the portfolio has continued to grow due to flexibility offered on deals by in-house marketing and the customer support centre.</li> </ul>	<p>Continuing operational improvements, including focus on enquiry generation and conversion, marketing initiatives and yield management, have generated increased occupancy during the year.</p> <p>The purchase of the Space Maker business and opening of five new stores has diversified the potential impact of underperformance of an individual store.</p> <p>As a result, the level of this risk has reduced since last year.</p>
<b>Real estate investment trust ("REIT") risk</b>		
Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.	<ul style="list-style-type: none"> <li>Internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.</li> </ul>	<p>The Group has remained compliant with all REIT legislation throughout the year.</p> <p>There has been no significant change to this risk since last year.</p>
<b>Catastrophic event</b>		
Major events mean that the Group is unable to carry out its business for a sustained period, health and safety issues put customers, staff or property at risk, or the Group suffers a cyber-attack, hacking or malicious infiltration of websites. These may result in reputational damage, injury or property damage, or customer compensation, causing a loss of market share and income.	<ul style="list-style-type: none"> <li>Business continuity plans are in place and tested.</li> <li>Back-up systems at offsite locations and remote working capabilities.</li> <li>Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes.</li> <li>Monitoring and review by the Health and Safety Committee.</li> <li>Robust operational procedures, including health and safety policies. These policies have been revised during the year, with a specific focus on fire prevention and safety procedures.</li> <li>Fire risk assessments in stores.</li> <li>Specialist cyber-security advice and consultancy; dedicated in-house monitoring and security review; external penetration testing.</li> <li>Limited retention of customer data.</li> </ul>	<p>Continuing focus from the Risk Committee, with particular attention to specific issues, such as fire risk and risks arising from customers working in units.</p> <p>Health and safety procedures have been reviewed and updated.</p> <p>IT security reviews were performed across the Group.</p> <p>The threat from cyber-attacks continues to grow, so this risk has increased since last year, and the risk management and mitigation actions have been developed accordingly.</p>
<b>Consequences of the UK's decision to leave the EU ("Brexit")</b>		
In June 2016, the UK voted to leave the EU. The timeframe for this to be achieved remains unclear, which has generated significant uncertainty in the economy and also with regard to legislation changes both before and after Brexit.	<ul style="list-style-type: none"> <li>The economic uncertainty is not a new risk for the Group, but increases the likelihood of previously recognised risks, and is addressed under the finance risk, treasury risk and valuation risk categories above.</li> <li>Potential changes to UK legislation or regulations as a result of or following Brexit may include changes to the right of EU citizens to work in the UK, changes to direct or indirect tax legislation or other legislation changes such as health and safety.</li> </ul>	<p>This is a new risk which arose during the year as a result of the outcome of the UK's EU referendum.</p> <p>The Group is in the process of developing contingency plans for the potential consequences of Brexit.</p>

### Viability statement

The Directors have assessed the viability of the Group over a three-year period to October 2019, and have confirmed that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over this period. This assessment has been performed taking account of the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the potential impact of the principal risks, which are described on pages 14 to 16 of the strategic report.

The review period is consistent with the timeframes incorporated into the Group's strategic planning cycle, and the review considers the Group's cash flows, dividend cover, REIT compliance, financial covenants and other key financial performance metrics over the period. The Directors have recognised that \$65.6 million of borrowings will fall due to be repaid during the three-year outlook period, and have assumed that additional funding for the business in the form of equity or borrowings will be available in all likely market conditions. In reaching their conclusion, the Directors have considered the impact of sensitivities and scenario testing to reflect more severe scenarios than the Group has previously experienced, even during the last financial downturn. This involved flexing a number of the main assumptions underlying the Group's strategic plan and evaluating the potential impact of the principal risks facing the Group, along with mitigating actions, on the business model, future performance, solvency and liquidity over the review period.

## Financial review

# We achieved a 23.7% increase in underlying profit before tax



### Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2016 and the year ended 31 October 2015.

Management considers the below presentation of earnings to be representative of the underlying performance of the business.

Underlying EBITDA increased by 12.4% to £64.2 million (FY2015: £57.1 million), reflecting a 10.1% increase in revenue, and only a 7.3% increase to the underlying cost base. The contribution of the Space Maker business since acquisition to the Group's income statement largely compensates for the 2015 closures of New Malden and Whitechapel.

Leasehold rent reduced by 2.2% from £9.0 million to £8.8 million. Despite an additional six leases in respect of the Space Maker business for the last quarter, savings in rent principally reflect a full year of two fewer leases (at New Malden and High Wycombe), a full year of benefit from lease re-gears agreed during the prior period and the favourable settlement of outstanding rent reviews.

Finance charges reduced by 11.4% from £11.4 million to £10.1 million. This reflects the benefit of the Group's August 2015 refinancing, as well as reduced interest rates in the latter part of the year, and offsets an increase in borrowings during the year required to finance the Space Maker acquisition and our new store developments.

As a result, we achieved a 23.7% increase in underlying profit before tax to £44.9 million (FY2015: £36.3 million).

Given the Group's REIT status in the UK, tax is principally payable in France. The underlying tax charge for the year was £3.7 million, which compares to the total of underlying current tax and underlying deferred tax of £3.0 million in the prior year. The year-on-year increase is attributable to the increased underlying pre-tax profit in Paris and the translational impact of the strengthening of the Euro. The underlying deferred tax in the prior year has not been repeated in 2016.

Management considers that the most representative earnings per share ("EPS") measure is cash tax adjusted EPS, which has increased by 19.3% to 19.8 pence (FY2015: 16.6 pence). EPRA EPS also reflects the deferred tax on underlying trading and increased by 23.8% to 19.8 pence from 16.0 pence in 2015.

	2016 £'m	2015 £'m	Movement %
Revenue	115.4	104.8	10.1%
Underlying costs	(51.2)	(47.7)	7.3%
<b>Underlying EBITDA</b>	<b>64.2</b>	57.1	12.4%
Leasehold rent	(8.8)	(9.0)	(2.2%)
<b>Underlying EBITDA after leasehold rent</b>	<b>55.4</b>	48.1	15.2%
Depreciation	(0.4)	(0.4)	—
Finance charges	(10.1)	(11.4)	(11.4%)
<b>Underlying profit before tax</b>	<b>44.9</b>	36.3	23.7%
Current tax	(3.7)	(1.8)	105.6%
<b>Cash tax earnings</b>	<b>41.2</b>	34.5	19.4%
Underlying deferred tax	—	(1.2)	(100.0%)
<b>EPRA earnings</b>	<b>41.2</b>	33.3	23.7%
Average shares in issue (million)	208.2	207.5	
<b>Underlying (cash tax adjusted) EPS (pence)</b>	<b>19.8</b>	16.6	19.3%
<b>EPRA EPS (pence)</b>	<b>19.8</b>	16.0	23.8%

## Financial review continued

### Reconciliation of underlying EBITDA

The table below reconciles the operating profit included in the income statement to underlying EBITDA.

	2016 £'m	2015 £'m
Operating profit	<b>109.3</b>	134.2
Adjusted for:		
– gain on investment properties	<b>(41.7)</b>	(78.9)
– depreciation	<b>0.4</b>	0.4
– contingent rent	<b>0.5</b>	1.1
– change in fair value of derivatives	<b>–</b>	0.3
Exceptional items:		
– costs incurred relating to corporate transactions	<b>1.3</b>	–
– negative goodwill on acquisition of subsidiary	<b>(5.6)</b>	–
Underlying EBITDA	<b>64.2</b>	57.1

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties and exceptional items, as well as adjustments for depreciation, contingent rent and changes in the fair value of derivatives.

The gain on investment properties was £41.7 million, as compared to £78.9 million in 2015. The Group has recognised a net exceptional credit of £4.3 million in the year (FY2015: £nil), comprising a £5.6 million credit relating to negative goodwill arising on the acquisition of Space Maker, less corporate transactions costs of £1.3 million.

### Underlying profit by geographical region

The Group is organised and managed in two operating segments based on geographical region. The table below details the underlying profitability of each region.

	2016			2015		
	UK £'m	Paris €'m	Total (CER) £'m	UK £'m	Paris €'m	Total (CER) £'m
Revenue	<b>87.4</b>	<b>35.4</b>	<b>113.5</b>	79.9	33.7	104.8
Underlying cost of sales	<b>(32.4)</b>	<b>(9.7)</b>	<b>(39.5)</b>	(30.9)	(9.3)	(37.7)
Store EBITDA	<b>55.0</b>	<b>25.7</b>	<b>74.0</b>	49.0	24.4	67.1
Store EBITDA margin	<b>63%</b>	<b>73%</b>	<b>65%</b>	61%	72%	64%
Underlying administrative expenses	<b>(8.5)</b>	<b>(3.3)</b>	<b>(11.0)</b>	(8.4)	(3.2)	(10.9)
Underlying EBITDA	<b>46.5</b>	<b>22.4</b>	<b>63.0</b>	40.6	21.2	56.2
EBITDA margin	<b>53%</b>	<b>63%</b>	<b>56%</b>	51%	63%	54%
Leasehold rent	<b>(4.9)</b>	<b>(4.9)</b>	<b>(8.5)</b>	(5.1)	(5.3)	(9.0)
Underlying EBITDA after leasehold rent	<b>41.6</b>	<b>17.5</b>	<b>54.5</b>	35.5	15.9	47.2
EBITDA after leasehold rent margin	<b>48%</b>	<b>49%</b>	<b>48%</b>	44%	47%	45%
	<b>UK £'m</b>	<b>Paris €'m</b>	<b>Total £'m</b>	<b>UK £'m</b>	<b>Paris €'m</b>	<b>Total £'m</b>
Underlying EBITDA after leasehold rent (CER)	<b>41.6</b>	<b>12.9</b>	<b>54.5</b>	35.5	11.7	47.2
Adjustment to actual exchange rate	<b>–</b>	<b>0.9</b>	<b>0.9</b>	–	–	–
Adjustment for swap income	<b>–</b>	<b>–</b>	<b>–</b>	–	0.9	0.9
Reported underlying EBITDA after leasehold rent	<b>41.6</b>	<b>13.8</b>	<b>55.4</b>	35.5	12.6	48.1

#### Note

CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, and the impact of foreign exchange swaps has been reversed, in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £5.9 million, or 14.5%, to £46.5 million (FY2015: £40.6 million), underpinned by a 9.4% or £7.5 million increase in revenue, which was driven primarily by a 3.8% increase in the average storage rate plus a 4.5% increase in average occupancy. Underlying UK EBITDA after leasehold rent increased by 17.2% to £41.6 million (FY2015: £35.5 million).

In Paris, underlying EBITDA increased by €1.2 million, or 5.7%, to €22.4 million (FY2015: €21.2 million), reflecting a €1.7 million increase in revenue, arising from a 2.3% increase in the average storage rate and a 2.5% increase in average occupancy. Underlying EBITDA after leasehold rent in Paris increased by 10.1% to €17.5 million (FY2015: €15.9 million).

The combined results of the UK and Paris delivered a 15.5% increase in underlying EBITDA after leasehold rent at constant exchange rates at Group level. Adjusting for a favourable exchange impact of £0.9 million in the current year and the £0.9 million of swap income from Euro hedges recognised in the prior year, Group reported underlying EBITDA after leasehold rent has increased by 15.2% or £7.3 million to £55.4 million (FY2015: £48.1 million).

## Revenue

Revenue for the Group is primarily derived from the rental of self-storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks) in both the UK and Paris.

The split of the Group's revenues by geographical segment is set out below for 2016 and 2015.

		2016	% of total	2015	% of total	% change
<b>UK</b>	£'m	<b>87.4</b>	<b>76%</b>	79.9	76%	9.4%
<b>Paris</b>						
Local currency	€'m	<b>35.4</b>		33.7		5.0%
Average exchange rate	€:£	<b>1.262</b>		1.356		
Paris in Sterling	£'m	<b>28.0</b>	<b>24%</b>	24.9	24%	12.4%
<b>Total revenue</b>		<b>115.4</b>	<b>100%</b>	104.8	100%	10.1%

The Group's revenue increased by 10.1% or £10.6 million in the year. The Group's occupied space was 388,000 sq ft higher at 31 October 2016 (3.97 million sq ft) than at 31 October 2015 (3.58 million sq ft), and the average rental rate per square foot for the Group was 3.3% higher in 2016 at £26.17 than in 2015 (£24.85).

Adjusting the Group's revenue to a like-for-like basis (to reflect the closures of Whitechapel and New Malden in 2015, the 2016 openings of Wandsworth, Altrincham, Birmingham and Emerainville and the Space Maker acquisition), revenue has increased by 10.0%. Adjusting further for the strengthening of the Euro during the year, Group like-for-like revenue at constant exchange rates has increased by 8.1%.

In the UK, revenue grew by £7.5 million or 9.4%, and on a like-for-like basis it was up by 9.2%. Occupancy was 397,000 sq ft higher at 31 October 2016 than at 31 October 2015, at 3.15 million sq ft (2.76 million sq ft). Like-for-like UK occupancy also grew by 57,000 sq ft to 2.79 million sq ft at 31 October 2016. The average rental rate for the year was up 3.8% from £23.70 in 2015 to £24.60 in 2016.

In Paris, revenue increased by 5.0% to €35.4 million (FY2015: €33.7 million). However, the strengthening of the Euro during the financial year had a favourable currency impact of approximately £1.9 million on translation, which resulted in a 12.4% increase when reported in Sterling. Average occupancy grew to 0.81 million sq ft (FY2015: 0.79 million sq ft), and the average rental rate grew by 2.3% to €39.85 for the year (FY2015: €38.94).

## Analysis of cost base

### Cost of sales

The table below details the key movements in cost of sales between 2015 and 2016.

	2016 £'m	2015 £'m
Reported cost of sales	<b>(40.9)</b>	(38.3)
Adjusted for:		
– depreciation	<b>0.4</b>	0.4
– contingent rent	<b>0.5</b>	1.1
Underlying cost of sales	<b>(40.0)</b>	(36.8)
Underlying cost of sales for 2015 (reported)		(36.8)
– swap income in 2015		(0.9)
Underlying cost of sales for 2015 (CER)		(37.7)
– Business rates		(0.5)
– Customer insurance, merchandise and other volume related costs		(0.6)
– Marketing		(0.3)
– Premises insurance		(0.2)
– Other		(0.2)
Underlying cost of sales for 2016 (CER)		(39.5)
– Foreign exchange		(0.5)
Underlying cost of sales for 2016 (reported)		(40.0)

### Note

Certain costs previously reported as administrative expenses, primarily relating to marketing and the customer service centre, are now reported within cost of sales.

## Financial review continued

### Analysis of cost base continued

#### Cost of sales continued

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation and contingent rent.

In constant currency and adjusting for the impact of the Euro swap income in 2015, underlying cost of sales grew by £1.8 million, arising from sales volume related increases totalling c.£0.9 million, including merchandise and insurance, store maintenance and enquiry generation, as well as increases in business rates (£0.5 million, due to inflationary increases and non-recurring rebates received in the prior year) and premises insurance (£0.2 million, as a result of higher premiums, partly driven by a higher rate of insurance premium tax).

### Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2015 and 2016.

	2016 £'m	2015 £'m
Reported administrative expenses	<b>(12.5)</b>	(11.2)
Adjusted for:		
– Exceptionals and non-underlying items	<b>1.3</b>	–
– Changes in fair value of derivatives	<b>–</b>	0.3
Underlying administrative expenses	<b>(11.2)</b>	(10.9)
Underlying administrative expenses for 2015:		(10.9)
– Employee remuneration		(0.1)
Underlying administrative expenses for 2016 (CER)		(11.0)
– Foreign exchange		(0.2)
Underlying administrative expenses for 2016 (reported)		(11.2)

#### Note

Certain costs previously reported as administrative expenses, primarily relating to marketing and the customer service centre, are now reported within cost of sales.

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items and changes in the fair value of derivatives.

Exceptional costs reported within administrative expenses include net costs relating to corporate transactions of £1.3 million.

Underlying administrative expenses increased by £0.3 million to £11.2 million (FY2015: £10.9 million), principally as a result of the translational impact of the strengthening of the Euro on the results reported for Paris.

### Space Maker acquisition

On 29 July 2016, the Group completed the acquisition of Space Maker Stores Limited for initial consideration of £40.9 million plus £1.4 million of deferred consideration, which has subsequently been paid, resulting in a total consideration of £42.3 million. The consideration paid was less than the fair value of the identifiable net assets and, as a result, £5.6 million of negative goodwill has been recognised within operating profit in the income statement. In addition, £1.3 million of transaction related costs are included within administrative expenses. The net gain arising on business combinations of £4.3 million, recognised in the income statement, is considered to be exceptional.

### Gain on investment properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and finance lease depreciation for the interests in leaseholds and other items as detailed below.

	2016 £'m	2015 £'m
Revaluation of investment properties	<b>45.8</b>	83.1
Revaluation of investment properties under construction	<b>0.5</b>	(0.1)
Depreciation on leasehold properties	<b>(4.6)</b>	(4.1)
Gain on investment properties	<b>41.7</b>	78.9

In the current financial year the UK business contributed £37.1 million to the positive valuation movement and the Paris business contributed £9.2 million. The gain on investment properties principally reflects the continuing improvements in both average rental rate and occupancy, which drive positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

## Operating profit

Operating profit decreased by £24.9 million from £134.2 million in 2015 to £109.3 million in 2016, as a result of the £37.2 million lower gain on investment properties, partially mitigated by the £7.1 million improvement in underlying EBITDA and the net £4.3 million exceptional gain arising on the Space Maker acquisition.

## Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives and exchange gains or losses. Net finance costs reduced by £1.6 million in 2016, to £14.4 million from £16.0 million in 2015.

	2016 £'m	2015 £'m
Net bank interest payable	<b>(10.1)</b>	(11.4)
Interest on obligations under finance leases	<b>(3.7)</b>	(3.8)
Fair value movement on derivatives	<b>18.4</b>	1.9
Net exchange losses	<b>(19.1)</b>	(2.8)
Unwinding of discount on Capital Goods Scheme receivable	<b>0.1</b>	0.1
<b>Net finance costs</b>	<b>(14.4)</b>	(16.0)

## Underlying finance charge

The underlying finance charge (net bank interest payable) reduced by £1.3 million to £10.1 million, principally reflecting the annualisation of the interest savings from the amendment and extension of our loan facilities undertaken in August 2015, despite an increase in borrowings to finance the Space Maker acquisition. Net bank interest payable also includes the amortisation of debt issue costs, which has increased to £0.4 million (FY2015: £0.2 million), mainly due to additional debt issue costs incurred as a result of the August 2015 re-financing, which are being amortised over five years.

Based on the year-end drawn debt position the effective interest rate is analysed as follows:

	Facility £/€/\$'m	Drawn £'m	Hedged £'m	Hedged %	Bank margin	Hedged rate	Floating rate	Total rate
UK term loan	£126.0	£126.0	£100.0	79%	1.50%	1.34%	0.39%	2.64%
UK revolver	£125.0	£61.0	—	—	1.50%	—	0.38%	1.88%
UK revolver – non-utilisation	£64.0	—	—	—	0.60%	—	—	0.60%
Euro revolver	€70.0	£37.8	£27.0	71%	1.50%	0.31%	(0.30%)	1.63%
Euro revolver – non-utilisation	€28.0	—	—	—	0.60%	—	—	0.60%
US private placement 2019	\$65.6	£53.9	£53.9	100%	5.52%	—	—	5.83%
US private placement 2024	\$47.3	£38.8	£38.8	100%	6.29%	—	—	6.74%
Unamortised finance costs	—	(£1.8)	—	—	—	—	—	—
<b>Total</b>	<b>£406.7</b>	<b>£315.7</b>	<b>£219.7</b>	<b>70%</b>				<b>3.58%</b>

The UK term loan of £126 million is fully drawn as at 31 October 2016 and attracts a bank margin of 1.50%. The Group has interest rate hedge agreements in place to June 2020 swapping LIBOR on £100 million at an effective weighted average rate of 1.34%.

As at 31 October 2016, £61 million of the £125 million UK revolver and €42 million (£37.8 million) of the €70 million Euro revolver were drawn. The drawn amounts also attract a bank margin of 1.50%, and the Group pays a non-utilisation fee of 0.60% on the remaining undrawn balances.

The Group has interest rate hedges in place to June 2020 swapping EURIBOR on €30 million at an effective rate of 0.309%.

The US private placement notes are fully hedged at 5.83% for the 2019 notes and 6.74% for the 2024 notes.

The hedge arrangements provide cover for 70% of the Group's drawn debt. Overall, the Group has an effective interest rate on its borrowings of 3.58% at 31 October 2016, compared to 3.90% at the previous year end.

## Non-underlying finance charge

Interest on finance leases was £3.7 million (FY2015: £3.8 million) and reflects part of the leasehold rental charge. The balance of the leasehold rental charge is expensed through the gain/loss on investment properties line and contingent rent in the income statement. Overall, our leasehold rental charge continued to reduce in 2016 to £8.8 million, £0.2 million lower than the charge of £9.0 million in 2015. This decrease reflects the annualisation of lease re-gears negotiated over the last few years, two fewer leasehold stores (at New Malden and High Wycombe) and the favourable settlement of outstanding rent reviews, despite an additional £0.3 million rent charge arising on the leased Space Maker stores, following the acquisition in July 2016.

The strengthening of the US Dollar during the year had a significant impact on both the retranslation of our US Dollar borrowings and the fair value of our cross currency swaps which provide an economic hedge against them. The fair value movement on derivatives was an £18.4 million net gain (FY2015: £1.9 million), including gains totalling £20.8 million arising on the US Dollar cross currency swaps, partly offset by net losses arising on the interest rate swaps. Net exchange losses, arising mainly on our US Dollar-denominated borrowings, totalled £19.1 million (FY2015: £2.8 million).

## Financial review continued

### Tax

The tax charge for the year is analysed below:

	2016 £'m	2015 £'m
Underlying current tax	(3.7)	(1.8)
Tax relief on settlement of derivatives	—	0.2
Current tax	(3.7)	(1.6)
Underlying deferred tax	—	(1.2)
Tax on investment properties movement	(4.0)	(6.3)
Tax on revaluation of interest rate swaps	0.1	(0.2)
Other	0.1	(0.2)
Deferred tax	(3.8)	(7.9)
Tax charge	(7.5)	(9.5)

The income tax charge for the year is £7.5 million (FY2015: £9.5 million).

In the UK, the Group is a REIT. As a result, the Group continues to benefit from a zero tax rate on its UK self-storage income. The Group is normally only liable to UK tax on the profits attributable to the residual business, consisting of the sale of ancillary products such as insurance and packaging products, which incurred a UK tax charge of £nil (FY2015: £0.2 million).

The underlying tax charge relating to Paris amounted to £3.7 million, which compares to the total of underlying current tax and underlying deferred tax of £3.0 million in the prior year, with the year-on-year increase attributable to the increased underlying pre-tax profit in Paris and the translational impact of the strengthening of the Euro. The underlying deferred tax in the prior year has not been repeated in 2016.

All other deferred tax movements are non-underlying, and relate to Paris. The deferred tax impact of the revaluation gain on investment properties was a charge of £4.0 million (FY2015: £6.3 million).

### Profit after tax

As a result of the movements explained above, profit after tax for 2016 was £87.4 million as compared with £108.7 million in 2015. Basic EPS was 42.0 pence (FY2015: 52.4 pence) and diluted EPS was 41.7 pence (FY2015: 52.0 pence). Management considers cash tax adjusted EPS to be more representative of the underlying EPS performance of the business and this is discussed above.

### Dividends

The Directors are recommending a final dividend of 8.05 pence (FY2015: 6.65 pence), which shareholders will be asked to approve at the Company's Annual General Meeting on 22 March 2017. If approved by shareholders, the final dividend will be payable on 7 April 2017 to shareholders on the register at close of business on 10 March 2017.

Reflective of the Group's improved performance, the Group's full year dividend of 11.65 pence is 20.7% up on the prior year dividend of 9.65 pence. The property income dividend ("PID") element of the full year dividend is 9.85 pence (FY2015: 9.65 pence).

### Property valuation

Cushman & Wakefield LLP has valued the Group's property portfolio. As at 31 October 2016, the total value of the Group's property portfolio was £943.3 million (excluding investment properties under construction of £10.9 million). This represents an increase of £167.8 million compared with the £775.5 million valuation as at 31 October 2015. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Total £'m	Paris €'m
Value as at 1 November 2015	597.6	177.9	775.5	249.3
Currency translation movement	—	48.7	48.7	—
Additions	9.4	2.2	11.6	2.8
Acquisition of subsidiary	48.0	—	48.0	—
Reclassifications	8.1	5.6	13.7	7.1
Revaluation	36.6	9.2	45.8	11.7
<b>Value at 31 October 2016</b>	<b>699.7</b>	<b>243.6</b>	<b>943.3</b>	<b>270.9</b>



The exchange rate at 31 October 2016 was €1.11:£1 compared with €1.40:£1 at 31 October 2015. This movement in the foreign exchange rate has resulted in a £48.7 million favourable currency translation movement in the year. This has benefited Group net asset value (“NAV”) but had no impact on the loan-to-value (“LTV”) covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio has increased by £102.1 million compared with 31 October 2015, comprising a £36.6 million valuation gain, £48.0 million arising on the Space Maker acquisition and capital additions (including reclassifications from investment properties under construction) of £17.5 million.

Our Chiswick store opened after our year end on 4 November 2016, so remained classified as an investment property under construction as at 31 October 2016 and is valued at £10.9 million.

In Paris, the value of the property portfolio increased by €21.6 million, of which €11.7 million was valuation gain and capital additions (including reclassifications) were €9.9 million. However, the net increase in Sterling amounted to £65.7 million, due to the foreign exchange benefit described above.

The Group’s freehold exit yield for the valuation at 31 October 2016 was 7.19%, consistent with 7.18% at 31 October 2015, and the weighted average annual discount rate for the whole portfolio has reduced slightly from 10.79% at 31 October 2015 to 10.75% at 31 October 2016.

The adjusted EPRA NAV per share was 300.0 pence at 31 October 2016, up 17.0% on 31 October 2015, reflecting a £96.8 million increase in reported net assets during the year.

## Gearing and capital structure

The Group’s borrowings comprise bank borrowing facilities, made up of a UK term loan and revolving facilities in the UK and France, as well as a US private placement.

Net debt (including finance leases and cash) stood at £369.2 million at 31 October 2016, an increase of £86.4 million from the 2015 position of £282.8 million. Total capital (net debt plus equity) increased from £773.4 million at 31 October 2015 to £956.6 million at 31 October 2016. The net impact is that the gearing ratio has increased from 37% to 39% in the year.

Management also measures gearing with reference to its loan-to-value (“LTV”) ratio defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swaps) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2016 the Group LTV ratio was 31% as compared to 32% at 31 October 2015. This reduction in LTV has arisen principally due to the £172.7 million increase in value of the Group’s investment property portfolio, which included £48.0 million arising on the Space Maker acquisition, despite a £45.4 million increase in gross debt, due to net loan drawdowns of £38.6 million, mainly to acquire Space Maker, and adverse currency movements. The Board considers this level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

The Group’s £126 million UK term loan facility and £125 million UK revolver both run to June 2020 and currently attract a margin of 1.50%. The UK revolver facility was increased by £45 million during the year, from £80 million, in anticipation of the acquisition of Space Maker. The amount drawn under the UK revolver has increased by a net £41 million during the period, from £20 million at 31 October 2015 to £61 million at 31 October 2016.

The Group’s Euro revolver is €70 million, of which €42 million had been drawn as at 31 October 2016 following the net repayment of €3 million during the year. It also runs to June 2020 and currently attracts a margin of 1.50%.

Of the US private placement debt, which totals \$113 million issued in 2012, \$66 million was issued at 5.52% (swapped to 5.83%) with 2019 maturity and \$47 million was issued at 6.29% (swapped to 6.74%) with 2024 maturity. It is worth noting that although the value of the US private placement debt when reported in Sterling has increased by £19.5 million during the year, to £92.7 million, due to adverse movements on the US Dollar exchange rate, this is compensated by a £20.8 million fair valuation gain arising on the US dollar cross currency swaps which we hold as an economic hedge against these borrowings.

As at 31 October 2016, the weighted average remaining term for the Group’s committed borrowings facilities is 3.9 years.

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US private placement share interest cover and LTV covenants. The interest cover requirement increased to a level of EBITDA:interest of 2.4:1 in July 2016, where it will remain until the end of the facilities’ terms. Interest cover for the year ended 31 October 2016 is 5.5x.

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities’ terms. As at 31 October 2016, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2016 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

## Financial review continued

### Cash flow

The table below sets out the cash flow of the business in 2016 and 2015.

	2016 £'m	2015 £'m
Underlying EBITDA	64.2	57.1
Working capital/exceptionals/other	(1.8)	1.8
<b>Operating cash inflow</b>	<b>62.4</b>	58.9
Interest payments	(9.5)	(12.0)
Leasehold rent payments	(8.8)	(9.0)
Tax payments	(1.7)	(0.6)
<b>Free cash flow (before investing and financing activities)</b>	<b>42.4</b>	37.3
Acquisition of subsidiary, net of cash acquired	(41.8)	—
Capital expenditure – investment properties	(28.3)	(7.5)
Capital expenditure – property, plant and equipment	(0.8)	(0.5)
Capital Goods Scheme receipt	1.5	1.6
Proceeds from disposal – investment properties	—	1.5
<b>Net cash flow after investing activities</b>	<b>(27.0)</b>	32.4
Dividends paid	(21.3)	(17.2)
Issue of share capital	0.1	—
Net drawdown/(repayment) of borrowings	38.6	(13.0)
Debt issuance costs	(0.4)	(1.4)
Hedge breakage costs	—	(2.0)
<b>Net decrease in cash</b>	<b>(10.0)</b>	(1.2)

Operating cash flow increased by £3.5 million in the year, principally due to the £7.1 million improvement in underlying EBITDA. Working capital, exceptional items and other resulted in a £1.8 million outflow, compared to a £1.8 million inflow in the prior year. The variance was driven by the timing of VAT recovery in the UK, the impact of currency in Paris and £1.3 million of exceptional cash costs incurred in respect of corporate transactions costs.

Free cash flow (before investing and financing activities) grew by 13.7% to £42.4 million (FY2015: £37.3 million). The free cash flow benefited from a £2.5 million reduction in interest payments, reflecting the lower net finance charges incurred during the year.

Investing activities experienced a net outflow of £69.4 million (FY2015: £4.9 million), which included £41.8 million for the acquisition of Space Maker (net of the cash acquired) and £28.3 million of capital expenditure on our investment property portfolio, of which £22.3 million was in respect of our five new stores at Chiswick, Wandsworth, Altrincham, Birmingham and Emerainville, as well as the extension at Acton. The prior year included the purchase of the High Wycombe freehold for £1.8 million less proceeds of £1.5 million for the disposal of our leasehold interest at New Malden.

Financing activities generated a net cash inflow of £17.0 million (FY2015: £33.6 million outflow). The net drawdown of borrowings of £38.6 million (FY2015: £13.0 million repayment) was partly offset by dividend payments totalling £21.3 million (FY2015: £17.2 million).

**Andy Jones**  
**Chief Financial Officer**  
 6 January 2017

## Corporate social responsibility (“CSR”)

# We placed emphasis on creating stronger teams with clearer ways of working together in order to better serve our customers

Safestore’s corporate social responsibility (“CSR”) programme ensures that we care for our customers, empower our employees, work better with our suppliers and drive shareholder value, all whilst making a sustainable difference in our environment.

We are committed to operating in a way that:

- builds a great place to work for our employees;
- develops relationships with the local community and our charity partners;
- reduces the impact of our activity on the environment; and
- works with our suppliers to source products with care.

During 2016, we placed emphasis on creating stronger teams with clearer ways of working together in order to better serve our customers and the local community whilst delivering our commercial objectives.

We want our customers to continue to see Safestore as a business that gives back and makes a real difference at a local level.

Our strong senior leadership and regional operational management teams give the right support to ensure that our head office and store colleagues have the ability to be a force for good.

As a commercially strong business, Safestore encourages every employee to play an active role in working for a better tomorrow, whilst delivering maximum shareholder value.

We do this by:

- ensuring our employees are skilled and have the expertise to deliver high levels of customer service;
- continuing to work with our suppliers to secure sustainable and eco-friendly products;
- managing the resources we use so as to minimise any negative impact on the environment; and
- maintaining our membership of the Self Storage Association to further industry standards and codes of ethics for the benefit of our customers.

We have reported our CSR progress under the four areas of:

Our Customers, Our People, Our Community and Our Environment.

### Highlights

- The total free storage space provided by stores to local charities was 11,316 sq ft.
- We achieved an overall recycling rate of 62%.
- LED lighting is being fitted throughout our UK portfolio with ten stores completed to date.
- 52 colleagues were successfully promoted to a more senior position.

### Our Customers

We believe that at the heart of our successful business is the provision of a high standard of customer service online, on the phone and in store. Combined with a leading digital platform, our talented workforce across the UK is effective at converting enquiries by delivering the best customer service.

Just over three years ago, we rolled out Feefo, the independent customer rating system for businesses that guarantees 100% genuine feedback. Feefo polls real Safestore customers about their experiences meaning that feedback is a true representation of consumer opinion. All of our stores across the country receive feedback which means customers can view the ratings for each individual store.

In 2016, Safestore achieved an average Customer Service Rating of 95% based on the customers who rated their experience as “Excellent” or “Good”. Having achieved this service level, Safestore was again recognised with a “Gold Trusted Merchant” award – given to businesses achieving over 95%.

The success of Safestore is dependent on recruiting, developing and retaining the right people and supporting and engaging them so that they are able to deliver the best customer service.

## Corporate social responsibility (“CSR”) continued

### Our People

Our colleagues play a pivotal role in providing the best solution for our customers and we are passionate in providing a CSR programme that ensures they are truly placed at the heart of our business. This helps our colleagues in achieving their goals and is underpinned by our commitment to attract and retain the very best talent to shape our future success.

#### Health and safety

We provide a healthy and safe environment for our people, customers, suppliers and contractors. Safestore endeavours to continuously strive to meet, and where possible exceed, best practice by:

- conducting regular health and safety reviews across our portfolio including the review of risk assessments and accident reports to identify, prevent and mitigate against potential risks;
- ensuring our Health and Safety Committee meets regularly to review issues, processes, policy and actions harnessing a culture where health and safety always sits high on our agenda;
- delivering accredited health and safety training relevant to job role as standard to all colleagues; and
- increasing awareness and compliance through a blended learning approach.

#### Training and development

As an “Investors in People” organisation since 2003 our aim is to be an employer of choice and we passionately believe that our continual success is dependent on our highly motivated and well trained colleagues.

We are delighted that for the year FY2016 our people have participated in over 27,500 hours of formal training time.

This training consisted of:

- refreshing our recruitment and induction tools to identify high calibre people and enable their performance as early as possible;
- upskilling our select network of Recruitment and Training Store Managers within our Store Operations teams to improve consistency in our recruitment and induction experiences;
- developing our colleagues’ sales and customer service skills continually regardless of length of service through on-boarding and refresher programmes;
- fulfilling health and safety requirements;
- creating a coaching and performance culture determined by explicit standards, consistency and sustainability in order to support individual needs at all job levels whilst driving performance forward as a collective; and
- leadership development for our management and senior management population.

In keeping with our approach of continuous improvement, we have delivered several key initiatives to support our people’s performance:

- QUEST – this year we have continued to develop all new team members using the two-day selling skills programme QUEST. This workshop provides every team member at Safestore with skills and tools to enable them to focus on the customer’s needs at every stage of the buying cycle;

- The Learning Space – our innovative e-learning platform is designed to aid effective adult learning and development in the workplace and completes our blended learning approach. There are currently 18 modules available to our people in an engaging, bite-sized and efficient format;
- Our Values and Behaviours – our framework for articulating the attributes of high performing team members has been incorporated into a revised performance management system and, along with commercial results, informs our performance related pay principles;
- Pay for Skills – our medium-term strategy to support internal talent has created clearly defined career pathways linked to reward and recognition which enables us to attract higher calibre individuals at entry level and develop our future store management population in a consistent way; and
- Store Management Development Programme – this programme has been developed during the latter part of FY2016, due for launch early in FY2017. The Safestore Store Management Development Programme prepares the next generation of internally developed managers. The twelve-month programme will focus on developing competent, business-focused managers who have a talent in building highly performing teams.

#### Equality and diversity

- Committing to equality of opportunity in all our employment practices, policies and procedures. No team member or potential team member will receive less favourable treatment due to any of the following protected characteristics: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, pregnancy or maternity;
- being an equal opportunities employer that maintains a workforce that reflects the uniqueness of the communities in which we operate;
- continuing to nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent performance framework;
- taking all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications;
- maintaining an active succession planning strategy that considers the ability of internal colleagues before recruiting externally and ensuring that the criteria for selecting team members for training opportunities is non-discriminatory. These are based upon the individual’s merits, abilities and needs, business needs, and the availability of appropriate training and development opportunities. All team members participate in the appraisal process and there is positive encouragement to discuss development and training needs and opportunities; and
- launch of Equality Essentials, our bespoke e-learning workshop, which will be delivered to every employee at Safestore, covering the following key areas:
  - introduction to equality, diversity and protected characteristics;
  - handling harassment;
  - providing an inclusive service; and
  - equality in action.

### Gender split at 31 October 2016

	Male	Female
Board Directors	5	2
Senior managers (excluding Directors)	7	1
All employees	394	186

### Work-life balance

- Providing a range of initiatives that celebrate the cultural diversity of our colleagues including a tax free cycle to work scheme and Childcare Voucher scheme;
- engaging in programmes that encourage our people to take responsibility for their own development with funding for professional qualifications;
- welcoming and considering all requests from colleagues for flexible working on a case-by-case basis; and
- recognising that there may be circumstances when it is more beneficial or flexible for individuals to work at home, either on a permanent basis, or in order to complete a particular task, for example a special project. Providing guidance and support to both occasional one-off working from home as well as flexible working requests which incorporate a request to work from home.

### Promotions

52 colleagues were successfully promoted to a more senior position.

### Our Community

At Safestore, we believe that we can make a positive difference to our communities through partnerships and supporting local charities. Our staff in stores across the UK play a vital role in our CSR programme by using their local knowledge and expertise to seek out local charities with whom to partner and support through raising awareness and fundraising.

In 2016, we continued to:

- build new relationships and provide in-store support for a number of local charities;
- provide free storage space for 114 charities within our local communities through our “charity room in every store” scheme; and
- harness the power of social media and blogging to assist our charity partners in raising awareness of their cause.

### Hands on London

Safestore is proud to continue supporting Hands on London, a charity dedicated to community-based volunteering. For the fifth year running, we participated in their Wrap Up London campaign encouraging Londoners to donate any unwanted coats ahead of the winter season.

Four London-based Safestore stores acted as drop-off points for the coats where volunteers were able to count, sort and package up over 13,900 coats collected for distribution. These were then used to support over 100 organisations including various homeless shelters, women’s refuges, youth centres, refugee support groups, care homes and centres for the elderly.

### Jon Meech, CEO, Hands on London, said:

*“Wrap Up London is one of the largest winter volunteering events in London. Every year, a small army of volunteers collect, sort and distribute over 15,000 warm coats to the city’s most vulnerable people. Such an undertaking would not be possible without the support of Safestore. One of the biggest challenges is finding storage for this enormous quantity of donated coats during the campaign. For five years, Safestore have supported Wrap Up London with this valuable space and enabled their city centre locations to act as collection points. During 2016, they made every Safestore in Manchester available for the first Wrap Up Manchester campaign. This support has helped at least 60,000 vulnerable people.”*

### Trinity Big SleepOut

Another of Safestore’s main charity partners is Trinity, a charity which provides housing, coaching, training, work placements and support to help homeless people gain back their independence and build a life again.

To raise awareness of the issue of homelessness in London, Trinity holds an annual “The Big SleepOut” giving people the opportunity to raise money towards trying to eradicate homelessness. For one night in November 2015, over 1,000 people bedded down for the night at a local stadium with nothing but a cardboard box for shelter.

As Safestore is committed to being a responsible business and helping our local communities, we provided the boxes for the participants to use in the campaign.

### Andy Robertson, Communications Manager at Trinity, said:

*“It’s absolutely brilliant that Safestore have been moved to take part again in this year’s Big SleepOut. By providing boxes for our SleepOut participants, Safestore are playing a major role in this year’s event – unfortunately cardboard boxes represent rough sleeping in such an iconic way, and we are hugely grateful for Safestore’s support with this campaign.”*

### Charity Champions

As part of our ongoing commitment to engage our colleagues about CSR initiatives, Safestore was proud to introduce Charity Champions in 2013. These inspiring individuals continue to act as ambassadors for the stores within their region, encourage fundraising activities, support centrally run initiatives, and engage with the local community and charities throughout the year.

### Tiffany Franklin, Marketing Executive at Safestore, said:

*“As a company, Safestore are constantly looking to support charities in the best way possible. We now have the largest number of charity partners in our history and that number is continuing to grow. Our Charity Champions have been elected to add an extra dimension to our efforts, promoting a hands-on approach instead of the “silent” partnership seen in previous years.”*

## Corporate social responsibility (“CSR”) continued

### Our Community continued

#### Other local charity support

We currently support 114 individual charities with free storage space through our “charity room in every store” scheme. By donating as much free space as possible, we have enabled a diverse range of local charities to focus on their core activities without the added cost of storing donations and archives etc. The wide range of charities storing with us include CLIC Sargent, RSPCA, Action Against Hunger, NCT and more.

#### Slawomir Dzialach, Stock and Logistics Manager at CLIC Sargent, said:

*“We are hugely grateful to Safestore for their generous donation of storage space for our warehouse team to use. Having this support from Safestore over the past seven years has been hugely valuable and we would like to say a big thank you to all those involved.”*

In addition to the provision of storage space, we are always supportive and proud when our staff go beyond and actively get involved with a charity in their local community.

Our local charity support saw the staff team in Bury abseil down the 128ft Peel Tower to raise funds and awareness for Annabelle’s Challenge. Another team from Safestore took part in the gruelling 10km Bear Grylls Survival Race to raise £1,500 for Macmillan Cancer Support.

In addition to fundraising, Safestore staff are keen to work meaningfully with those in the local community. Following the rebuild of our Wandsworth store, leftover materials were donated by our builders which were used to create a community garden at a local school.

We believe it is important for our colleagues to recognise how our activities can have an impact on those around us and events like these can inspire and encourage our staff to get involved and provide some hands-on help where it matters.

### Our Environment

Our scale means that we need to focus on reducing our impact on the environment whilst working with suppliers who are committed to sustainable business practices.

We strive to:

- minimise waste production and promote reuse and recycling where possible;
- ensure the safe handling and disposal of waste products;
- continue to deploy cardboard recycling facilities across our stores;
- reduce our energy usage through a range of initiatives;
- work with our suppliers to build more sustainable supply chains; and
- use eco-friendly solutions when building new stores and, as a minimum, building to the BRE Environmental Assessment Method.

During the year, we have achieved:

- an overall recycling rate of 62% with the recycling collections in place at all of our sites up 13 percentage points on last year;
- 95% of lighting now controlled by motion sensors in our stores;
- full LED lighting and LED emergency lights fitted within ten stores and is expected to show a 30% saving on our energy bills;
- two of our new stores have been fitted with photovoltaic solar panels, which will significantly increase the kWh we generate; and
- a “Green Wall” built at the rear of our newest store in Chiswick. The vertical garden will soften the store’s exterior which faces residential properties and will become a haven for bees and British wildlife in the summer months.

### Our packaging range

Oxy-biodegradable bubble sales remain similar, within 500 kg of the previous year, as do polythene cover sales, within 200 kg; stretch film reels are slightly up by 1,500 kg.

The change in logistics approach for the northern stores from July 2016 will show in time a reduction in overall transport emissions and environmental impact as our logistics partner uses their vehicles more efficiently as they are already travelling to the area and we would have to make a special journey. We estimate that with the reduction in movement of our vehicles this will save around 1,280 kg of CO<sub>2</sub> per month, so already saved over five tonnes and would expect to save just over 15,000 kg over a year.

We are always looking out for more environmentally friendly solutions for all of our product range and will continue this process.

### Mandatory greenhouse gas (“GHG”) emissions reporting

This report was undertaken for the UK mandatory GHG reporting legislation, which requires the Company to report its GHG emissions for the latest financial year. The Capstone Consultancy (“Capstone”) has been commissioned to compile our environmental data including: GHG emissions, stationary energy use, waste generation and water use.

The data collected covers all of the Company’s sites in the UK and in France (including the twelve new stores that were acquired through the acquisition of Space Maker Stores Limited (“SMS”) which completed on 29 July 2016).

#### Methodology

##### Scope of analysis and data collection

Capstone reviewed the following raw data provided by Safestore: building sq ft, stationary energy use, UK vehicle mileage, waste generation and water use. The Company does not have any refrigerant leakage. This report uses the data from 1 September 2015 to 31 August 2016; this is a similar reporting period to last year.

##### KPI selection and calculation

For the purposes of this report Capstone concentrated on stationary energy use, business travel, waste generation and water use as the key performance indicators (“KPIs”) of the Group.

CO<sub>2</sub>e units have been used throughout this report for Safestore’s UK and French energy consumption. The source of the French CO<sub>2</sub>e conversion factors have changed in this year’s report as they are no longer made available by Defra. This is outlined in further detail at the end of this report.

#### Background

The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across three different scopes:

- **Scope 1** includes direct emissions from sources which the Company owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the Company.
- **Scope 3** covers other indirect emissions including third party-provided business travel.

### Calculation

- Scope 1 emissions were calculated from data on stationary energy use and business vehicle mileage; and
- Scope 2 emissions were calculated from electricity consumption data.

### Group environmental performance

Safestore completed its acquisition of SMS on 29 July 2016 and has reported data for the twelve acquired stores for the period 1 August 2016 to 31 August 2016 within this report. Table 1 displays Safestore's "like-for-like performance" (excluding SMS) and "total Group performance" (including SMS) for stationary energy use, business travel mileage, waste generation and water consumption against the previous financial year.

**Table 1: Group environmental performance**

Item	Units	Previous year	Like-for-like	<b>Total Group performance (including SMS) 2015/16 (Sept-Aug)</b>
		performance 2014/15 (Sept-Aug)	performance (excluding SMS) 2015/16 (Sept-Aug)	
Natural gas	kWh	2,798,080	1,887,917	<b>1,887,917</b>
Electricity	kWh	19,631,052	19,006,985	<b>19,165,216</b>
Travel	miles	486,192	612,588	<b>612,588</b>
Recycling	tonnes	605	753	<b>757</b>
Energy from waste	tonnes	593	417	<b>419</b>
Landfill	tonnes	41	56	<b>56</b>
Purchased water	m <sup>3</sup>	35,512	36,798	<b>37,005</b>

The following highlights refer to the "total Group performance" (including SMS).

Safestore's total stationary energy use was 21,053,133 kWh of energy in the twelve months to 31 August 2016, which is a 6.1% reduction compared with the previous financial year. Within this overall reduction there was a reduction of 32.5% in natural gas consumption and a reduction of 2.4% in electricity consumption.

Business vehicles travelled 612,588 miles in the twelve months to 31 August 2016, resulting in a 26% increase compared with the previous financial year. This increase correlates with an increase in the number of drivers undertaking business mileage, resulting in an increase in the intensity of travel GHG emissions of 10%.

Safestore generated 1,232 tonnes of waste in the twelve months to 31 August 2016, which is a 0.5% reduction compared with the previous financial year. We are pleased to report that 62% of our total waste was recycled, which is a 25.1% increase compared to the previous financial year. Water use was 37,005m<sup>3</sup>, which is an increase of 4.2% on the previous year, but in practice whilst some of this increase is associated with increased consumption we believe that some of this increase is attributed to our improving data and bill management.

### Mandatory GHG reporting

Our Company's disclosure for the 2015/16 financial year, in accordance with the mandatory greenhouse gas ("GHG") emissions reporting legislation, is stated in table 2:

**Table 2: Mandatory GHG emissions reporting data**

Data point	Units	2014/15	2015/16
Scope 1	tonnes CO <sub>2</sub> e (UK and France)	659	<b>524</b>
Scope 2	tonnes CO <sub>2</sub> e (UK and France)	7,820	<b>6,708</b>
Total GHG CO <sub>2</sub> e	total tonnes CO <sub>2</sub> e (UK and France)	8,479	<b>7,232</b>
Scope 1+2 intensity	tonnes CO <sub>2</sub> e/floor space (thousand sq ft)	1.06	<b>0.86</b>

#### Note

Data compiled by Capstone using data received from Safestore.

We used the Defra and Greenhouse Gas Protocol methodology for compiling this GHG data and, for UK energy consumption and emissions, included the following material GHGs: CO<sub>2</sub>, N<sub>2</sub>O and CH<sub>4</sub>. In accordance with the Defra reporting guidelines and data conversion factors for greenhouse gas emissions, the equivalent reports on Safestore's French properties used the CO<sub>2</sub>e factors provided by the International Energy Agency. We used the following emission conversion factor sources:

- natural gas: Defra 2016 conversion factor for kWh natural gas (gross CV basis);
- diesel: Defra 2016 conversion factor for miles of diesel (average car); and
- purchased electricity:
  - UK: Defra 2016 conversion factor; and
  - France: International Energy Association ("IEA") Fuel Combustion conversion factor as supported by the IEA Foreign Electricity Emissions Factors (note: Defra no longer provides the overseas electricity generation conversion factors and the conversion factors are obtained directly from the IEA).

Our GHG emissions for 2015/16 covered 100% of floor space and the UK vehicle fleet, both directly controlled and owner driven vehicles (company mileage only).

Total GHG emissions for Scope 1 and Scope 2 for the twelve-month period to 31 August 2016 were 7,232 tonnes CO<sub>2</sub>e with Scope 1 accounting for 7% and Scope 2 accounting for 93% of the total GHG emissions. On a reporting basis total GHG emissions have fallen by 15% compared with the previous financial year due to a number of factors including reductions in natural gas consumption, electricity consumption and a rebasing of the GHG conversion factors. The rebasing of GHG conversion factors has seen the conversion factor for electricity reduced by 11% which reflects changes to the UK's energy mix which saw a reduction in the use of coal and an increase in gas and renewables. Whilst this reduction will have affected our total GHG emissions, even if last year's data was rebased on the 2016 Defra GHG conversion factors our comparable emissions would still have reduced by 8.2% on a like-for-like basis.

Based on the Defra 2016 conversion factors our Scope 1+2 intensity has decreased slightly from 1.06 tonnes CO<sub>2</sub>e per 1,000 sq ft in 2014/15 to 0.86 tonnes CO<sub>2</sub>e per 1,000 sq ft in 2015/16.

## Corporate governance introduction

# The Group recognises the importance of, and is committed to, high standards of corporate governance

### Chairman's governance statement

The Board of Safestore believes that corporate governance is important in ensuring its effectiveness. It has an established framework of policies and processes that are regularly reviewed against developments in the legislative, regulatory and governance landscape.

This governance report comprises the following sections:

- Board of Directors
- How the Board works
- Effectiveness
- Relations with shareholders
- Accountability
- Nomination Committee report
- Audit Committee report
- Directors' remuneration report

### The role of the Board

The Board's main role is to work with the Executive Team, providing support and advice to complement and enhance the work undertaken. The Board consistently challenges processes, plans and actions in order to promote continuous and sustained improvement across the business.

### UK Corporate Governance Code – statement of compliance

The Group recognises the importance of, and is committed to, high standards of corporate governance. These are set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 ("the Code"), which is the version of the Code which applies to the Company for its 2016 financial year. The Board is accountable to the Company's shareholders for good governance and this report describes how the Board has applied the main principles of good governance set out in the Code during the year under review. Throughout the year ended 31 October 2016, the Company has complied with the main principles of the Code.

Approved for release on 9 January 2017

**A S Lewis**  
Non-Executive Chairman

## Board of Directors



**Alan Lewis**  
Non-Executive Chairman

N

Alan Lewis joined the Group in June 2009 as a Non-Executive Director and was appointed Chairman in January 2014. He is also on the supervisory board of Palico, a Paris and New York-based information business for the private equity industry, and chairman of Amplan, a private property development and investment business. He is an advisory board member of Leaders' Quest, a social enterprise that develops leaders from diverse backgrounds.

After five years in manufacturing with RTZ and Black & Decker he spent 30 years in the private equity industry, firstly with 3i, then from 1991 to 2011 with Bridgepoint, where he was a founding partner. Since 2011 he has been an independent chairman of various companies including Leeds Bradford Airport and Porterbrook, a train leasing company. Alan is a graduate of the University of Liverpool and holds an MBA from Manchester Business School.



**Ian Krieger**  
Senior Independent Director

A N R

Ian Krieger joined the Group in October 2013 as a Non-Executive Director and was appointed Chairman of the Audit Committee in April 2014 and Senior Independent Director in March 2015. He is senior independent director and chairman of the audit committee of Premier Foods plc, and a non-executive director and chairman of the audit committee of Capital & Regional plc. He is vice-chairman of Anthony Nolan (blood cancer charity) where he is chairman of the audit committee and he is also a trustee and chairman of the finance committee of the Nuffield Trust. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012. During his 40-year career at Arthur Andersen and since 2002 at Deloitte, his responsibilities have included heading the corporate finance practice, the London corporate audit division and the private equity practice.





**Frederic Vecchioli**  
Chief Executive Officer

Frederic Vecchioli is a founding Director of our French business since 1998 and has overseen its growth to 25 stores in Paris operating under the "Une Pièce En Plus" brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Frederic became Chief Executive Officer of the Group in September 2013. He has a master of finance degree from Paris Dauphine University.



**Andy Jones**  
Chief Financial Officer

Andy Jones joined the Group in May 2013 as Chief Financial Officer. Andy's previous role was director of group finance at Worldpay Limited, prior to which he held the positions of director of finance and investor relations at TUI Travel PLC and chief financial officer at Virgin Entertainment Group in the US. Andy began his career at Ernst & Young, where he qualified as a Chartered Accountant in 1992. Andy is a graduate of the University of Birmingham.



**Joanne Kenrick**  
Non-Executive Director

A N R

Joanne Kenrick joined the Group in October 2014 as a Non-Executive Director. She is currently a non-executive director of Welsh Water, an independent director of Bacs, and chair of trustees of the charity Make Some Noise. Until September 2015 Joanne was a non-executive director of Principality Building Society where she was also a member of the conduct and nominations committees. Previously, Joanne was chief executive officer of Start, a Prince of Wales charity. She was marketing director at Homebase, marketing and customer proposition director at B&Q and marketing director at Camelot Group plc. Joanne has a law degree and started her career at Mars Confectionery and PepsiCo.



**Claire Balmforth**  
Non-Executive Director

R

Claire Balmforth joined the Group in August 2016 as a Non-Executive Director and was appointed Chairman of the Remuneration Committee. She has been group HR director of the Priory Group since July 2014. Previously, Claire was at Carpetright plc where she served as group human resources director from 2006 and as operations director UK from 2011. She also served as its people and customer director. She began her career in Selfridges, and has worked in many retail businesses including Tesco and Boots and has experience in the B2B sector with RAC plc.



**Bill Oliver**  
Non-Executive Director

A R

Bill Oliver joined the Group in November 2016 as a Non-Executive Director and as a member of the Remuneration and Audit Committees of the Board. He is non-executive deputy chairman of Churchill Retirement plc, a privately owned company. Bill is a chartered accountant with over 30 years' experience with residential and commercial development companies such as Alfred McAlpine, Barratt and the Rutland Group. He joined St Modwen Properties PLC in 2000 as finance director and was subsequently appointed managing director in 2003 and chief executive in 2004, and he retired from this role in November 2016. Bill is also a member of the advisory board of the government's Regeneration Investment Organisation.



**Keith Edelman**  
Non-Executive Director

A N

Keith Edelman retired from the Board in December 2016 having joined the Group in September 2009 as a Non-Executive Director. Keith was Chairman of the Remuneration Committee from March 2010 to July 2016. He is currently chairman of Revolution Bars Group, the senior independent director of Supergroup Plc and non-executive director of the Olympic Park Legacy. Prior to this, he was managing director of Arsenal Holdings Plc, chief executive of Storehouse Plc, managing director of Carlton Communications Plc and corporate planning director of Ladbroke Plc. Keith has extensive retail and international experience and has served on the boards of public companies for 30 years across a wide range of businesses and markets.

## Committee membership

Chairman of Committee

Audit Committee

Nomination Committee

Remuneration Committee

## Corporate governance

### How the Board works

#### The Board

The Code recommends that the Board should include a balance of Executive and Non-Executive Directors, such that no individual or small group of individuals can dominate the Board's decision making. It further recommends that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent and that one Non-Executive Director should be nominated as the Senior Independent Director.

Following Keith Edelman's retirement from the Board on 31 December 2016, the Company currently has seven Directors, which include the Chairman, two Executive Directors and four independent Non-Executive Directors. As a result, the Directors consider that there is a satisfactory balance of decision-making power on the Board.

The Board monitors the independence of its Non-Executive Directors. The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with their duties as Non-Executive Directors of the Company. The Executive Directors do not hold any executive or non-executive directorships in other companies.

Alan Lewis was deemed to be independent from January 2011 following the disposal by Bridgepoint of its major shareholding in the Company. Each of the remaining Non-Executive Directors was deemed to be independent upon their appointment. Ian Krieger is the Senior Independent Director.

A clear division of responsibility at the head of the Group is established, agreed in writing and approved by the Board. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the management of the Board and for aspects of external relations, while the Chief Executive Officer has overall responsibility for the management of the Group's businesses and implementation of the strategy approved by the Board. The statement of the division of responsibilities between the Chairman and the Chief Executive Officer is available on the Group's website at [www.safestore.com](http://www.safestore.com).

#### Composition of the Board at January 2017

Chairman	1
Executive Directors	2
Independent Non-Executive Directors	4

Appropriate directors' and officers' insurance cover is arranged by the Group through its insurance brokers and is reviewed annually.

#### Board process

The Board normally schedules at least eight meetings throughout the year, including an extended strategy review. Additional meetings are held as and when required.

It has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) the approval of strategic plans, annual budgets, interim and full year preliminary results announcements and financial statements and internal control and risk analysis.

### Attendance at Board/Committee meetings

Attendance of the individual Directors of the Board, and of the members of the Committees, at meetings that they were eligible to attend during the financial year is shown in the table below:

Director who served during the year	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alan Lewis	8/8	—	3/3	—
Frederic Vecchioli	8/8	—	—	—
Andy Jones	8/8	—	—	—
Ian Krieger	8/8	3/3	3/3	7/7
Keith Edelman	8/8	3/3	2/2	4/4
Joanne Kenrick	7/8	3/3	3/3	6/7
Claire Balmforth	1/1	—	—	3/3

Joanne Kenrick was indisposed and unable to attend the Board and Remuneration Committee meetings in December 2015. Keith Edelman ceased to be a member of the Remuneration Committee in July 2016, and retired from the Board in December 2016. Claire Balmforth was appointed to the Board in August 2016. Bill Oliver was appointed to the Board in the new financial year, on 1 November 2016.

Implementation of agreed plans, budgets and projects in pursuit of the Group's strategy and the actual operation of the Group's system of internal control and risk management are delegated to the Executive Directors.

The services of the Company Secretary are available to all members of the Board. Board minutes are circulated to all Board members. There is also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings. A separate meeting for Non-Executive Directors only is held at least once in every year.

### Board Committees

The Board has three principal Committees, each of whose terms of reference are available from the investor relations page of the Group's website at [www.safestore.com](http://www.safestore.com).

All Committees and all Directors have the authority to seek information from any Group Director or employee and to obtain professional advice.

#### Nomination Committee (page 35)

The Nomination Committee comprises Alan Lewis (Chairman), Ian Krieger and Joanne Kenrick. Keith Edelman was a member of the Committee until his retirement in December 2016.

#### Audit Committee (pages 36 and 37)

The Audit Committee comprises Ian Krieger (Chairman), Joanne Kenrick and Bill Oliver. Keith Edelman was a member of the Committee until his retirement in December 2016. Bill Oliver became a member of the Committee upon his appointment to the Board on 1 November 2016.

#### Remuneration Committee (pages 38 to 57)

The Remuneration Committee comprises Claire Balmforth (Chairman), Ian Krieger, Joanne Kenrick and Bill Oliver. Keith Edelman was a member of the Committee until July 2016. Claire Balmforth and Bill Oliver became members of the Committee upon appointment to the Board in August 2016 and November 2016, respectively.

## Effectiveness

### Board performance evaluation

During the year, an evaluation of the performance of the Board, its Committees, the individual Directors and the Chairman was conducted. The scope of the Board and Committee evaluation process was agreed with the Chairman and undertaken independently by Board Evaluation Limited.

Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size and composition, risk management and the relationship between the Board and management. The results of the reviews were then considered by the Chairman and discussed by the Board as a whole.

The review also involved an assessment by the Chairman of individual Directors' own performance. The Chairman's own performance was assessed by the Senior Independent Director.

The anonymity of respondents was ensured in order to promote the open and frank exchange of views. A report was produced mapping the performance of the Board which addressed the following areas:

- dynamics of the Board, including the engagement of the Directors in the affairs of the Company and the environment in the boardroom;
- the priorities for Board meetings;
- management of time and planning of the annual cycle of work and agenda;
- evaluation of the Board's oversight of operations;
- management of risk, including the Board's review and testing of risk management policies;
- composition and performance of the Committees of the Board; and
- identification of the main priorities for the Board for the coming year.

The Directors have concluded that, following this evaluation, the Board and its Committees operate effectively. Recommendations were made to further enhance the performance and effectiveness of the Board and agree the priorities for the next year. These enhancements related mainly to presentations at strategy discussions, succession planning and the training programme for Directors.

The content for any subsequent evaluation will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured. It is intended that an externally facilitated Board evaluation will be held at least every three years.

### Board appointments

Every decision to appoint further Directors to the Board is taken by the entire Board in a formal meeting based on a recommendation from the Nomination Committee. The Nomination Committee consults with financial and legal advisers and uses the services of external recruitment specialists. New members of the Board are provided with initial and ongoing training appropriate to individual needs in respect of their role and duties as directors of a listed company and an induction programme.

The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during normal business hours, including the 15 minutes immediately prior to the AGM. The letters of appointment for Non-Executive Directors are in line with the provisions of the UK Corporate Governance Code relating to expected time commitment.

### Re-election of Directors

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the AGM at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. All Directors have offered to stand for re-election at the 2017 AGM and their details are given in the Notice of Annual General Meeting.

## Corporate governance continued

### Diversity

The Board has due regard for the benefits of diversity in its membership and strives to maintain the right diversity balance including gender, age and professional background. The Chairman seeks to ensure that the composition of the Board includes individuals with deep knowledge and experience, bringing a wide range of perspectives to the business.

The Board, as at the date of this Annual Report and Financial Statements, comprises 29% women (FY2015: 17%). The Board must continue to provide strong leadership at Safestore, and therefore continues to appoint only the most appropriate candidates to the Board.

### Accountability

#### Risk management and internal controls

A summary of the principal risks and uncertainties within the business is set out on pages 14 to 16.

The Board retains overall responsibility for setting Safestore's risk appetite, and for risk management and internal control systems. The Risk Committee supports the Group's risk management strategy and undertakes regular reviews of the formal risk assessment, and reports regularly to the Audit Committee of the Board. The Risk Committee is headed by the Chief Financial Officer and comprises Executives from the operations, finance, secretariat and property functions. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

In accordance with Section C.2.3 of the UK Corporate Governance Code, the Board is responsible for reviewing their effectiveness and confirms that:

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company;
- the systems have been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements;
- they are regularly reviewed by the Board; and
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

The Group currently employs a risk manager supported by two store auditors who are responsible for reviewing operational and financial control at store level. The risk manager reports to the Chief Executive Officer and the Chief Financial Officer. Further details are provided in the Audit Committee report set out on pages 36 and 37.

During the financial year, the Board has directly, and through delegated authority to the Audit and Risk Committees, overseen and reviewed the performance and evolution of risk management activities and practices and internal control systems within Safestore. Through both its ongoing involvement and overview in risk management and internal control activities, the Board is satisfied that there have been no significant failings or weaknesses identified and the Directors believe that the system of internal control is appropriate for the Group.

### Budgetary process

A comprehensive budgeting process is in place, with an annual budget prepared and validated at a country and functional level. The budget is subject to consideration and approval by the Board. The Directors are provided with relevant and timely information required to monitor financial performance.

### Investment appraisal (including acquisitions)

Budgetary approval and defined authorisation levels regulate capital expenditure. Acquisition activity is subject to internal guidelines governing investment appraisal criteria, financial targets, negotiation, execution and post-acquisition management.

### Relations with shareholders

The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through investor relations programmes. These include formal presentations of the full year and interim results and meetings with institutional investors and analysts as required. To ensure all Board members share a good understanding of the views of major shareholders about the Group, there is a formal process whereby the Board reviews announcements and reports prior to public distribution and is sent summaries of institutional investor comments following meetings on the full year and interim results. The Non-Executive Directors are available to meet major shareholders when requested.

The Board considers the Annual Report and Financial Statements and the AGM to be the primary vehicles for communication with private investors. Resolutions are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each. The AGM gives all shareholders who are able to attend (especially private shareholders) the opportunity to hear about the general development of the business. It also provides an opportunity for shareholders to ask questions of the full Board of Directors, including the Chairmen of the Audit, Nomination and Remuneration Committees.

# Nomination Committee report

## Members of the Committee

The Nomination Committee (“the Committee”) comprises:

- Alan Lewis (Chairman)
- Ian Krieger
- Keith Edelman
- Joanne Kenrick

Keith Edelman was a member of the Committee until his retirement from the Board in December 2016. The Nomination Committee is appointed by the Board and it comprises the Chairman of the Board and Non-Executive Directors. The Chairman does not chair or attend when the Committee is considering matters relating to his position, in which circumstances the Committee is chaired by an independent Non-Executive Director, usually the Senior Independent Director.

At the invitation of the Committee, any other Director may attend meetings of the Committee.

## Role

The Committee keeps the composition of the Board under review, makes recommendations on its membership and monitors succession planning for Directors. It also evaluates Board and Committee performance. The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

## Succession planning

The Board comprises a Chairman, two Executive Directors and four Non-Executive Directors who have wide business experience and skills as well as a detailed understanding of the Group’s philosophy and strategy. It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that future changes in the Board’s membership are anticipated and properly managed and that, in the event of unforeseen changes, management and oversight of the Group’s business and long-term strategy will not be disrupted. The Committee also addresses continuity in, and development of, the Executive Team below Board level.

As a Board, we recognise the benefits of diversity. Diversity of skills, background, knowledge, experience and gender, amongst a number of other factors, are and will continue to be taken into consideration when new appointments to the Board are made. All aspects of diversity are considered at every level of recruitment. All appointments to the Board are and will continue to be made on merit. The Committee seeks a Board composition with the right balance of skills and diversity to meet the demands of the business. The Board does not consider that quotas are appropriate for its representation and has therefore chosen not to set targets. Gender diversity will, however, remain a consideration when reviewing the Board’s future composition.

The Committee previously identified a need to appoint Non-Executive Directors who had recent or current executive experience and had worked in retail or property businesses. Specialist recruitment consultants were engaged to undertake a search and selection process for additional Non-Executive Directors.

A shortlist of candidates was prepared by Ridgeway Partners and discussed by the Committee, which recommended to the Board that Claire Balmforth and Bill Oliver had the appropriate range of skills and should be appointed as Non-Executive Directors. The Board agreed with these recommendations and Claire Balmforth joined the Board in August 2016 and Bill Oliver joined the Board in November 2016. The Committee was satisfied that, when providing its advice, Ridgeway Partners did not have any other connections with the Company.

During the year, the Committee considered the performance of the Chief Executive Officer and the Chief Financial Officer.

Ian Krieger was appointed Senior Independent Director following the Company’s AGM in 2015.

## New Director inductions

During the 2016 financial year, the Chairman oversaw Claire Balmforth’s induction. The Chairman agreed a full, formal and tailored induction programme with her, which included meetings with senior management, a number of site visits and briefings from the Company Secretary and the Company’s advisers. Claire completed her induction programme promptly and reported that she had found this a useful way of developing her understanding about the Group. Similarly, Bill Oliver’s induction programme commenced upon his appointment in November 2016 and is due to be concluded during January 2017.

## Board performance evaluation

The Board undertook the annual evaluation of the performance of the Board and its Committees seeking to identify areas where performance and procedures might be improved. Further details are provided in the corporate governance section of this report.

## Directors standing for re-election

Claire Balmforth and Bill Oliver were appointed to the Board after the 2016 AGM.

All Directors will stand for re-election at the 2017 AGM. Following the annual Board performance reviews of individual Directors, as applicable, the Chairman considers:

- that each Director subject to re-election continues to operate as an effective member of the Board; and
- that each Director subject to re-election has the skills, knowledge and experience that enable them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, therefore recommends the re-election of each Director standing for re-election. Full biographical details of each Director are available on pages 30 and 31.

The full terms of reference of the Nomination Committee are available on the Group’s website at [www.safestore.com](http://www.safestore.com).

This report was approved by the Nomination Committee for release on 9 January 2017 and signed on its behalf by:

**A S Lewis**  
Chairman of the Nomination Committee

## Audit Committee report

### Members of the Committee

The Audit Committee (“the Committee”) comprises:

- Ian Krieger (Chairman)
- Joanne Kenrick
- Bill Oliver

Bill Oliver joined the Committee upon his appointment to the Board in November 2016. Keith Edelman was a member of the Committee until his retirement from the Board in December 2016.

The Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee’s duties and responsibilities. The Board considers the Committee members’ financial experience to be recent and relevant for the purposes of the UK Corporate Governance Code.

In addition to the Committee members, the following were also in attendance by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- other members of the Board, when considered appropriate – for example, the Chairman and the Chief Executive attended meetings at which the Group’s full year and half year results were considered; and
- representatives from Deloitte.

The secretary of the Committee is the Company Secretary. Details of attendance at Committee meetings during the 2016 financial year are set out on page 32.

### Role

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. In addition, the Committee also reviews the systems of internal controls, with respect to finance, accounting, risk management, compliance, fraud and audit, that management and the Board have established on a continuing basis.

The Committee has responsibility for the financial reporting processes, along with reviewing the roles and effectiveness of both the internal store assurance team and the external auditor. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

The terms of reference set out that the Audit Committee will:

- serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal control systems;
- review and appraise the effectiveness of the external auditor;
- provide an open line of communication between the independent external auditor and the Board of Directors;
- confirm and ensure the independence and objectivity of the external auditor (in particular, in the context of the provision of additional services to the Company);
- review and ensure the effectiveness of the risk management processes of the Company;
- review and monitor the effectiveness of the store assurance function, management’s responsiveness to any findings and recommendations, and consideration of the need for the introduction of an internal audit function;

- assess potential conflicts of interest of Directors on behalf of the Board; and
- report to the Board on how it has discharged its responsibilities.

### Risk management and internal control

The Board, as a whole, including the Audit Committee members, considers that the nature and extent of Safestore’s risk management framework and the risk profile is acceptable in order to achieve the Company’s strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the Code.

Safestore’s internal controls, along with its design and operating effectiveness, are subject to ongoing monitoring by the Audit Committee through reports received from management, along with those from the external auditor. Further details of risk management and internal control are set out on page 34.

### Internal audit

The Audit Committee has oversight responsibilities for the store assurance team, which is responsible for reviewing operational and financial controls at store level. The Group does not have a separate internal audit function and the Board, at least annually, reviews the requirement for establishing one. Upon the recommendation of the Audit Committee, an externally facilitated review of the control environment was commissioned during 2014 for all aspects of financial controls and business risks. Following completion of this project, the Audit Committee reviewed the findings and determined that a separate internal audit function, to supplement the store assurance team, was not deemed necessary. It was agreed that a rolling programme of work will continue to be commissioned periodically until the Audit Committee determines that it is appropriate for the Group to establish a separate internal audit function.

### Main activities of the Committee during the year

During the year the Audit Committee’s business has included the following items:

- review of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year;
- principal judgemental accounting matters affecting the Group based on reports from both the Group’s management and the external auditor;
- external audit plans and reports;
- review of the adequacy and the effectiveness of the Group’s ongoing risk management systems and processes, through risk and assurance plans and reports, including:
  - store assurance audit reports;
  - internal financial control assessments;
  - fraud and loss prevention;
  - revenue protection; and
  - risk assessment;
- information security and business continuity;
- whistle-blower reports;
- store assurance team effectiveness and independence;
- external audit effectiveness, independence and re-appointment in conjunction with audit tendering;
- anti-bribery and corruption procedures; and
- specific investigations as required.

## Financial reporting and significant financial judgements

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements.

The Committee also reviews reports by the external auditor on the full year and half year results which highlight any issues with respect to the work undertaken on the year-end audit and half year review.

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration, and particularly those which involve a high level of complexity, judgement or estimation by management.

**Property valuations** – The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the investment property portfolio. Whilst this is conducted by independent external valuers, it is one of the key components of the financial results and is inherently complex and subject to a high degree of judgement. As well as detailed management procedures and reviews of the process, members of the Committee met the Group's valuers to discuss the valuations, review the key judgements and discuss whether there were any significant disagreements with management. The Committee reviewed and challenged the assumptions with the valuers in order to agree and conclude on the appropriateness of the assumptions applied. The Board considered the valuation in detail at its meeting to approve the financial statements.

**Revenue recognition** – The Committee considered the risks of fraud and was content that there were no issues arising.

**Acquisition accounting** – The Committee considered the accounting for the business combination, the determination of fair values of assets and liabilities acquired, and the computation of goodwill on bargain purchase.

**Financial statements** – The Committee considered and was satisfied with management's presentation of the financial statements.

Management confirmed to the Committee that it was not aware of any material misstatements and the auditor confirmed that it had found no material misstatements during the course of its work. The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts.

After reviewing the reports from management and following its discussions with the valuers and auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed and challenged and are sufficiently robust.

At the request of the Board, the Committee also considered whether the Annual Report and Financial Statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Committee is satisfied that, taken as a whole, the Annual Report and Financial Statements is fair, balanced and understandable. In reaching this conclusion, the Committee considered the overall review and confirmation process around the Annual Report and Financial Statements, going concern and viability.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the above processes, key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report, and that the programme of corporate reporting reviews focused on the balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and honest manner. Alternative performance measures,

not defined under IFRS or "non-GAAP" measures, are consistent with how management measures and judges the Group's financial performance.

## External auditor

During the year the Committee received and reviewed audit plans and reports from the external auditor. It is standard practice for the external auditor to meet privately with the Audit Committee, without any member of management or the Executive Directors being present, at each Audit Committee meeting. The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. Following an audit tender, Deloitte LLP was appointed auditor for the Group in September 2014 and re-appointed at the subsequent Annual General Meetings in 2015 and 2016.

## Audit tendering

This has been Deloitte's third year as the Company's external auditor following the formal tender process conducted in 2014. There are no contractual obligations that restrict the choice of external auditor. The Committee confirms that Safestore has complied with the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 with regard to the requirement for formal tendering every ten years.

## Effectiveness of the external audit process

To assess the effectiveness of the external audit process, the auditor is asked on an annual basis to articulate the steps that it has taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Committee monitors the auditor's performance, behaviour and effectiveness during the exercise of its duties, which informs the Audit Committee's decision to recommend re-appointment on an annual basis.

## External auditor independence and non-audit services

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditor. The Committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditor will not be used. The policy also stipulates projects where the auditor may be used subject to certain conditions and pre-approval requirements. In order to preserve auditor objectivity and independence, the external auditor is not asked to provide consulting or advisory services unless this is in the best interests of the Company. A report of all audit and non-audit fees payable to the external auditor is provided to the Committee twice a year, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. In the current financial year, Deloitte LLP provided services of £167,000. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

Deloitte was first appointed to conduct the audit for the 2014 financial year. In accordance with regulatory requirements, the lead audit partner is required to change after five years and this will take place after the conclusion of the 2018 audit. As part of the 2016 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte's independence had not been compromised notwithstanding the level of non-audit fees incurred during the year.

This report was approved by the Audit Committee for release on 9 January 2017 and signed on its behalf by:

**I S Krieger**  
Chairman of the Audit Committee

# Directors' remuneration report

for the year ended 31 October 2016

**Claire Balmforth**  
Chair of the  
Remuneration  
Committee



## PART A: ANNUAL STATEMENT

Dear shareholder

On behalf of the Board, I am pleased to present the report on Directors' remuneration for 2016. This is my first report as Chair of Safestore's Remuneration Committee, having been appointed to the Safestore Board as Chair-designate in summer 2016. I bring with me more than 20 years' experience of working within executive HR and operational roles for both private and listed organisations.

This has been a busy year for the Committee, involving a full review of our remuneration strategy for Executive Directors. An overview of the proposed changes arising from this review is set out below, and followed by the Directors' remuneration policy and the Annual report on remuneration.

### Business context

You will have read earlier in this Annual Report that the Company delivered very strong results for 2016 with:

- Group revenues up 8.3% for 2016;
- underlying EBITDA up 12.1% for 2016; and
- cash tax adjusted earnings per share up 19.3% for 2016.

The results for 2016 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. Since 2013, a significant transformation of the business has taken place, which included the Company's entry into the FTSE 250 in October 2015. From 2013 to the current date, shareholders have benefited from an increase in market capitalisation of c.200% and significant outperformance of industry benchmarks as shown in the graph on page 41.

Other highlights across this period include:

- c.75% increase in EPS;
- best performing REIT stock over the period; and
- completion of acquisition of Space Maker and opening of five new stores.

## 2016 outcomes

As a result of our strong performance during the year the Executive Directors will receive annual bonus payments of 100% of salary for the year ended 31 October 2016. 100% of the 2013 PSP awards vested in February 2016 and June 2016 based on achievement of three-year EPS and relative total shareholder return performance targets. It is anticipated that 100% of the 2014 PSP awards will vest in February 2017 based on achievement of three-year EPS and relative total shareholder return performance targets.

## Committee's review of Directors' remuneration policy in 2016

As previously mentioned, in conjunction with the Chairman of the Company, members of the Committee have undertaken a detailed review of the Directors' remuneration policy to ensure that it supports the Company's business strategy. Our opinion is that it does not and as such at the AGM we will be seeking approval for a new Directors' remuneration policy and incentive structure which we believe is more fit for purpose and rewards for driving future growth for shareholders.

When our senior team was appointed approximately three years ago the business was in turnaround mode. As a consequence, the Committee at the time was reluctant to introduce significant reward revisions until the team had proved itself. This has now happened and it is therefore considered appropriate to make those revisions. The proposed Directors' remuneration policy is designed to provide strong management incentives but only if the exceptional shareholder experience so far enjoyed continues over the next phase of the Company's development. This is particularly relevant because, as with any turnaround, the "low-hanging fruit" has been picked and continuing outperformance becomes progressively more difficult. The Committee has at this stage also recognised the need to extend the reward system to a wider and deeper audience within the Company to facilitate management succession and create a motivated top and middle management cohort within the business. This, we believe, will provide shareholder comfort for the long-term custody of the business.



In conducting the review, the Committee considered the objectives that it wants the Directors' remuneration policy to support:

- the real need to lock in an exceptional and proven management team who have delivered significant progress over the last three years and focus them on continuing to deliver strong performance over the next five years;
- a desire for a simplified remuneration structure which supports the business strategy;
- compliance with latest corporate governance best practice principles and ensuring closer alignment between remuneration outcomes and shareholder returns; and
- the introduction of an equity arrangement which provides a meaningful opportunity for a wider group of Executives and employees to share in the success of the Company.

Overall, the new Directors' remuneration policy has been constructed such that the Executive Directors will be appropriately rewarded if value is delivered for shareholders and payouts will be limited if Company performance is below expectations. Our new policy is set out in full on pages 42 to 50 of this report, but in summary the key changes to the Directors' remuneration policy include:

- replacement of the current rolling annual market standard Long Term Incentive Plan ("LTIP") with a more simplified arrangement, under which management will be provided with an opportunity to earn a fixed level of equity which is directly aligned with the delivery of the business strategy over the next five years. The performance conditions to be measured over a five-year period will be growth in EPS (two-thirds) and relative total shareholder performance against both the FTSE 250 (one-sixth) and FTSE Real Estate sector (one-sixth);
- increase of shareholding requirement to ten times salary for CEO and 3.5 times salary for CFO. These levels are significantly in excess of the market and demonstrate the commitment by management to the Company and alignment with shareholders; and
- introduction of annual strategic and operational measures to the annual bonus to provide a more holistic assessment of corporate performance and support the five-year financial targets incorporated into the new LTIP. The new measures will be factored into an increase in the annual bonus from 100% to 150% of salary, with any increase earned (i.e. 50% max) deferred into shares for two years. The use of deferral provides further alignment with shareholders and underpins the one off nature of the LTIP.

The Committee believes that the new, simplified remuneration structure will support and motivate our Executive Directors in furthering the Group's long-term strategic objectives, including the creation of sustainable shareholder returns. It should be noted that as at the date of publication of this report, the Committee is in consultation with our largest institutional shareholders with regard to some of the terms of the new policy and LTIP. Any amendments to the policy (set out on pages 42 to 50 of this report) as a consequence of these discussions will be communicated to shareholders ahead of the AGM.

## Proposed LTIP

In designing the proposed LTIP, the Committee took into consideration the objectives it wanted it to support along with the current external operating environment. The Committee was also mindful of the recent report published by the Executive Remuneration Working Group, which sets out the case for a more flexible model of remuneration.

When setting the award levels for the Executive Directors the Committee took into consideration levels of awards in the market. The Committee believes that the expected value of the one off award is commensurate with an annual upper quartile level of award, discounted to reflect the five-year performance period and stretching performance targets. In addition, the proposed award level is considered necessary to retain the CEO and CFO and focus them on delivering returns to shareholders over the next five years.

Given the increased award levels, the Committee is mindful that this should be coupled with a strengthening of the performance targets. The performance targets for the proposed share award will be set out in the Notice of Annual General Meeting seeking approval for the new policy and LTIP.

As previously mentioned, one of the objectives was to ensure that a wider group of employees were invited to participate in the equity arrangement. The Committee believes that extending participation levels will help to ensure that key below Board level employees are retained and motivated to successfully execute the Company's strategy.

## 2017 AGM

The Directors' remuneration policy will be subject to a binding shareholder vote, and the Annual report on remuneration along with this statement will be subject to an advisory shareholder vote at the forthcoming AGM on 22 March 2017. We will also be seeking formal shareholder approval for the new LTIP at the AGM.

My goal has been to be thoughtful and clear in the layout of the Directors' remuneration report. We are committed to hearing, and take an active interest in, your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy, I would welcome your views. I can be contacted on 020 8732 1565.

On behalf of the Committee and Board for release on 9 January 2017

**Claire Balmforth**  
Chair of the Remuneration Committee

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART B: OUR REMUNERATION AT A GLANCE

Ahead of the detailed 2016 Directors' remuneration report, we have summarised below the key elements of our remuneration policy and how we intend to implement it in 2017 along with the key remuneration outcomes for 2016.

#### (i) Summary of our Directors' remuneration policy and implementation of remuneration policy for 2017

Element	Key features of policy	Implementation for 2017	
<b>Executive Directors</b>			
		<b>Frederic Vecchioli</b>	<b>Andy Jones</b>
Base salary	To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role.	From 1 May 2016: £375,000 From 1 May 2017: £400,000	From 1 May 2016: £273,000 From 1 May 2017: £285,000
Benefits and pension	Market competitive benefits/pension package provided. Maximum contribution to personal pension scheme or cash in lieu is equal to 20% of salary.	15% of salary as Company contribution	15% of salary as Company contribution
Annual bonus	Maximum award equal to 150% of salary per annum. Performance period is one financial year with payout based on achievement against a range of financial and non-financial targets. Any bonus in excess of 100% deferred into shares.	150% maximum of salary  Adjusted EBITDA, strategic and operational measures	150% maximum of salary
LTIP	One off equity grant to be made in 2017. Awards vest after five years subject to the achievement of stretching performance measures.	2.5 million shares  Adjusted diluted EPRA EPS growth, relative TSR vs FTSE 250 (exc. investment trusts) and relative TSR vs FTSE Real Estate Index	1.675 million shares
Shareholding guideline	1,000% of salary for CEO and 350% of salary for CFO.	1,000% of salary	350% of salary
<b>Non-Executive Directors</b>			
Fees	Non-Executive Directors may receive a base fee and additional fees for chairing a committee.	Chairman fee: £135,000 Non-Executive base fee: £42,500 Committee Chair fee: £10,000	

Our full remuneration policy is set out on pages 42 to 50 and details on how we will implement the remuneration policy in 2017 are set out on page 53.

## (ii) How have we performed?

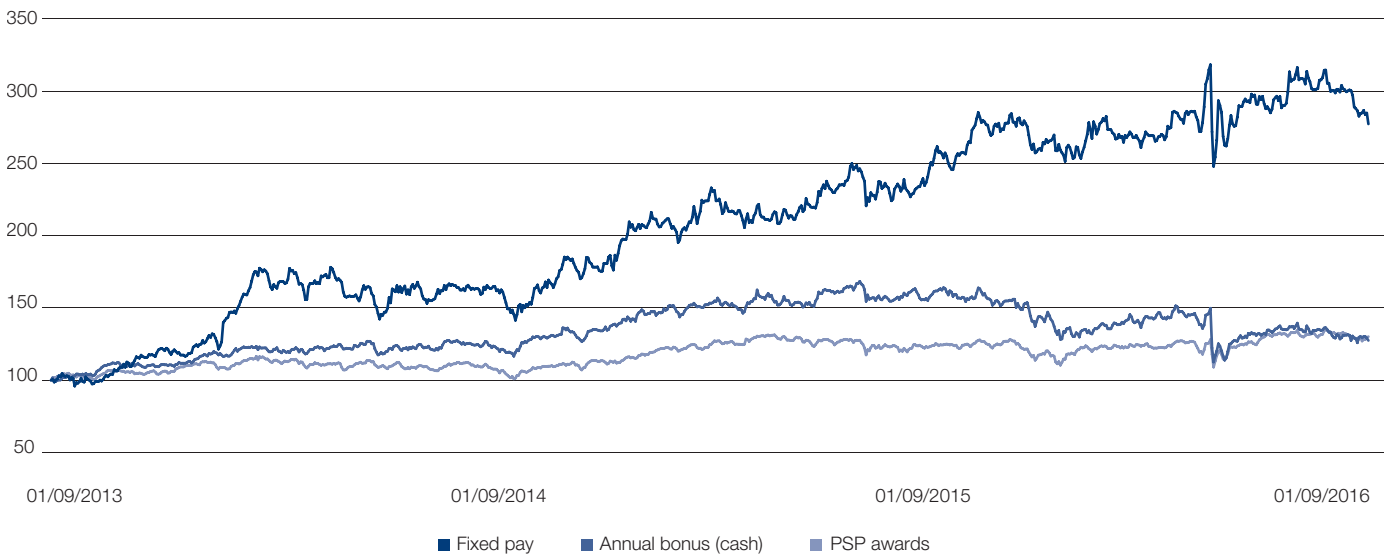
### Key FY2016 business highlights

- gross revenues up 8.3% for 2016;
- underlying EBITDA up 12.1% for 2016; and
- cash tax adjusted earnings per share up 19.3% for 2016.

### Performance since new management team appointed

The results for 2016 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore.

From 2013 to the current date, shareholders have benefited from an increase in market capitalisation of c.200% and significant outperformance of industry benchmarks as shown in the graph below.



## (iii) Outcomes for 2016

Below we summarise the targets and the outcomes for both Frederic Vecchioli and Andy Jones for the annual bonus and LTIP.

### 2016 annual bonus assessment:

At the start of the 2016 financial year, we set stretching performance targets for the annual bonus plan.

Measure (weighting)	Target	Actual	% of max achieved
Adjusted EBITDA before recurring items (80%)	£59.7m	£62.8m	80
Personal (20%)	—	—	20

Based on an assessment against the 2016 bonus scorecard the Committee determined that Frederic Vecchioli would receive a bonus of £375,000 (100% of maximum) and Andrew Jones would receive £273,000 (100% of maximum).

### LTIP vesting

Measure (weighting)	Performance range	Actual	% of max achieved
PBT-EPS growth (67%)	3%+RPI – 8%+RPI	24%	67%
Relative TSR vs FTSE Small Cap (33%)	Median – upper quartile	Upper	33%

Based on an assessment against the 2014 grant LTIP performance measures, the Committee envisaged that the LTIP for Frederic Vecchioli would vest at 100% of maximum (£0.7 million) and the LTIP for Andy Jones would vest at 100% of maximum (£0.6 million).

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART C: DIRECTORS' REMUNERATION POLICY

This section of the report contains details of the Directors' remuneration policy that will govern the Company's future remuneration payments and will take effect from the date of the AGM. The Committee has established the policy on the remuneration of the Executive Directors and the Chairman. The Board has established the policy on the remuneration of the other Non-Executive Directors. Awards granted under the previous Directors' remuneration policy will be honoured.

It should be noted that as at the date of publication of this report the Committee is in consultation with our largest institutional shareholders with regard to some of the terms of the new policy and LTIP. Any amendments to this policy as a consequence of these discussions will be communicated to shareholders ahead of the AGM.

#### Executive Directors' remuneration policy

The Directors' remuneration policy has been developed taking into account the principles of the UK Corporate Governance Code. The Board recognises that the Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and the Group believes in rewarding exceptional performance.

When setting Executive Directors' remuneration, the Committee endeavours to ensure that all Directors are provided with appropriate performance related and non-performance related pay to encourage enhanced performance and that they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The Committee believes that the Directors' remuneration policy below will support and motivate our Executive Directors in furthering the Group's long-term strategic objectives, including the creation of sustainable shareholder returns. Furthermore, the Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk taking or reward underperformance.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
<b>Basic salary</b>				
To provide competitive fixed remuneration that will attract and retain appropriate talent. Reflects an individual's responsibilities, experience and role.	<p>Normally reviewed annually with any changes taking effect from 1 May.</p> <p>Salaries are paid monthly.</p> <p>When determining the salary of an Executive, the Committee takes into consideration:</p> <ul style="list-style-type: none"> <li>— the individual Director's experience and responsibilities;</li> <li>— the performance of the individual Director;</li> <li>— the performance of the Group; and</li> <li>— pay and conditions throughout the Group.</li> </ul> <p>Levels of base salary are reviewed periodically against companies of a comparable size in both the Real Estate sector and the FTSE 250.</p>	<p>There is no prescribed maximum annual basic salary increase.</p> <p>Typically, the base salaries of Executive Directors will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group.</p> <p>The exceptions to this rule may be where:</p> <ul style="list-style-type: none"> <li>— an individual is below market level and a decision is taken to increase base pay to reflect proven competence in the role; or</li> <li>— there is a material increase in scope or responsibility of the Executive Director's role.</li> </ul> <p>Current salary levels are set out in the Annual report on remuneration.</p>	<p>A broad assessment of individual and business performance is used as part of the salary review.</p> <p>No recovery provisions apply.</p>	<p>Current salary levels are set out in the Annual report on remuneration.</p> <p>The comparator group has changed from FTSE All Share companies of a comparable size to FTSE 250 companies of a comparable size. This change reflects Safestore's current size and provides flexibility to benchmark against a group that is most applicable at any point in time.</p>

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
<b>Benefits</b>				
To provide competitive benefits and to attract and retain high calibre employees.	Reviewed periodically to ensure benefits remain market competitive. Currently includes car allowance and life, private medical and dental insurance. Other benefits may be provided where appropriate.	Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	No performance or recovery provisions applicable.	No change.
<b>Pension</b>				
To provide a competitive company contribution that enables effective retirement planning.	Pensions are provided by way of a contribution to a defined contribution arrangement and/or cash salary supplement.	The maximum contribution is up to 20% of salary, with the standard annual contribution for Executive Directors set at 15% of salary.	No performance or recovery provisions applicable.	The maximum contribution remains at 20%; however, the standard annual contribution has increased from 10% to 15% to ensure the contribution remains competitive.
<b>Annual bonus</b>				
Incentivises the achievement of a combination of financial and non-financial performance targets in line with corporate strategy over the one-year operating cycle.	Award made annually based on the achievement of a combination of financial and non-financial performance measures. Any bonus in excess of 100% of salary will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. Dividend equivalents are payable on deferred shares.	Bonus potential: maximum: 150% of salary; threshold performance: 40% of salary.	Performance measures and targets will be set by the Committee annually based on a range of financial and non-financial measures, including but not limited to: <ul style="list-style-type: none"> <li>– EBITDA growth;</li> <li>– strategic/operational measures; and</li> <li>– personal objectives.</li> </ul> The Committee has the discretion to adjust targets or performance conditions for any exceptional events that may occur during the year. As well as determining the measures and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year. Malus and clawback provisions operate. Further details on the measures for 2016 are set out in the Annual report on remuneration on pages 50 and 51.	Strategic and operational measures have been introduced to provide a more holistic assessment of corporate performance and to support the five-year financial targets of the new LTIP. The maximum bonus opportunity has increased from 100% to 150% and was adjusted to ensure that levels are competitive against the market and reflective of the Company's current value. Deferral has been introduced to provide further alignment with shareholders and underpins the one off nature of the LTIP. Any amount earned under the increased award level will be deferred into shares. Malus has been introduced to sit alongside clawback which was already operated.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART C: DIRECTORS' REMUNERATION POLICY continued

#### Executive Directors' remuneration policy continued

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to policy and rationale
<b>Long Term Incentive Plan</b>				
Incentivises Directors to execute the long-term business plan and deliver long-term sustainable value for shareholders.	<p>One off equity grant made following the 2017 AGM with vesting dependent on the achievement of demanding performance conditions over a five-year period.</p> <p>Awards will be made to participants expressed as a fixed number of shares.</p> <p>Participants will be entitled to receive any dividends paid on vested shares during the vesting period. This benefit is delivered in the form of cash or additional shares at the time that award vests.</p>	<p>The total equity award for all participants will be equal to 3.25% of the current share capital with 2% for Executive Directors.</p> <p>It is currently intended that the CEO will be granted an award over 2.5m shares and the CFO will be granted an award over 1.675m shares.</p>	<p>Awards vest based on performance against stretching targets, measured over a five-year performance period.</p> <p>The performance measures and weightings are as follows:</p> <ul style="list-style-type: none"> <li>— adjusted diluted EPRA EPS growth (2/3 weighting);</li> <li>— relative TSR versus FTSE 250 (1/6 weighting); and</li> <li>— relative TSR versus FTSE Real Estate Index (1/6 weighting).</li> </ul> <p>15% of an award vests at threshold performance (0% vests below this), increasing to 100% for maximum performance.</p> <p>Malus and clawback provisions operate.</p> <p>Further details on the performance measures are set out in the Annual report on remuneration on pages 51 and 52.</p>	<p>The previous LTIP was structured as an annual rolling market standard long-term incentive plan. This has been replaced with the simplified one off equity award, under which management will be provided with an opportunity to earn a fixed level of equity which is directly aligned with the delivery of the business strategy over the next five years.</p> <p>The LTIP ensures that the Committee has a tool in place with which to incentivise the Executive Directors to execute the long-term business plan and ultimately deliver long-term sustainable value for shareholders. The extended five-year performance period will ensure a further lock-in period and an alignment between the interest of management and shareholders. Under the new LTIP an increased number of key senior employees will be invited to participate on the same terms as the Executive Directors but at lower award levels.</p>
<b>All-employee Sharesave scheme</b>				
Encourages long-term shareholding in the Company by all employees.	Under the terms of the Sharesave scheme all employees can apply for three or five-year options to acquire the Company's shares priced at a discount of up to 20%.	£500 per month or HMRC limits as applicable from time to time.	No performance or recovery provisions applicable.	No change.

Element and strategic link	Operation	Maximum	Performance targets and recovery provisions	Changes to Policy and rationale
<b>Share ownership</b>				
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	Executive Directors are encouraged to build up their shareholding over a five-year period. Executive Directors would be expected to retain any shares vesting (post tax) under inflight awards and the proposed deferred bonus until they have acquired the necessary shares to meet their requirement. Deferred, vested and beneficially owned shares would count towards the shareholding guidelines.	For current Executive Directors: — CEO: 1,000% of salary — CFO: 350% of salary  For any new recruits, the guideline level of shareholding would be 500% for the CEO and 350% for the CFO.  The level of shareholding will be tested five years from the date of approval of this remuneration policy or appointment if later.	No performance or recovery provisions applicable.	The shareholding ownership guidelines have been increased from 100% of salary. The Committee considers that higher shareholder guidelines ensure a long-term alignment between the shareholders and management in light of the higher quantum of equity awards.

#### Discretion within the Directors' remuneration policy

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders.

#### Legacy awards

The Committee reserves the right to honour any historic awards that were granted under any previous share schemes operated by the Company but remain outstanding, notwithstanding that they are not in line with the policy set out above, where the terms of the payment or award were agreed before the new policy came into effect. Such payments or awards will be set out in the Annual report on remuneration in the relevant year.

#### Performance measures and targets

The table below sets out the rationale for performance measures chosen in respect of the annual bonus and LTIP.

Performance measures	Rationale	How targets are set
<b>Annual bonus</b> — EBITDA growth; — strategic/operational measures; and — personal objectives.	The combined use of financial, strategic and operational measures provide a holistic assessment of corporate performance and allow for the Company to focus annually on targets that work towards the delivery of the five-year financial measures under the LTIP.  The use of personal objectives allows for the tailoring of the annual bonus to each participant and ensures there is an element of pay out that is assessed on specific measures which reflect successful performance of the individual in their roles as well as the Company.	The performance targets are determined annually by the Committee taking into account the Company's business plan, market conditions and internal and external forecasts.  Targets are calibrated to reflect the Committee's assessment of good to exceptional performance.
<b>LTIP</b> Adjusted diluted EPRA EPS growth (2/3 weighting) Relative TSR vs FTSE 250 (1/6 weighting) Relative TSR vs FTSE Real Estate Index (1/6 weighting)	EPS is considered to be the most appropriate measure for aligning the interests of the Executive Directors with those of shareholders and is also an established measure of Safestore's long-term sustainable profitability.  Relative TSR performance measured against two peer groups (FTSE 250 and FTSE Real Estate Index) provides a balanced approach, recognising returns to shareholders against the broader market, whilst also ensuring performance is competitive against other real estate companies.	Targets have been calibrated to reflect the Committee's assessment of good to exceptional performance, taking into account internal budgets and the current economic environment.  EPS targets were set by reference to the Company's business plan and market conditions and consideration is also given to external forecasts.  Relative TSR targets were determined taking into account the comparative market returns and the expected level of returns for Safestore's shareholders.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART C: DIRECTORS' REMUNERATION POLICY continued

#### Executive Directors' remuneration policy continued

##### Performance measures and targets continued

The Committee is of the opinion that disclosing precise targets for the annual bonus in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay outs. The performance targets from the LTIP will be set out in advance of the grant in the Notice of Annual General Meeting seeking approval for the new policy and LTIP.

##### Comparison with other employees

All employees receive base salary, benefits and pension, and are eligible to participate in the Company's Sharesave scheme. The Sharesave scheme gives all employees the opportunity to become shareholders in Safestore through the acquisition of shares (up to a limit) at a discount to the market price.

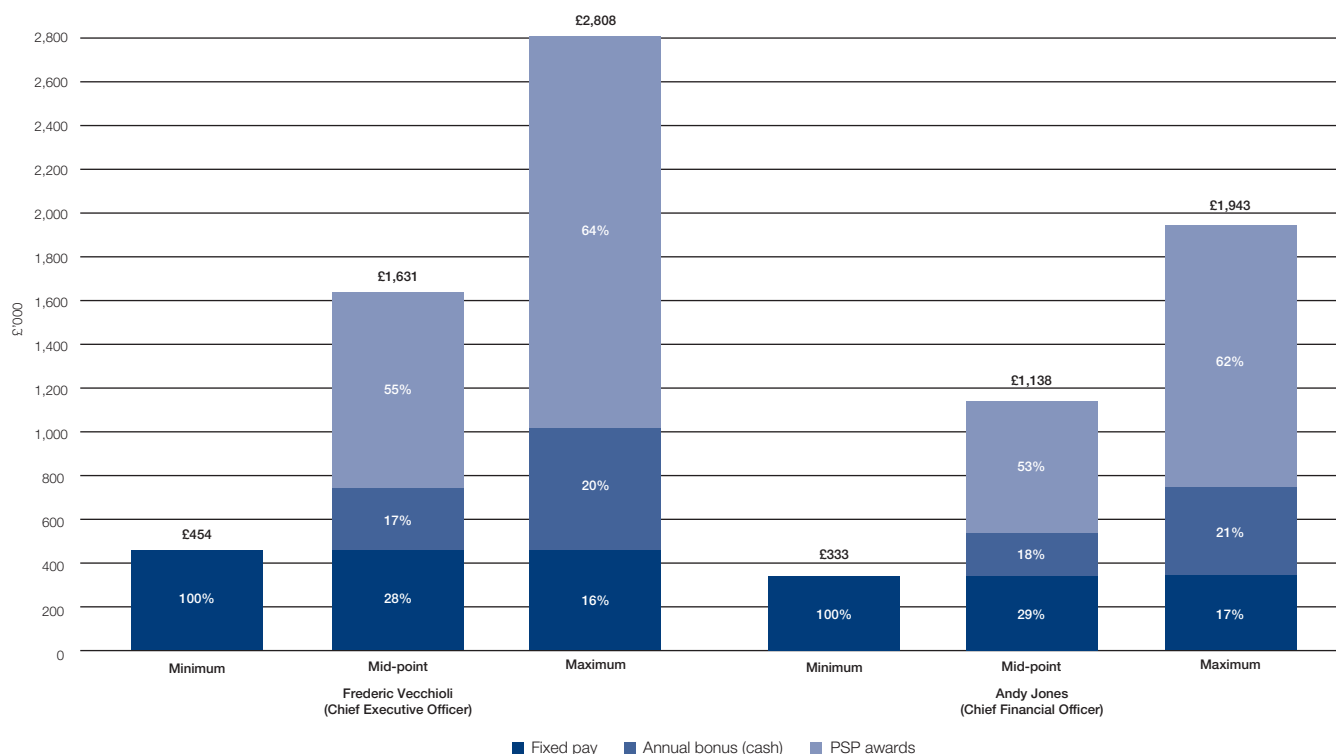
For below board level employees, Safestore operates a range of bonus plans appropriate to the various areas of its business with opportunity levels linked to seniority and role.

Under the new LTIP an increased number of key senior employees will be invited to participate allowing them to share in the success of the Company. The performance conditions for below board level employees in the LTIP are the same as those for the Executive Directors.

Any differences in an individual's reward package is reflective of an individual's location, seniority and level of responsibility.

#### Reward scenarios

The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated policy. The charts show an estimate of the remuneration that could be received by Executive Directors under the policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP. The charts indicate that a significant proportion of both target and maximum pay is performance related.





Assumptions used in determining the level of pay out under given scenarios are as follows:

Element	Minimum	Mid-point	Maximum
Fixed elements	Base salary at 1 November 2016. Pension 15% of salary. Estimated benefits (car allowance, private medical insurance and life assurance).		
Annual bonus	Nil	50% of maximum	100% of maximum
LTIP <sup>1</sup>	Nil	50% of annualised maximum	100% of annualised maximum

#### Note

<sup>1</sup> LTIP values are based on the annualised value of the shares awarded (i.e. 1/5th of the individual maximum shares granted) as at 31 October 2016. The share price as at 31 October 2016 was 358.3 pence. No share price growth has been factored into the calculation.

## Approach to recruitment and promotions

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors and would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

- Salary levels will take into account the individual's experience, market data for the relevant role, internal relativities and their current base salary. Where an individual is recruited at below market norms, they may be realigned over time, subject to performance in the role.
- Benefits and pension will be in accordance with the remuneration policy.
- Annual bonus will operate in line with the remuneration policy with the maximum opportunity set at 150% of salary.
- LTIP will operate in line with the remuneration policy. The amount of shares granted will be reflective of the role and where appropriate will be time apportioned for the time remaining until the end of the five-year period versus the total five-year period. The maximum awarded granted will be no more than 500% of salary.

The maximum variable remuneration will be the total of the annual bonus opportunity and grant of shares under the LTIP.

Where an existing employee is promoted to the Board, the policy set out above will apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual report on remuneration.

The Committee does not have an automatic policy to buy out subsisting incentives granted by an Executive's previous employer and which would be forfeited on cessation. Should, however, the Committee determine that it is appropriate to do so, the Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer, although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets. The Committee may then grant up to the same expected values where possible under the Company's incentive plans, subject to the annual limits under these plans. It does, however, retain the discretion to provide the expected value under specific arrangements in relation to the recruitment of the particular individual.

In instances where the new Executive is relocated from one work location to another, the Company will provide compensation to reflect the cost of relocation for the Executive in cases where they are expected to spend significant time away from their home location in accordance with its normal relocation package for employees. The level of the relocation package will be assessed on a case-by-case basis but may take into consideration any cost of living differences, housing allowance and schooling in accordance with the Company's normal relocation package for employees.

If appropriate the Committee may agree on recruitment of a new Executive with a notice period in excess of twelve months, but to reduce this to twelve months over a specified period.

## Service contracts for Executive Directors

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following bases:

Director	Date of current service contract	Notice period
F Vecchioli	3 September 2013	12 months
A Jones	29 January 2013	12 months

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. All service contracts are available for viewing at the Company's registered office and at the AGM.

The Board allows Executive Directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART C: DIRECTORS' REMUNERATION POLICY continued

#### Payment for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

With regard to salary, benefits and pension, there will be no compensation for normal resignation or in the event of termination by the Company due to misconduct. In other circumstances, Executive Directors will be entitled to receive payment in lieu of notice. A summary of the main contractual terms in relation to annual bonus and LTIP are set out below:

Cessation of employment	Change of control
<b>Annual bonus</b>	
<ul style="list-style-type: none"> <li>— Where a participant's employment is terminated after the end of a performance year but before the payment is made, the participant may remain eligible for a bonus award for that performance year subject to an assessment of the performance targets over the period. Where an award is made the payment may be delivered fully in cash. No award will be made in these circumstances in the event of gross misconduct.</li> <li>— If the participant is a good leaver during the performance year, a bonus will normally be paid in cash at the end of the year pro-rated for length of service and the achievement of performance targets measured over the full year. Any unvested deferred share bonus awards will vest on the normal vesting date.</li> <li>— The Committee has the discretion to determine that a bonus award may be paid in cash at the date of cessation, and/or that deferred share bonus awards will vest early, and/or in exceptional circumstances whether to pro-rate the award for time served as an employee.</li> <li>— A "good leaver" is defined as a participant ceasing to be in employment by reason of death, ill health, injury, disability, redundancy, retirement, the Company employing the participant ceasing to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion.</li> <li>— Anyone who is not a good leaver will be a "bad leaver". For a bad leaver, there will be no cash bonus pay out for the year in which they leave and any unvested deferred share bonus awards will lapse.</li> </ul>	<ul style="list-style-type: none"> <li>— The participant will receive the annual bonus in cash immediately prior to the date of the change of control.</li> <li>— The level of cash payment will be determined by the Committee at its discretion by reference to the time elapsed from the start of the performance year to the change of control date and the performance levels achieved as at the date of the change of control (where applicable).</li> <li>— The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award for time served as an employee.</li> <li>— Any unvested deferred bonus shares will also vest immediately prior to a change of control.</li> <li>— In the event of an internal corporate reorganisation, the Remuneration Committee may decide (with the consent of the acquiring company) to replace unvested deferred awards with equivalent new awards over shares in the acquiring company.</li> </ul>
<b>LTIP</b>	
<ul style="list-style-type: none"> <li>— For good leavers, unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period and (ii) pro-rating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed.</li> <li>— The Committee has the discretion to determine that the end of the performance period is the date of cessation and whether to pro-rate the number of vested awards to reflect the vesting period completed.</li> <li>— A "good leaver" is defined as a participant ceasing to be in employment by reason of death, injury, ill health, disability, redundancy, retirement, the Company employing the participant ceasing to be a member of the Group, the participant's employing business being transferred to a person who is not a Group Member, or any other reason at the Committee's discretion.</li> <li>— Anyone who is not a good leaver will be a "bad leaver". Bad leavers will forfeit all unvested awards.</li> </ul>	<ul style="list-style-type: none"> <li>— On a change in control, the Committee will determine the level of vesting taking into account: (i) the extent that any applicable performance targets have been satisfied at that time; (ii) the bid consideration received; and (iii) the portion of the vesting period that has then elapsed. Options must then be exercised within one month, otherwise they will lapse.</li> <li>— In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.</li> </ul>

## Non-Executive Directors and letters of appointment

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board.

The table below sets out the key elements of the policy for Non-Executive Directors.

Strategic link	Operation	Maximum	Performance targets and recovery provisions
To provide compensation that attracts high calibre individuals and reflects their experience and knowledge.	<p>Non-Executive Directors may receive a base fee and additional fees for the role of Senior Independent Director or Chairmanship of a Committee.</p> <p>Fees are reviewed annually with any changes generally effective from 1 May.</p> <p>Non-Executive Directors also receive reimbursement of reasonable expenses (and any tax thereon) incurred undertaking their duties and/or Company business.</p> <p>Non-Executive Directors do not receive any variable remuneration element or pension contribution but may receive benefits if determined appropriate to the role.</p>	<p>Any increases in fees will be determined based on time commitment and take into consideration level of responsibility and fees paid in other companies of comparable size and complexity.</p> <p>Where made, any increase in Non-Executive Director fees will generally be in line with the increase awarded to the wider workforce; however, the increase may be higher to reflect any changes to time commitments or responsibilities.</p>	No performance or recovery provisions applicable.

### Letters of appointment

The Group's policy is to appoint Non-Executive Directors to the Board with a breadth of skills and experience that is relevant to the Group's business. Appointments are made by the Board upon the recommendations and advice from the Nomination Committee.

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Each Non-Executive Director is subject to an initial three-year term followed by annual re-election at the Company's AGM. The table below sets out the dates that each Non-Executive Director was first appointed.

Director	Letter of appointment date	Unexpired term	Notice period by Company and Director
Alan Lewis	16 February 2011	Rolling (with no fixed expiry date)	Three months
Ian Krieger	2 October 2013	Rolling (with no fixed expiry date)	Three months
Joanne Kenrick	6 October 2014	Rolling (with no fixed expiry date)	Three months
Claire Balmforth	12 July 2016	Rolling (with no fixed expiry date)	Three months
Bill Oliver	12 July 2016	Rolling (with no fixed expiry date)	Three months

No compensation is payable in the event of early termination apart from the notice period. All letters of appointment are available for viewing at the Company's registered office and at the AGM.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART C: DIRECTORS' REMUNERATION POLICY continued

#### Consideration of employee remuneration and shareholders

##### All-employee remuneration

In setting the remuneration policy for Directors, the pay and conditions of other employees are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and uses this information to ensure consistency of approach throughout the Company.

The Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Directors' remuneration policy. Through the Board, however, the Committee is updated as to employee views on remuneration generally.

##### Consideration of shareholder views

The Committee has an open relationship with shareholders. It welcomes dialogue and engages with significant shareholders on material changes to its remuneration policy or structure. In advance of making changes to policy and putting forward the new LTIP to shareholders at the 2017 AGM, we wrote to and met with our largest shareholders as well as a number of representative bodies (ISS and IA), to explain the background and the rationale for our decisions. As at the date of this report the Committee is considering the feedback received from shareholders and how to reflect this feedback in the final policy put to shareholders for approval at the AGM.

### PART D: ANNUAL REPORT ON REMUNERATION

The 2016 Annual report on remuneration contains the details of how the Company's policy for Directors was implemented during the financial year ended 31 October 2016. This report has been prepared in accordance with the provisions of the Companies Act 2016 and the Regulations. An advisory resolution to approve this report and the annual statement will be put to shareholders at the AGM on 22 March 2017.

#### Executive Director remuneration for the year ended 31 October 2016

##### Single figure remuneration table (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior financial year is shown below. Figures provided have been calculated in accordance with regulations.

		Base salary £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives £'000	Pension £'000	Other £'000	Total £'000
Frederic Vecchioli (Chief Executive Officer)	<b>2016</b>	<b>354</b>	<b>23</b>	<b>375</b>	<b>698</b>	<b>31</b>	<b>—</b>	<b>1,481</b>
	2015	329	23	333	506	33	—	1,224
Andy Jones (Chief Financial Officer)	<b>2016</b>	<b>267</b>	<b>19</b>	<b>273</b>	<b>583</b>	<b>24</b>	<b>—</b>	<b>1,166</b>
	2015	258	19	261	896	26	—	1,460

##### Note

1 Taxable benefits comprise a car allowance and private medical and dental insurance.

##### Annual bonus outcomes for the financial year ended 31 October 2016 (audited)

For 2016 the Executive Directors had a maximum annual bonus opportunity of 100% of salary. For each Executive Director, the 2016 annual bonus determination was based on performance against adjusted EBITDA and personal objectives.

The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

Measure	Weighting	Performance required			Actual performance		CEO		CFO	
		Threshold (40% vesting)	On-target (70% vesting)	Maximum (100% vesting)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items	80%	£57.9m	£59.7m	£61.5m	£62.8m	100%	80%	300	80%	218
Personal performance	20%	Objectives based on personal and business targets			See assessment below	100%	20%	75	20%	55
Total bonus achieved in 2016							100%	375	100%	273

Performance against the personal objectives and the Committee's assessment of performance for both Executive Directors is set out in the table below:

Director	Personal objectives set at the start of the year	Assessment against the targets
Frederic Vecchioli	– Delivery of strategy	– New stores completed as per budget and plan
	– Trading performance improvement	– Improved trading performance delivery
	– Development of investor relations strategy and broadening of investor base	– Developed programme with increased exposure to investors and analysts
Andy Jones	– Management of the acquisition of Space Maker	– Bargain purchase acquisition concluded successfully
	– Enhancements to finance systems, processes and reporting	– Increased efficiency of process and positive feedback from Audit Committee
	– Improvements to the financial control environment	– Delivered improvement in risk and control framework

The Committee has reviewed the overall bonus outcomes against corporate performance and believe that the maximum bonus payout is commensurate with the shareholder experience in 2016. The 2016 bonuses for Frederic Vecchioli and Andy Jones will be paid in cash. No part of the bonus will be subject to deferral and no discretion was exercised by the Committee when determining the bonus outcomes.

#### LTIP awards included in single figure for the year ended 31 October 2016 (audited)

Awards were granted on 4 February 2014 and are due to vest on 4 February 2017. These awards were granted subject to the achievement of certain EPS-PBT growth and relative TSR targets. The table below summarises these awards for which the performance period was substantially completed in the year.

Director	Date of grant	Date of vesting	Number of nil-cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting in the year	Number of awards lapsed in the year	Value of awards shown in the single figure table for 2016 <sup>1</sup>
F Vecchioli	04/02/2014	04/02/2017	186,856	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI Maximum (100% vesting): 8%+RPI	PBT-EPS growth of 24% (100% vesting)	186,856	–	£698,000
A Jones	04/02/2014	04/02/2017	155,928	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Upper quartile (100% vesting)	155,928	–	£583,000

#### Note

<sup>1</sup> Share price of 373.7 pence used being the average share price for the three months to 31 October 2016.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART D: ANNUAL REPORT ON REMUNERATION continued

#### Executive Director remuneration for the year ended 31 October 2016 continued

##### LTIP awards included in single figure for the year ended 31 October 2015 (audited)

The awards included in the 2015 single figure disclosure were granted in February/June 2013 and vested in February/June 2016. These were included as estimates in the 2015 single figure based on an expected level of vesting of 100% and a three-month average share price to 31 October 2015 of 305.14 pence. The table below sets out the final level of vesting.

Director	Date of grant	Date of vesting	Number of nil-cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting in the year/dividend equivalents awarded	Number of awards lapsed in the year	Value of awards shown in the single figure table for 2015 <sup>1</sup>
F Vecchioli	06/02/2013	06/02/2016	165,869	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI Maximum (100% vesting): 8%+RPI	PBT-EPS growth of 17% (100% vesting)	165,869/ 12,600	—	£506,000
A Jones	28/06/2013	28/06/2016	293,927	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Upper quartile (100% vesting)	293,927/ 18,191	—	£896,000

##### Note

<sup>1</sup> Based on share price on date of vesting of 350.8 pence for the 6 February 2013 grant and 369.2 pence for the 28 June 2013 grant.

##### LTIP awards granted in the year ended 31 October 2016 (audited)

The table below sets out the details of the LTIP awards granted on 14 March 2016 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Basis of award	Face value of award at grant date <sup>1</sup> (£)	Number of shares	Vesting date
F Vecchioli	Nil-cost options	125% of salary	416,250	118,657	14 March 2019
A Jones	Nil-cost options	125% of salary	326,719	93,135	14 March 2019

##### Note

<sup>1</sup> A share price of 350.8 pence on 11 March 2016 was used to determine the maximum face value of awards.

The awards will vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award) <sup>1</sup>
PBT-EPS growth (2/3 weighting)	3 financial years	Less than 3%+RPI per annum	—
		3%+RPI per annum	25%
		8%+RPI per annum	100%
Relative TSR <sup>2</sup> vs FTSE Small Cap (1/3 weighting)	3 years from grant date	Below median peer group return	—
		Equal to peer group median return	25%
		Upper quartile	100%

##### Notes

<sup>1</sup> Vesting between the threshold and maximum based on the sliding scale.

<sup>2</sup> No TSR portion of awards will vest unless the Committee is satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

### Payments to past Directors or for loss of office (audited)

During the year there were no payments to past Directors and no payments for loss of office.

## Implementation of the Remuneration policy for the year ending 31 October 2017

### Base salary

Base salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. In addition, the Committee periodically reviews base salary levels within similarly sized listed real estate and FTSE 250 companies, although the Committee is careful not to place excessive reliance on the use of external comparator analysis. Current base salary levels for Executive Directors are presented below:

	From 1 May 2017	From 1 May 2016	Increase
F Vecchioli	£400,000	£375,000	7%
A Jones	£285,000	£273,000	4%

As set out in last year's report, following strong individual performance since appointment the Committee increased the CEO's salary to £375,000 from 1 May 2016 and intends to increase to £400,000 from 1 May 2017 to match what the Committee considered to be the competitive market rate. The base salary of the CFO will be increased to £285,000, an increase of 4%.

The Committee will continue to review the Executive Directors' base salaries over the three-year policy period to ensure they remain competitive.

### Benefits

Taxable benefits provided will continue to include a car allowance and life, private medical and dental insurance. Benefits in kind are not pensionable and are not taken into account when determining basic salary for performance related remuneration.

### Pension

The Group will contribute 15% of basic salary (up from 10% in previous years) for the pension arrangements of the Executive Directors.

### Annual bonus

Consistent with the new policy the maximum bonus will be 150% of salary for each Executive Director. Any bonus in excess of 100% of salary will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. For the 2017 financial year, the bonus will be based on the following performance measures:

Performance measures	Provisional weighting
Adjusted EBITDA	53%
Operational/strategic	33%
Personal	14%
<b>Total</b>	<b>100%</b>

The Committee is of the opinion that disclosing precise targets for the annual bonus in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay outs.

### Long-term incentives

Details of the LTIP awards to be made, under the new LTIP, after the 2017 AGM are provided below.

Director	Type of award	No. of shares under option	Vesting period
F Vecchioli	Nil-cost	2.5m	Five years
A Jones	option	1.675m	from grant

The awards will vest subject to the following Annual performance measures. As noted in the annual statement, the performance targets for the proposed share award will be set out in the Notice of Annual General Meeting seeking approval for the new policy and LTIP.

Performance measure	Weighting
Adjusted diluted EPRA EPS growth <sup>1</sup>	2/3
Relative TSR vs FTSE 250 (excluding Investment Trusts)	1/6
Relative TSR vs FTSE Real Estate Index	1/6

### Note

<sup>1</sup> Adjusted diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings both on an IAS, EPRA and adjusted diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

## Directors' remuneration report continued

for the year ended 31 October 2016

### PART D: ANNUAL REPORT ON REMUNERATION continued

#### Non-Executive Directors

##### Single figure remuneration table (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

Director		Fees £'000	Other £'000	Total £'000
	<b>2016</b>	<b>120</b>	<b>—</b>	<b>120</b>
A S Lewis	2015	100	—	100
	<b>2016</b>	<b>49</b>	<b>—</b>	<b>49</b>
I Krieger	2015	45	—	45
	<b>2016</b>	<b>49</b>	<b>—</b>	<b>49</b>
K G Edelman <sup>1</sup>	2015	45	—	45
	<b>2016</b>	<b>39</b>	<b>—</b>	<b>39</b>
J L Kenrick	2015	35	—	35
	<b>2016</b>	<b>13</b>	<b>—</b>	<b>13</b>
C Balmforth <sup>2</sup>	2015	N/A	N/A	N/A
	<b>2016</b>	<b>—</b>	<b>—</b>	<b>—</b>
B Oliver <sup>3</sup>	2015	N/A	N/A	N/A

#### Notes

1 Keith Edelman stepped down from the Board on 31 December 2016.

2 Claire Balmforth was appointed to the Board on 1 August 2016.

3 Bill Oliver was appointed to the Board on 1 November 2016.

#### Fees to be provided in 2017 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors:

Fee component	2017 £'000	2016 £'000	% change
Chairman fee	135,000	<b>100,000</b>	35
Non-Executive Director base fee	42,500	<b>35,000</b>	21
Committee Chair fee (Audit and Remuneration Committees)	10,000	<b>10,000</b>	Nil

The annual fees were increased from 1 April 2016. The Chairman fee increase reflects additional time requirements and is the first since January 2014. The base fee for Non-Executive Directors had not previously been increased for eight years.



## Statement of Directors' shareholding and share interests

### Shareholding and other interests at 31 October 2016 (audited)

Directors' share interests are set out below. All Executive Directors currently meet the previously approved shareholding guideline of 100% of salary. From 2017 onwards, in order that the Executive Directors' interests are aligned with those of shareholders, Executive Directors are encouraged to build up and maintain a personal shareholding equal to 1,000% of salary for the CEO and 350% of salary for the CFO. The Executive Directors have five years from the date of approval of the remuneration policy to achieve this guideline.

Director	Number of beneficially owned shares <sup>1</sup>	% of salary/fee held <sup>2</sup>	Total interests subject to conditions (PSP awards)	Total interests not subject to conditions (Sharesave)	Total interests at 31 October 2016
F Vecchioli	1,641,824	1,570	454,732	18,475	2,115,031
A Jones	194,982	260	366,143	18,475	579,600
A S Lewis	400,000	1,060	—	—	400,000
I S Krieger	20,000	140	—	—	20,000
K G Edelman	25,000	210	—	—	25,000
J L Kenrick	—	—	—	—	—
C Balmforth	—	—	—	—	—
B Oliver	—	—	—	—	—
<b>Total</b>	<b>2,281,806</b>				<b>3,139,631</b>

#### Notes

1 Beneficial interests include shares held directly or indirectly by connected persons.

2 Based on the 31 October 2016 share price of 358.3 pence per share.

The following table sets out the details of the awards that were exercised during the year.

	Type of award	Vested/exercised during the year	Share price on date of exercise	Gain on exercise
F Vecchioli	2013 PSP (nil-cost option)	165,869	£3.38	£0.6m
A Jones	2013 PSP (nil-cost option)	293,927	£3.39	£1.06m

Between 31 October 2016 and the date that this report was signed off, no share options were exercised and there were no changes to the beneficial interests shown above.

### Outstanding awards at 31 October 2016

The following PSP awards remain outstanding at 31 October 2016:

	Awards granted	Maximum award	Awards vested	Awards lapsed	Maximum outstanding awards at 31 October 2016	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	06/02/2013	165,869	165,869	—	—	350.8	06/02/2016
	04/02/2014	186,856	—	—	<b>186,856</b>	—	04/02/2017
	28/01/2015	149,219	—	—	<b>149,219</b>	—	28/01/2018
	14/03/2016	118,657	—	—	<b>118,657</b>	—	14/03/2019
A Jones	28/06/2013	293,927	293,927	—	—	369.2	28/06/2016
	04/02/2014	155,928	—	—	<b>155,928</b>	—	04/02/2017
	28/01/2015	117,080	—	—	<b>117,080</b>	—	28/01/2018
	14/03/2016	93,135	—	—	<b>93,135</b>	—	14/03/2019

The PSP awards are subject to continued service over three years and the following performance targets:

	EPS (two-thirds)	TSR (one-third)
2014, 2015 and 2016 PSP awards	25% of this part of an award vests for PBT-EPS growth of RPI+3% per annum with full vesting of this part of an award for PBT-EPS growth of RPI+8% per annum. A sliding scale operates between these points.	25% of this part of an award vests if Safestore's TSR is at a median of the comparator group (FTSE Small Cap excluding investment trusts), with full vesting of this part of an award for upper quartile performance. A sliding scale operates between these points. In addition to the above, no part of the TSR awards will vest unless the Committee is also satisfied that the TSR performance of the Group is reflective of the Group's underlying performance.

## Directors' remuneration report continued

for the year ended 31 October 2016

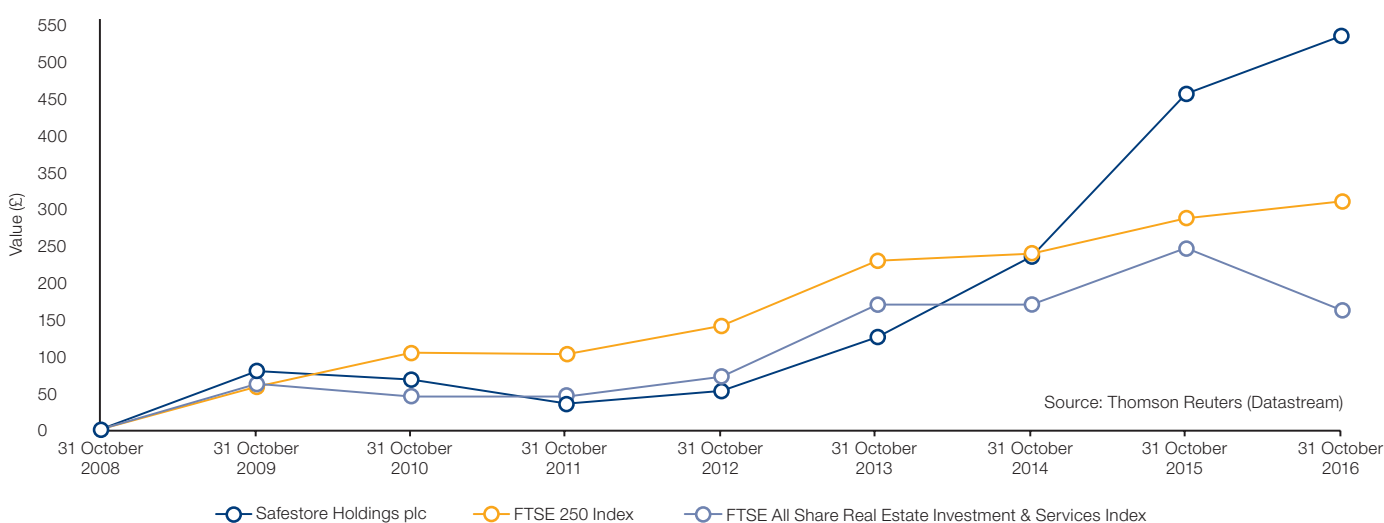
### PART D: ANNUAL REPORT ON REMUNERATION continued

#### Chief Executive Officer and employee pay

##### Total shareholder return and Chief Executive Officer pay over the last eight years

The graph below shows the value of £100 invested in Safestore Holdings plc over the past eight years compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Real Estate Investment & Services Index. These comparators have been chosen on the basis that they are the markets within which Safestore operates, albeit that the Real Estate Index comprises mainly commercial property companies. The FTSE 250 has replaced the FTSE All Share which was previously used. The Committee considers the FTSE 250 to be a more appropriate comparator group following Safestore's admission into the FTSE 250 in October 2015.

##### Total shareholder return



Role	Oct 2009	Oct 2010	Oct 2011	Oct 2011	Oct 2012	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016
	S Williams CEO	S Williams CEO	S Williams <sup>1</sup> CEO	P D Gowers <sup>2</sup> CEO	P D Gowers CEO	P D Gowers CEO	F Vecchioli <sup>3</sup> CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO
Single figure of total remuneration	£485,000	£607,000	£597,000	£425,000	£390,000	£910,000	£359,000	£973,000	£1,224,000	£1,481,000
Annual bonus payout	—	75%	—	59%	—	70%	70%	76%	100%	100%
LTIP vesting	—	—	—	—	—	—	—	96%	100%	100%

##### Notes

- 1 Stepped down as Chief Executive Officer on 28 February 2011 and left the Company on 30 April 2011.
- 2 Appointed as Chief Executive Officer on 1 March 2011, stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.
- 3 Appointed as Chief Executive Officer on 4 September 2013.

##### Percentage change in the Chief Executive Officer's remuneration

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole.

% change from 2015 to 2016	Base salary	Benefits	Annual bonus
Chief Executive Officer	10.6	—	12.6
Employee pay	2.8	—	2.8

### Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

Significant distributions	2016	2015	% change
Staff costs (£'m)	20.0	19.5	2.6
Distributions to shareholders (£'m)	21.3	17.2	23.8

#### Note

The above figures are taken from notes 9 and 25 to the financial statements.

### Considerations by the Committee of matters relating to Directors' remuneration for 2016

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy for all employees. The written terms of reference of the Committee are available on the Company's website and from the Company on request.

Members of the Committee during 2016	Independent	Number of meetings held during tenure during the year	Number of meetings attended
Claire Balmforth (Chairman) <sup>1</sup>	Yes	3	3
K G Edelman <sup>2</sup>	Yes	4	4
I S Krieger	Yes	7	7
J L Kenrick	Yes	7	6
B Oliver	Yes	—	—

#### Notes

<sup>1</sup> Appointed as Chair on 1 August 2016.

<sup>2</sup> Stepped down as Chair on 1 August 2016.

During the year, there were seven Committee meetings. The matters covered at each meeting include salary decisions for 2016, annual bonus outturns for 2016, long-term incentive award operation and the Committee's review of the policy and the implementation of the new policy which will become effective in 2017.

None of the Committee members has any personal financial interest (other than as shareholders) in the decisions made by the Committee, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Chairman, the Chief Executive Officer, the Chief Financial Officer and the HR Director may attend meetings at the invitation of the Committee, but are not present when their own remuneration is being discussed. The Company Secretary acts as the secretary to the Committee.

The Committee received external advice in 2016 from New Bridge Street (part of Aon plc) and PwC in connection with remuneration matters including the provision of general guidance on market and best practice. New Bridge Street fees amounted to £32,000 (FY2015: £26,000). On 26 August it was replaced by PwC following a competitive tender process. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £25,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

### Shareholder voting

The table below shows the results of the latest shareholder votes on the Directors' remuneration report and policy resolutions:

	Votes for	%	Votes against	%	Votes withheld
2016 AGM vote on Annual report on remuneration	141,900,265	97.28	3,964,713	2.72	9,387,669
2014 AGM vote on Directors' remuneration policy	160,763,590	94.48	9,376,570	5.51	75,087

## Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 4726380. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:SAFE) and is a constituent member of the FTSE 250 Index. The Company is a real estate investment trust ("REIT"). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group. The address of the registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

In accordance with the Companies Act 2006, the corporate governance report on pages 30 to 61 and information in the strategic report on pages 4 to 29 form part of this Directors' report and are incorporated by reference.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2016. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

### Strategic report

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's statement and the strategic report, which should be read in conjunction with this report.

### Results for the year and dividends

The results for the year ended 31 October 2016 are set out in the consolidated statement of comprehensive income on page 67.

An interim dividend of 3.60 pence (FY2015: 3.00 pence) was paid on 12 August 2016 and this included a PID of 1.80 pence (FY2015: 3.00 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2016 of 8.05 pence per ordinary share (FY2015: 6.65 pence). The PID element of the final dividend will be 8.05 pence (FY2015: 6.65 pence). If authorised at the 2017 AGM, the dividend will be paid on 7 April 2017 to members on the register on 10 March 2017.

The PID will be paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and child trust funds. Information, together with the relevant forms which must be completed and submitted to the Company's Registrar, for shareholders who are eligible to receive gross PIDs, is available in the investor relations section of the Company's website. The ordinary dividend is not subject to withholding tax.

### Going concern

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. The Directors have assessed Safestore's viability over a three-year period to October 2019. This is based on three years of the strategic plan, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 16.

### Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 14 to 16 and notes 2 and 19 to the financial statements.

### Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

Information required under LR 9.8.4R	Page
(1) Amount of interest capitalised and tax relief	n/a
(2) Publication of unaudited financial information	n/a
(4) Details of long-term incentive schemes	94
(5) Waiver of emoluments by a Director	n/a
(6) Waiver of future emoluments by a Director	n/a
(7) Non-pre-emptive issues of equity for cash	94
(8) Item (7) in relation to major subsidiary undertakings	n/a
(9) Parent participation in a placing by a listed subsidiary	n/a
(10) Contracts of significance	n/a
(11) Provision of services by a controlling shareholder	n/a
(12) Shareholder waiver of dividends	n/a
(13) Shareholder waiver of future dividends	n/a
(14) Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' report.

### Management report

The strategic report and the Directors' report collectively comprise the "management report" for the purposes of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.5R).

### Post-balance sheet events

There were no reportable events after the balance sheet date.

### Directors

Details of the Directors of the Company who served throughout the year ended 31 October 2016 and up to the date of the financial statements, and their interests in the ordinary share capital of the Company and details of options granted to Executive Directors under the Group's share schemes, are set out in the annual remuneration report on pages 38 to 57.

The Company's rules governing the appointment and replacement of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the corporate governance section on pages 32 to 34.

The Company's Articles of Association require that one-third of Directors retire by rotation each year and that each Director must retire at intervals of not more than three years. Non-Executive Directors must retire annually once they have been in office for a period of more than eight years. In accordance with best practice, the Directors will retire at the AGM and will offer themselves for election and annual re-election, as required.

The Board, which is responsible for the management of the business, may exercise all the powers of the Company subject to the provisions of relevant legislation and the Company's Memorandum and Articles of Association. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buyback of shares.

The Directors have (and during the year ended 31 October 2016 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association, which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

### Directors' interests in contracts and conflicts of interest

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year. Directors are required to notify the Company of any conflict or potential conflict of interest.

The Company's policy is that Directors notify the Chairman and the Company Secretary of all new outside interests and conflicts of interest as and when they arise. The Board confirms that no conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

### Share capital

At 31 October 2016, the Company's issued share capital comprised 208,689,628 ordinary shares of 1 pence each. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Details of movements in the share capital during the year are provided in note 22 of the financial statements. The issued share capital has been increased by 1,005,992 shares during the year by fully paid issues as follows:

		Number of ordinary shares of 1 pence
20 January 2016	On exercise of options under	
to 21 September 2016	the Sharesave scheme	87,992
30 March 2016	On vesting of shares under	
to 5 July 2016	the Performance Share Plan	918,000

No person holds securities in the Company carrying special rights with regards to control of the Company.

### Own shares – Employee Benefit Trust

The Employee Benefit Trust retains 33,460 ordinary shares (FY2015: 924 ordinary shares) with a cost of £335 (FY2015: £9) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents 0.02% (FY2015: less than 0.01%) of the total issued share capital of the Company.

### Purchase of own shares

The Company was granted authority at the 2016 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2017 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2016 to 8 January 2017.

### Change of control

The Group's bank facilities agreement and US private placement note agreement contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group. The Group's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

### Employment and environmental matters

Information in respect of the Group's environmental and employment policies and greenhouse gas reporting are summarised in corporate and social responsibility on pages 25 to 29 and are also available on the Group's website.

### Amendment of the Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

### Substantial shareholdings

In accordance with the Disclosure and Transparency Rules (DTR 5), the Company has been notified of the following disclosable interests in its issued ordinary shares:

	At 10 December 2016	
	Number '000	Percentage of current issued share capital
BlackRock Investment Management (UK)	12,548	6.01
Legal & General Investment Management	10,592	5.08
Schroder Investment Management	9,023	4.32
Norges Bank Investment Management	8,819	4.23
Hargreave Hale	7,367	3.53
Principal Global Investors	7,096	3.40
JP Morgan Asset Management	6,682	3.20

All interests disclosed to the Company in accordance with the Disclosure and Transparency Rules (DTR 5) that have occurred since 10 December 2016 can be found on our corporate website: [www.safestore.com](http://www.safestore.com).

## Directors' report continued

### Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Independent auditor

The Audit Committee has recommended resolutions at the 2017 Annual General Meeting to re-appoint Deloitte LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration.

### Annual General Meeting

The Annual General Meeting will be held at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT on 22 March 2017 at 12.00 noon.

The 2017 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority for scrip dividend alternative, and authority to call a general meeting on not less than 14 days' notice. The Notice of Annual General Meeting sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been dispatched to shareholders and can be found on our corporate website: [www.safestore.com](http://www.safestore.com).

Shareholders are encouraged to use their vote at this year's AGM either by attending the meeting in person or by completing and returning the proxy form in accordance with the instructions set out in the form. Completing and returning the proxy form will not prevent shareholders from attending and voting at the meeting.

This report was approved by the Board for release on 9 January 2017 and signed on its behalf by:

**S Ahmed**  
Company Secretary

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements, the Directors' remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS, as adopted by the European Union, and IFRS issued by the IASB and applicable UK GAAP including FRS 101 have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at [www.safestore.com](http://www.safestore.com). Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' statement under the UK Corporate Governance Code

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 30 and 31, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

### Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Annual Report on pages 1 to 103 was approved by the Board of Directors and authorised for issue on 9 January 2017.

By order of the Board

**S Ahmed**  
Company Secretary

## Independent auditor's report

to the members of Safestore Holdings plc

### Opinion on financial statements of Safestore Holdings plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2016 and of the Group's and the parent company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement and the related notes 1 to 30 and in relation to the parent company, notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

### Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the corporate governance statement on page 58.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 14 to 16 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 16 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below, are primarily the same risks as the prior year with the exception of the risk in relation to the acquisition of Space Maker which completed in the current financial year. The risks are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.



## Our assessment of risks of material misstatement continued

Risk	How the scope of our audit responded to the risk	Key observations
<p><b>Valuation of investment properties</b></p> <p>Investment properties are held at a fair value of £1,013.1 million at 31 October 2016. This is the most quantitatively material balance in the financial statements.</p> <p>Property valuation is by its nature subjective with significant judgement applied, particularly in the self-storage market where there is market uncertainty due to the lower volume of transactions in comparison with other property markets.</p> <p>The key judgements about individual properties are capitalisation rate, discount rate, rental growth and stabilised occupancy levels. These judgements drive a cash flow model that is used as the basis of the valuation of each individual property. For further details of the Group's valuation method and assumptions, refer to note 11 of the financial statements.</p>	<p>We met with the third party valuer and assessed the appropriateness of the valuer's scope and whether the valuer had sufficient expertise and resource.</p> <p>We obtained the source information provided by management to the valuer (e.g. historical revenue on a store by store basis) and tested the integrity of a sample of such information.</p> <p>We provided the valuations to our own internal real estate specialists, who are members of the Royal Institute of Chartered Surveyors. Our specialists performed an independent assessment of the assumptions that underpin the valuations, namely capitalisation rates, discount rate, rental growth and stabilised occupancy on a property by property basis, based on their knowledge of the self-storage industry and wider real estate market.</p> <p>We confirmed with the valuer and with our internal real estate specialists that the Group's valuation methodology remains appropriate, and, noting that the number of transactions in the self-storage market has been greater in the year than in prior years, assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations.</p>	<p>We found the assumptions adopted by the valuers in the valuation were reasonable and the methodology applied was appropriate in all material aspects.</p>
<p><b>Revenue recognition</b></p> <p>The Group recognises revenue from the provision of self-storage services (rental space, customer goods insurance and consumables) over the period that the space is occupied by the customer. Accounting for rental revenue leads to significant deferred income balances, resulting in a risk of material misstatement that deferred revenue is not calculated correctly, and that revenue is recorded in the incorrect period.</p> <p>The accuracy of revenue also has an impact on investment property valuations as the historical revenue data is a key input into the investment property valuation model. For further details of the Group's revenue recognition policy, refer to note 2 of the financial statements.</p>	<p>We tested that revenue had been recorded in the appropriate period by selecting a sample of revenue invoices and recalculating the revenue recorded in the period, and revenue deferred at the period end. We also tested revenue on a store by store basis by establishing expectations of revenue based on our understanding of annual movements in revenue per store, and comparing to actual revenue.</p> <p>To gain assurance that revenue was being recorded appropriately in the financial statements, we tested a sample of transactions recorded in the system used by the Group to calculate revenue. We also tested the interface between the revenue system and the general ledger by testing that the revenue recorded within the revenue system reconciled with the general ledger.</p>	<p>Based on the procedures performed at the Group and component levels, we did not identify any issues with the cut-off and the calculation of deferred revenue.</p>
<p><b>Acquisition of Space Maker Stores</b></p> <p>On 29 July 2016, the Group acquired the Space Maker portfolio of stores.</p> <p>Accounting for the transaction required judgement, in particular in relation to 1) whether the acquisition should be accounted for as a business combination in accordance with IFRS 3 'Business Combinations', or as an asset acquisition; and 2) the determination of the fair value of the assets and liabilities of the business, of which the most significant judgement was in relation to assets and liabilities of the business, of which the most significant judgement was in relation to investment property.</p>	<p>We assessed management's conclusion that the acquisition should be accounted for as a business combination by verifying the inputs, processes and outputs associated with the acquired business and reviewing the acquisition agreement and related documents to understand the commercial terms of the transaction.</p> <p>We challenged the valuation of investment property prepared by the third party valuer using the same risk responses as detailed in the "Valuation of investment properties" risk above.</p> <p>We have reviewed the key disclosures to confirm that they are in line with IFRS 3.</p>	<p>The acquisition has been accounted for as a business combination resulting in a gain on purchase of £5.6 million being credited to the consolidated income statement during the year.</p> <p>The acquisition is appropriately disclosed within the Annual Report.</p>

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

## Independent auditor's report continued

to the members of Safestore Holdings plc

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £10.6 million (FY2015: £8.9 million). The figure was determined as 2% of forecasted net assets. We consider net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to net assets, we also consider profit before income tax, adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £2.7 million (FY2015: £1.8 million), which has been determined as 5% (FY2015: 5%) of adjusted profit before tax, for testing of balances impacting that measure, being Consolidated Income Statement balances with the exception primarily of fair value movements on investment property and derivatives.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £533,000 (FY2015: £179,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. In addition to performing the Group audit procedures, which included the testing of the consolidation process, the Group audit team also performed the audit of the United Kingdom component given all United Kingdom entities operate from the same office with the same financial system. The Space Maker stores, acquired in the year, became part of the UK component and their inclusion did not substantially affect our audit approach. We instructed component auditors to perform the audit of the France component, supervised their work through regular communication and participation in planning and closing meetings with management. We reviewed the outputs of the work performed by them during their audit and challenged their conclusions. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £5.3 million to £8.5 million (FY2015: £4.4 million to £6.8 million). In addition, for the lower materiality described above, our component materialities ranged from £1.3 million to £2.2 million (FY2015: £0.9 million to £1.2 million).

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

#### Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

#### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

## Matters on which we are required to report by exception continued

### Our duty to read other information in the Annual Report continued

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

### Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Mark Beddy FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
6 January 2017**

## Consolidated income statement

for the year ended 31 October 2016

	Notes	Group	
		2016 £'m	2015 £'m
<b>Revenue</b>	3	<b>115.4</b>	104.8
Cost of sales		<b>(40.9)</b>	(38.3)
Gross profit		<b>74.5</b>	66.5
Administrative expenses		<b>(12.5)</b>	(11.2)
Negative goodwill on acquisition of subsidiary		<b>5.6</b>	—
Underlying EBITDA		<b>64.2</b>	57.1
Exceptional items	5	<b>4.3</b>	—
Change in fair value of derivatives		<b>—</b>	(0.3)
Depreciation and contingent rent		<b>(0.9)</b>	(1.5)
<b>Operating profit before gains on investment properties</b>		<b>67.6</b>	55.3
Gain on investment properties	11	<b>41.7</b>	78.9
<b>Operating profit</b>	3,6	<b>109.3</b>	134.2
Finance income	4	<b>21.0</b>	3.2
Finance expense	4	<b>(35.4)</b>	(19.2)
<b>Profit before income tax</b>		<b>94.9</b>	118.2
Income tax charge	8	<b>(7.5)</b>	(9.5)
Profit for the year		<b>87.4</b>	108.7
<b>Earnings per share for profit attributable to the equity holders</b>			
– basic (pence)	10	<b>42.0</b>	52.4
– diluted (pence)	10	<b>41.7</b>	52.0

The financial results for both years relate to continuing activities.

Certain costs previously reported as administrative expenses, primarily relating to marketing and the customer service centre, are now reported within cost of sales, as the Directors believe this provides a fairer presentation. Prior periods have been restated, resulting in an increase to cost of sales of £6.1 million in the year to 31 October 2015, with an equal reduction to administrative expenses. This restatement has had no impact on previously reported profit.

Underlying EBITDA is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

The notes on pages 71 to 98 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

for the year ended 31 October 2016

	Group	
	2016 £'m	2015 £'m
<b>Profit for the year</b>	<b>87.4</b>	108.7
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>29.4</b>	(9.9)
<b>Other comprehensive income, net of tax</b>	<b>29.4</b>	(9.9)
<b>Total comprehensive income for the year</b>	<b>116.8</b>	98.8

# Consolidated balance sheet

as at 31 October 2016

	Notes	Group	
		2016 £'m	2015 £'m
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	11	943.3	775.5
Interests in leasehold properties	11	58.9	47.1
Investment properties under construction	11	10.9	6.0
Property, plant and equipment	12	2.0	1.6
Derivative financial instruments	19	20.9	0.6
Deferred income tax assets	21	0.2	0.1
Other receivables	15	2.1	3.4
		<b>1,038.3</b>	834.3
<b>Current assets</b>			
Inventories	14	0.2	0.2
Trade and other receivables	15	23.0	19.4
Cash and cash equivalents	16	5.4	13.8
		<b>28.6</b>	33.4
<b>Total assets</b>		<b>1,066.9</b>	867.7
<b>Current liabilities</b>			
Trade and other payables	17	(41.2)	(36.5)
Current income tax liabilities		(3.2)	(0.7)
Obligations under finance leases	20	(9.4)	(7.2)
		<b>(53.8)</b>	(44.4)
<b>Non-current liabilities</b>			
Financial liabilities			
– bank borrowings	18	(315.7)	(249.5)
– derivative financial instruments	19	(3.4)	(1.4)
Deferred income tax liabilities	21	(57.1)	(41.9)
Obligations under finance leases	20	(49.5)	(39.9)
		<b>(425.7)</b>	(332.7)
<b>Total liabilities</b>		<b>(479.5)</b>	(377.1)
<b>Net assets</b>		<b>587.4</b>	490.6
<b>Equity</b>			
Ordinary shares	22	2.1	2.1
Share premium		60.1	60.0
Other reserves		16.6	(12.8)
Retained earnings		508.6	441.3
<b>Total equity</b>		<b>587.4</b>	490.6

These financial statements were authorised for issue by the Board of Directors on 6 January 2017 and signed on its behalf by:

**A Jones**                      **F Vecchioli**  
**Chief Financial Officer**    **Chief Executive Officer**

Company registration number: 4726380

## Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2016

	Group				Total £'m
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	
<b>Balance at 1 November 2014</b>	2.1	60.0	(2.9)	348.8	408.0
<b>Comprehensive income</b>					
Profit for the year	—	—	—	108.7	108.7
<b>Other comprehensive income</b>					
Currency translation differences	—	—	(9.9)	—	(9.9)
Total other comprehensive income	—	—	(9.9)	—	(9.9)
<b>Total comprehensive income</b>	—	—	(9.9)	108.7	98.8
<b>Transactions with owners</b>					
Dividends (note 9)	—	—	—	(17.2)	(17.2)
Employee share options	—	—	—	1.0	1.0
<b>Transactions with owners</b>	—	—	—	(16.2)	(16.2)
<b>Balance at 1 November 2015</b>	2.1	60.0	(12.8)	441.3	490.6
<b>Comprehensive income</b>					
Profit for the year	—	—	—	87.4	87.4
<b>Other comprehensive income</b>					
Currency translation differences	—	—	29.4	—	29.4
Total other comprehensive income	—	—	29.4	—	29.4
<b>Total comprehensive income</b>	—	—	29.4	87.4	116.8
<b>Transactions with owners</b>					
Dividends (note 9)	—	—	—	(21.3)	(21.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	1.2	1.2
<b>Transactions with owners</b>	—	0.1	—	(20.1)	(20.0)
<b>Balance at 31 October 2016</b>	<b>2.1</b>	<b>60.1</b>	<b>16.6</b>	<b>508.6</b>	<b>587.4</b>

The translation reserve balance of £16.6 million (FY2015: £12.8 million adverse) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## Consolidated cash flow statement

for the year ended 31 October 2016

	Notes	Group	
		2016 £'m	2015 £'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	61.9	57.8
Interest paid		(13.2)	(15.8)
Tax paid		(1.7)	(0.6)
Net cash inflow from operating activities		47.0	41.4
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired		(41.8)	—
Expenditure on investment properties and development properties		(28.3)	(7.5)
Proceeds in respect of Capital Goods Scheme		1.5	1.6
Purchase of property, plant and equipment		(0.8)	(0.5)
Proceeds from disposal of investment properties		—	1.5
Net cash outflow from investing activities		(69.4)	(4.9)
<b>Cash flows from financing activities</b>			
Issue of share capital		0.1	—
Equity dividends paid	9	(21.3)	(17.2)
Proceeds from borrowings		58.4	—
Repayment of borrowings		(19.8)	(13.0)
Debt issuance costs		(0.4)	(1.4)
Hedge breakage payments		—	(2.0)
Finance lease principal payments		(4.6)	(4.1)
Net cash inflow/(outflow) from financing activities		12.4	(37.7)
<b>Net decrease in cash and cash equivalents</b>			
Exchange gain/(loss) on cash and cash equivalents		1.6	(0.3)
Cash and cash equivalents at 1 November		13.8	15.3
<b>Cash and cash equivalents at 31 October</b>	16,24	<b>5.4</b>	13.8



# Notes to the financial statements

for the year ended 31 October 2016

## 1. General information

Safestore Holdings plc (“the Company”) and its subsidiaries (together, “the Group”) provide self-storage facilities to customers throughout the UK and Paris. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

## 2. Summary of significant accounting policies

The principal accounting policies of the Group are set out below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. They also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group consolidated financial statements are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. They are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties and the fair value of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

### Going concern

The Group’s viability statement is set out on page 16. In preparing the viability statement, the Directors of Safestore have assessed the viability of the Group over a three-year period to October 2019 and are confident that, on the basis of current financial projections and facilities available, it is appropriate to prepare the financial statements on a going concern basis.

### Standards, amendments to standards and interpretations issued and applied

There are no new or revised accounting standards or IFRIC interpretations which are applicable for the first time in the year ended 31 October 2016.

The following new standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these consolidated financial statements, as their effective dates fall in periods beginning after 1 November 2016. The Group has no plan to adopt these standards earlier than the effective date:

#### Effective for the year ending 31 October 2017:

- IFRS 14 ‘Regulatory Deferral Accounts’;
- IFRS 10, IFRS 12 and IAS 28 Amendments relating to investment entities: applying the consolidation exception;
- IFRS 10 and IAS 28 Amendments relating to the sale or contribution of assets between an investor and its associate or joint venture;
- IFRS 11 Amendments relating to acquisitions of interests in joint operations;
- IAS 1 Amendments relating to the Disclosure Initiative;
- IAS 16 and IAS 38 Amendments relating to clarification of acceptable methods of depreciation and amortisation;
- IAS 16 and IAS 41 Amendments relating to bearer plants;
- IAS 27 Amendments relating to equity method in separate financial statements; and
- Annual improvements to IFRSs 2012–2014 Cycle.

#### Effective for the year ending 31 October 2018:

- IAS 12 Amendments relating to recognition of deferred tax assets for unrealised losses;
- IFRS 2 Amendments relating to classification and measurement of share-based payment transactions; and
- IFRS 7 Amendments to cash flows relating to the Disclosure Initiative.

#### Effective for the year ending 31 October 2019:

- IFRS 4 Amendments relating to applying IFRS 9 ‘Financial Instruments’ with IFRS 4 ‘Insurance Contracts’;
- IFRS 9 ‘Financial Instruments’ – final standard, addressing the accounting for financial assets and liabilities including classification and measurement, impairment, hedge accounting and own credit; and
- IFRS 15 ‘Revenue from Contracts with Customers’.

#### Effective for the year ending 31 October 2020:

- IFRS 16 ‘Leases’.

The Directors are currently considering the potential impact arising from the future adoption of these standards and interpretations listed above.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 2. Summary of significant accounting policies continued

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 October each year. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition is recognised as goodwill. Any discount received is credited to the income statement in the year of acquisition as negative goodwill on acquisition of subsidiary. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "administrative expenses".

#### Segmental reporting

IFRS 8 'Operating Segments' ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Executive Directors.

A business segment is a distinguishable group of assets and operations, reflected in the way that the Group manages its business, that is subject to risks and returns that are different from those of other business segments. The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self-storage, in two geographical reporting segments, the United Kingdom and France.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

#### Revenue recognition

Revenue represents amounts derived from the provision of self-storage services (rental space, customer goods insurance and consumables) which fall within the Group's activities provided in the normal course of business, net of discounts, VAT (where applicable) and other sales related taxes.

Rental income is recognised over the period for which the space is occupied by the customer on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer on a time apportionment basis.

The Group acts as principal in the provision of insurance services to its customers, and therefore revenue from insurance premiums is reported on a gross basis. The portion of insurance premiums on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables.

Income for the sale of assets and consumables is recognised when the significant risks and rewards have been transferred to the buyer. For property sales this is generally at the point of completion. Where any aspect of consideration is conditional then the revenue associated with that conditional item is deferred. Income earned on the sales of consumable items is recognised at the point of sale.

Income from insurance claims is recognised when it is virtually certain of being received.

#### Exceptional items

The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.

#### Foreign currency translation

##### Functional and presentation currency

The individual financial statements for each company are measured using the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in Sterling, which is the presentational currency of the Group.

## 2. Summary of significant accounting policies continued

### Foreign currency translation continued

#### Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are recognised as a separate component of equity, within the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included within the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### Investment properties, investment properties under construction and interests in leasehold properties

Investment properties are those properties owned by the Group that are held to earn rental income, or for capital growth, or both. Investment properties and investment properties under construction are initially measured at cost, including related transaction and borrowing costs. After initial recognition, investment properties and investment properties under construction are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

The fair value of investment properties and investment properties under construction reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of these outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land and buildings classified as investment properties; others, including contingent rent payments, are not recognised in the balance sheet.

Land and properties held under operating leases are classified and accounted for by the Group as investment property in accordance with IAS 40 when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. For investment properties held under leases that are classified as finance leases, the properties are initially recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a finance lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments. Depreciation is provided on the minimum lease payment valuation over the lease term.

Gains or losses arising on changes in the fair values of investment properties and investment properties under construction at the balance sheet date are recognised in the income statement in the period in which they arise.

Gains or losses on sale of investment properties are calculated as the difference between the consideration received and fair value estimated at the previous balance sheet date.

If an investment property or part of an investment property becomes owner occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

#### Property, plant and equipment

Property, plant and equipment not classified as investment properties or investment properties under construction is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use.

Assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each balance sheet date. If the carrying amount of an asset is greater than the recoverable amount then the carrying amount is written down immediately to the recoverable amount.

Depreciation is charged so as to write off the cost of an asset less estimated residual value of each asset over its expected useful life using the straight line method. The principal rates are as follows:

Owner occupied freehold buildings	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10–15% per annum

The gain or loss arising on the retirement or disposal of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement on disposal.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 2. Summary of significant accounting policies continued

#### Impairment of tangible assets (excluding investment property)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is deemed to be the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less directly associated costs. Provision is made for slow-moving or obsolete stock, calculated on the basis of sales trends observed in the year.

#### Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

#### Cash and cash equivalents

Cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the balance sheet.

#### Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method.

#### Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Contingent rent payable under finance leases, being the difference between the rent currently payable and the minimum lease payments when the lease obligation was originally calculated, is charged as an expense in the years in which it is payable.

Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

#### Borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities. Where payments are made to exit or modify derivative financial instruments, these costs are disclosed in the cash flow statement within financing activities.

Where existing borrowings are replaced by others from the same lenders on substantially different terms, or the terms of existing borrowing are substantially modified, such an exchange or modification is treated as a derecognition of the original borrowings and the recognition of new borrowings, and the difference in the respective carrying amounts, including issuance costs, is recognised in the income statement. Otherwise, issuance costs incurred on re-financing are offset against the carrying value of borrowings.

## 2. Summary of significant accounting policies continued

### Financial instruments

The Group uses derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange swaps, to hedge risks associated with fluctuations on borrowings and foreign operations transactions. Such derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at each reporting date. The gain or loss on re-measurement is taken to finance expense in the income statement except where the derivative is designated as an effective cash flow hedging instrument. Interest costs for the period relating to derivative financial instruments, which economically hedge borrowings, are recognised within interest payable on bank loans and overdrafts. Other fair value movements on derivative financial instruments are recognised within fair value movement of derivatives. Designation as part of an effective hedge relationship occurs at inception of a hedge relationship.

#### (a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss or loans or receivables as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are derecognised only when the contractual right to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Financial assets consist of loans and receivables and derivatives.

Financial assets recognised as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of assets is impaired. If there is objective evidence the asset is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement.

#### (b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. All loans and borrowings are classified as other liabilities. Initial recognition is at fair value and subsequently at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included within trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the non-financial asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

### Taxation including deferred tax

The tax credit represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates for that period that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 2. Summary of significant accounting policies continued

#### Employee benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

#### Share capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

#### Share-based payments

Share-based incentives are provided to employees under the Group's Performance Share Plan and employee Sharesave schemes. The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes or Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions.

#### Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Group's accounting policies

The following critical judgement has been made in the process of applying the Group's accounting policies:

##### Accounting for transactions

The Group frequently enters into transactions for the purchase or sale of properties or businesses, which can be material to the consolidated financial statements. Accounting for transactions requires judgement such as in calculating a gain or loss or, for a business combination, goodwill. Each transaction is considered separately by management. During the year, management assessed that the acquisition of the Space Maker transaction should be treated as a business combination, and also concluded that control of Space Maker passed to the Group on 29 July 2016.

##### Key sources of estimation uncertainty

The following key estimate has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the consolidated financial statements:

##### Estimate of fair value of investment properties and investment property under construction

The Group values its self-storage centres using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the investment properties is set out in note 11 to the financial statements.

#### Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net asset values ("NAV"). The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below.

##### Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital and bank borrowings. The Group borrows in Sterling, Euros and US Dollars at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates (see note 19) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1% change in interest rates would have a £1.0 million (FY2015: £1.4 million) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

## 2. Summary of significant accounting policies continued

### Financial risk management continued

#### Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 18.

#### Credit risk

Credit risk arises on financial instruments such as trade and other receivables and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £11.3 million (FY2015: £10.2 million).

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in respect of the Euro and the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has investments in foreign operations in France, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 October 2016, if Sterling had weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been unchanged (FY2015: £0.2 million higher), as a result of foreign exchange gains and losses on translation of Euro-denominated receivables. Equity would have been £14.4 million higher (FY2015: £12.0 million higher), arising primarily on translation of Euro-denominated net assets held by subsidiary companies with a Euro-functional currency.

The Group is not exposed to significant transaction foreign exchange risk as purchases are invoiced in either Sterling or Euros.

The Group holds US Dollar-denominated loan notes totalling \$112.9 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes has been fully hedged at 31 October 2016.

#### Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a Real Estate Investment Trust ("REIT"), the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 October 2016 and 2015 were as follows:

	2016 £'m	2015 £'m
Total borrowings (excluding derivatives)	374.6	296.6
Less: cash and cash equivalents (note 16)	(5.4)	(13.8)
Net debt	369.2	282.8
Total equity	587.4	490.6
Total capital	956.6	773.4
Gearing ratio	39%	37%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding finance leases, but adjusted for the fair value of the US Dollar cross currency swaps) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases), of between 30% and 40% represents an appropriate medium-term capital structure objective. The Group's LTV ratio was 31% at 31 October 2016 (FY2015: 32%).

The Group has complied with all of the covenants on its banking facilities during the year.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 3. Segmental analysis

The segmental information presented has been prepared in accordance with the requirements of IFRS 8. The Group's revenue, profit before income tax and net assets are attributable to one activity: the provision of self-storage accommodation and related services. Segmental information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure.

Safestore is organised and managed in two operating segments, based on geographical areas, being the United Kingdom and France.

The chief operating decision maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the operating segments on the basis of underlying EBITDA, which is defined as operating profit before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended 31 October 2016	UK £'m	France £'m	Group £'m
<b>Continuing operations</b>			
Revenue	87.4	28.0	115.4
Underlying EBITDA	46.5	17.7	64.2
Exceptional items	4.3	—	4.3
Contingent rent and depreciation	(0.6)	(0.3)	(0.9)
<b>Operating profit before gain on investment properties</b>	<b>50.2</b>	<b>17.4</b>	<b>67.6</b>
Gain on investment properties	35.1	6.6	41.7
<b>Operating profit</b>	<b>85.3</b>	<b>24.0</b>	<b>109.3</b>
Net finance expense	(12.4)	(2.0)	(14.4)
<b>Profit before tax</b>	<b>72.9</b>	<b>22.0</b>	<b>94.9</b>
<b>Total assets</b>	<b>800.6</b>	<b>266.3</b>	<b>1,066.9</b>
Year ended 31 October 2015	UK £'m	France £'m	Group £'m
<b>Continuing operations</b>			
Revenue	79.9	24.9	104.8
Underlying EBITDA	40.6	16.5	57.1
Change in fair value of derivative	—	(0.3)	(0.3)
Contingent rent and depreciation	(0.9)	(0.6)	(1.5)
<b>Operating profit before gain on investment properties</b>	<b>39.7</b>	<b>15.6</b>	<b>55.3</b>
Gain on investment properties	64.9	14.0	78.9
<b>Operating profit</b>	<b>104.6</b>	<b>29.6</b>	<b>134.2</b>
Net finance expense	(13.6)	(2.4)	(16.0)
<b>Profit before tax</b>	<b>91.0</b>	<b>27.2</b>	<b>118.2</b>
<b>Total assets</b>	<b>668.5</b>	<b>199.2</b>	<b>867.7</b>

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. There is no material impact from inter-segment transactions on the Group's results.



#### 4. Finance income and costs

	2016 £'m	2015 £'m
<b>Finance income</b>		
Fair value movement of derivatives	20.9	3.1
Unwinding of discount on Capital Goods Scheme ("CGS") receivable	0.1	0.1
<b>Total finance income</b>	<b>21.0</b>	3.2
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(9.7)	(11.2)
Amortisation of debt issuance costs on bank loan	(0.4)	(0.2)
Underlying finance charges	(10.1)	(11.4)
Interest on obligations under finance leases	(3.7)	(3.8)
Fair value movement of derivatives	(2.5)	(1.2)
Net exchange losses	(19.1)	(2.8)
<b>Total finance cost</b>	<b>(35.4)</b>	(19.2)
<b>Net finance costs</b>	<b>(14.4)</b>	(16.0)

Included within interest payable of £9.7 million (FY2015: £11.2 million) is £0.9 million (FY2015: £1.1 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a net gain of £18.4 million (FY2015: £1.9 million).

#### 5. Exceptional items

	2016 £'m	2015 £'m
Negative goodwill on acquisition of subsidiary	5.6	—
Costs relating to corporate transactions	(1.3)	—
<b>Net exceptional income</b>	<b>4.3</b>	—

The negative goodwill on acquisition of subsidiary arose on the acquisition of Space Maker Stores Limited on 29 July 2016 and, along with the related transactions costs, is explained in further detail in note 30.

#### 6. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Notes	2016 £'m	2015 £'m
Staff costs	25	20.0	19.5
Inventories: cost of inventories recognised as an expense (included in cost of sales)	14	0.8	0.8
Depreciation on property, plant and equipment	12	0.4	0.4
Gain on investment properties	11	(41.7)	(78.9)
Contingent rent payable under finance leases		0.5	1.1
Repairs and maintenance expenditure on investment properties		3.0	2.7

## Notes to the financial statements continued

for the year ended 31 October 2016

### 7. Fees paid to auditor

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor at costs detailed below:

	2016 £'m	2015 £'m
<b>Audit services</b>		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	0.2	0.1
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
<b>Total audit fees</b>	<b>0.3</b>	<b>0.2</b>
<b>Fees for other services</b>		
Transaction services	0.1	—
<b>Total</b>	<b>0.4</b>	<b>0.2</b>

### 8. Income tax charge

Analysis of tax charge in the year:

	Note	2016 £'m	2015 £'m
Current tax:			
– UK corporation tax		—	0.2
– tax in respect of overseas subsidiaries		3.7	1.4
		<b>3.7</b>	<b>1.6</b>
Deferred tax:			
– current year		3.8	7.7
– adjustment in respect of prior year		—	0.2
	21	<b>3.8</b>	<b>7.9</b>
<b>Tax charge</b>		<b>7.5</b>	<b>9.5</b>

#### Reconciliation of income tax charge

The tax for the period is lower (FY2015: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2016 of 20.0% (FY2015: 20.4%). The differences are explained below:

	2016 £'m	2015 £'m
Profit before tax	94.9	118.2
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (FY2015: 20.4%)	19.0	24.1
Effect of:		
– permanent differences	0.2	0.2
– profits from the tax exempt business	(14.6)	(18.5)
– difference from overseas tax rates	2.9	3.5
– adjustments in respect of prior years	—	0.2
<b>Tax charge</b>	<b>7.5</b>	<b>9.5</b>

The Group is a REIT. As a result the Group is exempt from UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

The main rate of corporation tax in the UK reduced from 21% to 20% from 1 April 2015. Accordingly the Group's results for this accounting period are taxed at an effective rate of 20.0% (FY2015: 20.4%). Due to the Group's REIT status there will be no deferred taxation impact in respect of the changes in taxation rates.

## 9. Dividends per share

The dividend paid in 2016 was £21.3 million (10.25 pence per share) (FY2015: £17.2 million (8.30 pence per share)). A final dividend in respect of the year ended 31 October 2016 of 8.05 pence (FY2015: 6.65 pence) per share, amounting to a total final dividend of £16.8 million (FY2015: £13.8 million), is to be proposed at the AGM on 22 March 2017. The ex-dividend date will be 9 March 2017 and the record date will be 10 March 2017 with an intended payment date of 7 April 2017. The final dividend has not been included as a liability at 31 October 2016.

The PID element of the final dividend is 8.05 pence (FY2015: 6.65 pence), making the PID payable for the year 9.85 pence (FY2015: 9.65 pence) per share.

## 10. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 October 2016			Year ended 31 October 2015		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	87.4	208.2	42.0	108.7	207.5	52.4
Dilutive securities	—	1.5	(0.3)	—	1.6	(0.4)
Diluted	87.4	209.7	41.7	108.7	209.1	52.0

### Adjusted earnings per share

Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties and changes in the fair value of derivatives have been disclosed to give a clearer understanding of the Group's underlying trading performance.

	Year ended 31 October 2016			Year ended 31 October 2015		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	87.4	208.2	42.0	108.7	207.5	52.4
Adjustments:						
Gain on investment properties	(41.7)	—	(20.1)	(78.9)	—	(38.0)
Exceptional items	(4.3)	—	(2.1)	—	—	—
Unwinding of discount on CGS receivable	(0.1)	—	—	(0.1)	—	—
Net exchange losses	19.1	—	9.2	2.8	—	1.3
Change in fair value of derivatives	(18.4)	—	(8.8)	(1.6)	—	(0.8)
Tax on adjustments	2.9	—	1.4	5.7	—	2.7
Adjusted	44.9	208.2	21.6	36.6	207.5	17.6
EPRA adjusted:						
Depreciation of leasehold properties	(4.6)	—	(2.2)	(4.1)	—	(2.0)
Tax on leasehold depreciation adjustment	0.9	—	0.4	0.8	—	0.4
EPRA basic	41.2	208.2	19.8	33.3	207.5	16.0
Adjustment for underlying deferred tax	—	—	—	1.2	—	0.6
Adjusted cash tax earnings <sup>1</sup>	41.2	208.2	19.8	34.5	207.5	16.6

<sup>1</sup> Adjusted cash tax earnings is defined as profit or loss for the year before exceptional items, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties (adjusted for leasehold depreciation), discount unwind on the CGS receivable and the associated tax impacts, as well as exceptional tax items and deferred tax charges.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 10. Earnings per share continued

#### Adjusted earnings per share continued

Gain on investment properties includes depreciation on leasehold properties of £4.6 million (FY2015: £4.1 million) and the related tax thereon of £0.9 million (FY2015: £0.8 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £41.2 million (FY2015: £33.3 million) and EPRA earnings per share of 19.8 pence (FY2015: 16.0 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	2016 £'m	2015 £'m	Movement %
<b>Revenue</b>	<b>115.4</b>	104.8	10.1
Operating expenses (excluding depreciation and contingent rent)	<b>(51.2)</b>	(47.7)	(7.3)
<b>EBITDA before contingent rent</b>	<b>64.2</b>	57.1	12.4
Depreciation and contingent rent	<b>(0.9)</b>	(1.5)	40.0
<b>Operating profit before depreciation on leasehold properties</b>	<b>63.3</b>	55.6	13.8
Depreciation on leasehold properties	<b>(4.6)</b>	(4.1)	(12.2)
<b>Operating profit</b>	<b>58.7</b>	51.5	14.0
Net financing costs	<b>(13.8)</b>	(15.2)	9.2
<b>Profit before income tax</b>	<b>44.9</b>	36.3	23.7
Income tax	<b>(3.7)</b>	(3.0)	(23.3)
<b>Profit for the year ("EPRA earnings")</b>	<b>41.2</b>	33.3	23.7
<b>Adjusted EPRA earnings per share</b>	<b>19.8 pence</b>	16.0 pence	23.8
<b>Final dividend per share</b>	<b>8.05 pence</b>	6.65 pence	21.1

### 11. Investment properties, investment properties under construction and interests in leasehold properties

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2015	775.5	47.1	6.0	828.6
Additions	11.6	3.0	18.1	32.7
Acquisition of subsidiary (note 30)	48.0	10.3	—	58.3
Reclassifications	13.7	—	(13.7)	—
Revaluations	45.8	—	0.5	46.3
Depreciation	—	(4.6)	—	(4.6)
Exchange movements	48.7	3.1	—	51.8
<b>As at 31 October 2016</b>	<b>943.3</b>	<b>58.9</b>	<b>10.9</b>	<b>1,013.1</b>

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2014	704.0	51.0	5.3	760.3
Additions	5.5	7.1	0.8	13.4
Disposals	(1.5)	(4.9)	—	(6.4)
Purchase of freehold	1.8	(0.7)	—	1.1
Revaluations	83.1	—	(0.1)	83.0
Depreciation	—	(4.1)	—	(4.1)
Exchange movements	(17.4)	(1.3)	—	(18.7)
<b>As at 31 October 2015</b>	<b>775.5</b>	<b>47.1</b>	<b>6.0</b>	<b>828.6</b>

## 11. Investment properties, investment properties under construction and interests in leasehold properties continued

The gain on investment properties comprises:

	2016 £'m	2015 £'m
Revaluations	46.3	83.0
Depreciation	(4.6)	(4.1)
	<b>41.7</b>	<b>78.9</b>

	Cost £'m	Revaluation on cost £'m	Valuation £'m
<b>Freehold stores</b>			
As at 1 November 2015	364.5	264.1	628.6
Movement in year	66.9	63.0	129.9
<b>As at 31 October 2016</b>	<b>431.4</b>	<b>327.1</b>	<b>758.5</b>
<b>Leasehold stores</b>			
As at 1 November 2015	74.6	72.3	146.9
Movement in year	14.2	23.7	37.9
<b>As at 31 October 2016</b>	<b>88.8</b>	<b>96.0</b>	<b>184.8</b>
<b>All stores</b>			
As at 1 November 2015	439.1	336.4	775.5
Movement in year	81.1	86.7	167.8
<b>As at 31 October 2016</b>	<b>520.2</b>	<b>423.1</b>	<b>943.3</b>

The valuation of £943.3 million (FY2015: £775.5 million) excludes £0.6 million in respect of owner occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2016 was £95.2 million (FY2015: £86.0 million).

The Group has classified the investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the year.

The freehold and leasehold investment properties have been valued as at 31 October 2016 by external valuers, Cushman & Wakefield LLP ("C&W"). The valuation has been carried out in accordance with the current UK edition of the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors ("the Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. One non-trading property was valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- of the members of the RICS who have been the signatories to the valuations provided to the Group for the same purposes as this valuation, one has done so since October 2006 and the other is a signatory for the first time;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 11. Investment properties, investment properties under construction and interests in leasehold properties continued

#### Market uncertainty

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that in the UK since the start of 2013 there have only been six transactions involving multiple assets and 13 single asset transactions, and C&W is unaware of any comparable transactions in the Paris market. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

#### Portfolio premium

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

#### Valuation method and assumptions

The valuation of the operational self-storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of fair value for these properties.

C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

#### Freehold and long leasehold (UK and France)

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year.

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2016 averages 80.23% (31 October 2015: 77.87%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 23.78 months (31 October 2015: 23.93 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for the 127 mature stores (i.e. excluding those stores categorised as "developing") is 7.98% (31 October 2015: 7.89%), rising to a stabilised net yield pre-administration expenses of 8.99% (31 October 2015: 9.08%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 10.75% (31 October 2015: 10.79%).
- Purchaser's costs in the range of approximately 6.0% to 6.8% for the UK and 7.5% for France (see page 85) have been assumed initially, reflecting the new progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 8.0% to 8.8% (UK) and 9.5% (France) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

#### Short leaseholds (UK)

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short-term leasehold properties is 13.7 years (31 October 2015: 12.7 years). The average unexpired term excludes the French commercial leases.

#### Short leaseholds (France)

In relation to the French commercial leases, C&W has valued the cash flow projections in perpetuity due to the security of tenure arrangements in that market and the potential compensation arrangements in the event of the landlord wishing to take possession. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

## 11. Investment properties, investment properties under construction and interests in leasehold properties continued

### Valuation method and assumptions continued

#### Investment properties under construction (UK only)

C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out. C&W has allowed for carry costs and construction contingency, as appropriate.

#### Immature stores: value uncertainty

C&W has assessed the value of each property individually. However, five of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

C&W considers there to be market uncertainty in the self-storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the five immature stores is greater than in relation to the balance of the properties due to there being even less market evidence than might be available for more mature properties and portfolios.

C&W states that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short-term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W has not adjusted its opinion of fair value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, C&W highlights the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the marketplace.

C&W considers this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

#### Lotting of stores with customer transfers

Where stores within the portfolio are expected to close in the short term, C&W has assumed that a proportion of the customer base from these stores will be transferred, at closure, to nearby stores also owned by the Group.

C&W has assumed that the properties that are closing would be sold together with the stores where customers will be transferred to, in the event they were offered to the market. C&W considers this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

#### Valuation assumption for purchaser's costs

The Group's investment property assets have been valued for the purposes of the financial statements after adjusting for notional purchaser's costs in the range of approximately 6.0% to 6.8% (UK) and 7.5% (France), as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. A sale in a corporate structure would result in a reduction in the assumed stamp duty land tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to prepare additional valuation advice on the basis of purchaser's cost of 2.75% of gross value which are used for internal management purposes.

#### Sensitivity of the valuation to assumptions

All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 12. Property, plant and equipment

	Owner occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
<b>Cost</b>				
At 1 November 2015	0.8	0.2	3.2	4.2
Additions	—	0.1	0.7	0.8
Disposals	—	—	(0.5)	(0.5)
Exchange movements	—	0.1	0.1	0.2
<b>At 31 October 2016</b>	<b>0.8</b>	<b>0.4</b>	<b>3.5</b>	<b>4.7</b>
<b>Accumulated depreciation</b>				
At 1 November 2015	0.2	0.1	2.3	2.6
Charge for the year	—	0.1	0.3	0.4
Disposals	—	—	(0.4)	(0.4)
Exchange movements	—	—	0.1	0.1
<b>At 31 October 2016</b>	<b>0.2</b>	<b>0.2</b>	<b>2.3</b>	<b>2.7</b>
<b>Net book value</b>				
<b>At 31 October 2016</b>	<b>0.6</b>	<b>0.2</b>	<b>1.2</b>	<b>2.0</b>
At 31 October 2015	0.6	0.1	0.9	1.6
<b>Cost</b>				
At 1 November 2014	0.8	0.2	2.9	3.9
Additions	—	0.1	0.4	0.5
Disposals	—	(0.1)	—	(0.1)
Exchange movements	—	—	(0.1)	(0.1)
<b>At 31 October 2015</b>	<b>0.8</b>	<b>0.2</b>	<b>3.2</b>	<b>4.2</b>
<b>Accumulated depreciation</b>				
At 1 November 2014	0.2	0.1	2.1	2.4
Charge for the year	—	0.1	0.3	0.4
Disposals	—	(0.1)	—	(0.1)
Exchange movements	—	—	(0.1)	(0.1)
<b>At 31 October 2015</b>	<b>0.2</b>	<b>0.1</b>	<b>2.3</b>	<b>2.6</b>
<b>Net book value</b>				
<b>At 31 October 2015</b>	<b>0.6</b>	<b>0.1</b>	<b>0.9</b>	<b>1.6</b>
At 31 October 2014	0.6	0.1	0.8	1.5



### 13. Net assets per share

The European Public Real Estate Association ("EPRA") has issued recommended bases for the calculation of net assets per share information and these are shown in the table below:

	2016 £'m	2015 £'m
Analysis of net asset value:		
Net assets	<b>587.4</b>	490.6
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	<b>(17.7)</b>	0.7
Deferred tax liabilities on the revaluation of investment properties	<b>56.3</b>	41.2
Adjusted net asset value	<b>626.0</b>	532.5
Basic net assets per share (pence)	<b>281.5</b>	236.2
EPRA basic net assets per share (pence)	<b>300.0</b>	256.4
Diluted net assets per share (pence)	<b>279.5</b>	234.4
EPRA diluted net assets per share (pence)	<b>297.9</b>	254.4
	<b>Number</b>	Number
Shares in issue	<b>208,656,168</b>	207,682,712

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 1,480,168 shares (FY2015: 1,651,532 shares). EPRA diluted net assets per share exclude deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £626.0 million (FY2015: £532.5 million), giving EPRA net assets per share of 300.0 pence (FY2015: 256.4 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

#### EPRA adjusted balance sheet (non-statutory)

	2016 £'m	2015 £'m	Movement %
<b>Assets</b>			
Non-current assets	<b>1,017.2</b>	833.6	22.0
Current assets	<b>28.6</b>	33.4	(14.4)
<b>Total assets</b>	<b>1,045.8</b>	867.0	20.6
<b>Liabilities</b>			
Current liabilities	<b>(53.8)</b>	(44.4)	(21.2)
Non-current liabilities	<b>(366.0)</b>	(290.1)	(26.2)
<b>Total liabilities</b>	<b>(419.8)</b>	(334.5)	(25.5)
<b>EPRA net asset value</b>	<b>626.0</b>	532.5	17.6
<b>EPRA net asset value per share</b>	<b>300.0 pence</b>	256.4 pence	17.0

## Notes to the financial statements continued

for the year ended 31 October 2016

### 14. Inventories

	2016 £'m	2015 £'m
Finished goods and goods held for resale	0.3	0.3
Less: provisions for impairment of inventories	(0.1)	(0.1)
	<b>0.2</b>	0.2

The Group consumed £0.8 million (FY2015: £0.8 million) of inventories during the year. Inventory write downs were £nil for the financial year ended 31 October 2016 (FY2015: £nil). Inventories of £0.1 million (FY2015: £0.1 million) are carried at fair value less costs to sell. Provisions are made against slow-moving and obsolete stock lines where considered appropriate.

### 15. Trade and other receivables

	2016 £'m	2015 £'m
<b>Current:</b>		
Trade receivables	12.7	10.7
Less: provision for impairment of receivables	(1.5)	(1.1)
Trade receivables – net	11.2	9.6
Other receivables	5.8	4.8
Prepayments	6.0	5.0
	<b>23.0</b>	19.4

Movements on the Group provision for impairment of trade receivables are as follows:

	2016 £'m	2015 £'m
<b>Provisions for doubtful debts against trade receivables:</b>		
At 1 November	1.1	1.4
Acquisition of subsidiary	0.1	—
Provision for receivables impairment	0.6	0.3
Receivables written off during the year as uncollectable	(0.3)	(0.6)
<b>At 31 October</b>	<b>1.5</b>	1.1

The creation and release of provision for impaired receivables have been included in cost of sales in the income statement.

The provision for impairment of trade receivables is estimated by reference to the ageing of the receivable balance and historical experience. As at 31 October 2016, trade receivables of £3.2 million (FY2015: £2.6 million) were determined to be impaired. Provision for impairment of trade receivables is also made on a portfolio basis against trade receivables which are not individually determined to be impaired. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 October 2016, trade receivables of £3.6 million (FY2015: £2.8 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, some of whom benefit from an extension to normal terms. The ageing analysis of these trade receivables is as follows:

	2016 £'m	2015 £'m
Up to 28 days overdue	3.2	2.5
Up to 60 days overdue	0.4	0.3

The above balances are short term (including other receivables) and therefore the difference between the book value and the fair value of the above receivables is not significant. Consequently these have not been discounted.

## 15. Trade and other receivables continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 £'m	2015 £'m
Sterling	17.2	14.6
Euros	5.8	4.8
	<b>23.0</b>	19.4

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2016 the Group had a total discounted other receivable of £3.5 million (FY2015: £4.9 million). This is split £2.1 million as non-current assets and £1.4 million as current assets (FY2015: £3.4 million and £1.5 million respectively).

## 16. Cash and cash equivalents

	2016 £'m	2015 £'m
Cash at bank and in hand	5.4	13.8

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2016 £'m	2015 £'m
Sterling	3.6	7.0
Euros	1.8	6.8
	<b>5.4</b>	13.8

## 17. Trade and other payables

	2016 £'m	2015 £'m
<b>Current:</b>		
Trade payables	7.3	7.3
Other taxes and social security payable	2.2	3.5
Other payables	2.7	2.0
Accruals	16.1	12.7
Deferred income	12.9	11.0
	<b>41.2</b>	36.5

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2016 £'m	2015 £'m
Sterling	32.1	29.6
Euros	9.1	6.9
	<b>41.2</b>	36.5

## Notes to the financial statements continued

for the year ended 31 October 2016

### 18. Financial liabilities – bank borrowings and secured notes

	2016 £'m	2015 £'m
Non-current		
<b>Bank loans and secured notes:</b>		
Secured	<b>317.5</b>	251.3
Debt issue costs	<b>(1.8)</b>	(1.8)
	<b>315.7</b>	249.5

The Group's borrowings consist of bank facilities of £251 million and €70 million, which run to June 2020, and a \$112.9 million US private placement note issue, originally of seven and twelve years with maturities extending to 2019 and 2024. The blended cost of interest on the overall debt is 3.58% per annum.

The Group's UK bank facilities were increased by £45 million during the year, in advance of the Space Maker acquisition, by the utilisation of £45 million of an uncommitted £60 million facility. The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.50% and 2.75%, by reference to the Group's performance against its interest cover covenant. Approximately 56% of the drawn bank facilities have been hedged at an effective weighted average rate of 1.34% (LIBOR) or 0.309% (EURIBOR).

The Company also has in issue \$65.6 million (FY2015: \$65.6 million) 5.52% Series A Senior Secured Notes due 2019 and \$47.3 million (FY2015: \$47.3 million) 6.29% Series B Senior Secured Notes due 2024. The proceeds of the US private placement have been fully hedged by cross currency swaps converting the US Dollar exchange risk into Sterling.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group entered into several interest rate swap contracts, details of which are shown in note 19.

Bank loans and secured notes are stated before unamortised issue costs of £1.8 million (FY2015: £1.8 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2016 £'m	2015 £'m
Between two and five years	<b>278.7</b>	220.6
After more than five years	<b>38.8</b>	30.7
Bank loans and secured notes	<b>317.5</b>	251.3
Unamortised debt issue costs	<b>(1.8)</b>	(1.8)
	<b>315.7</b>	249.5

The effective interest rates at the balance sheet date were as follows:

	2016	2015
Bank loans (UK term loan)	<b>Quarterly or monthly LIBOR plus 1.50%</b>	Quarterly or monthly LIBOR plus 1.50%
Bank loans (Euro term loan)	<b>Quarterly or monthly EURIBOR plus 1.50%</b>	Quarterly EURIBOR plus 1.50%
Private placement notes	<b>Weighted average rate of 6.21%</b>	Weighted average rate of 6.21%

The private placement secured loan notes bear interest at 5.83% on \$65.6 million (FY2015: \$65.6 million) and 6.7375% on \$47.3 million (FY2015: \$47.3 million), as a result of cross currency swap agreements.

#### Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 October in respect of which all conditions precedent had been met at that date:

	Floating rate	
	2016 £'m	2015 £'m
Expiring beyond one year	<b>89.2</b>	77.8

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2016 £'m	2015 £'m
Sterling	<b>187.0</b>	146.0
Euro	<b>37.8</b>	32.1
US Dollar	<b>92.7</b>	73.2
	<b>317.5</b>	251.3

## 19. Financial instruments

Financial instruments disclosures are set out below. Additional disclosures are set out in note 2, under Financial risk management.

	2016		2015	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	0.1	(3.4)	—	(0.8)
Cross currency swaps	20.8	—	0.6	(0.6)
	<b>20.9</b>	<b>(3.4)</b>	0.6	(1.4)

The fair value of financial instruments that are not traded in an active market, such as over the counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all financial instruments are equal to their book value, with the exception of bank loans which are set out below. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximate their fair value.

The fair value of bank loans is calculated as:

	2016		2015	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	<b>315.7</b>	<b>327.6</b>	249.5	259.3

### Fair value hierarchy

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

<b>Assets per the balance sheet</b>	<b>2016 £'m</b>	2015 £'m
Derivative financial instruments – Level 2	<b>20.9</b>	0.6
<b>Liabilities per the balance sheet</b>	<b>2016 £'m</b>	2015 £'m
Derivative financial instruments – Level 2	<b>3.4</b>	1.4

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior year.

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

### Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2016 were £100 million and €30 million (FY2015: £90 million and €30 million). At 31 October 2016 the weighted average fixed interest rates were Sterling at 1.34% and Euro at 0.309% (FY2015: Sterling at 1.447% and Euro at 0.309%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2020. The movement in fair value recognised in the income statement was a net loss of £2.4 million (FY2015: £1.2 million).

### Cross currency swaps not designated as part of a hedging arrangement

The Group entered into cross currency swaps to mitigate the foreign exchange risk arising on future interest payments and the principal repayments arising from the \$65.6 million and \$47.3 million US Senior Secured Notes. These cross currency swaps commenced in May 2012 and terminate in 2019 and 2024 in line with the maturity of the notes. The movement in fair value during the year recognised in the income statement was a net gain of £20.8 million (FY2015: £3.1 million).

## Notes to the financial statements continued

for the year ended 31 October 2016

### 19. Financial instruments continued

#### Financial instruments by category

Assets per the balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	17.0	—	17.0
Derivative financial instruments	—	20.9	20.9
Cash and cash equivalents	5.4	—	5.4
<b>As at 31 October 2016</b>	<b>22.4</b>	<b>20.9</b>	<b>43.3</b>

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	315.7	315.7
Finance lease liabilities	—	58.9	58.9
Derivative financial instruments	3.4	—	3.4
Payables and accruals	—	28.3	28.3
<b>As at 31 October 2016</b>	<b>3.4</b>	<b>402.9</b>	<b>406.3</b>

Assets per the balance sheet	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	14.4	—	14.4
Derivative financial instruments	—	0.6	0.6
Cash and cash equivalents	13.8	—	13.8
As at 31 October 2015	28.2	0.6	28.8

Liabilities per the balance sheet	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
Borrowings (excluding finance lease liabilities)	—	249.5	249.5
Finance lease liabilities	—	47.1	47.1
Derivative financial instruments	1.4	—	1.4
Payables and accruals	—	25.5	25.5
As at 31 October 2015	1.4	322.1	323.5

The interest rate risk profile, after taking account of derivative financial instruments, was as follows:

	2016			2015		
	Floating rate £'m	Fixed rate £'m	Total £'m	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	96.0	219.7	315.7	64.9	184.6	249.5

The weighted average interest rate of the fixed rate financial borrowing was 3.91% (FY2015: 4.11%) and the weighted average remaining period for which the rate is fixed was four years for bank borrowings and three/eight years for the notes (FY2015: five years for bank borrowings; four/nine years for notes).

## 19. Financial instruments continued

### Maturity analysis

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
<b>2016</b>				
Borrowings	9.7	9.7	296.7	46.1
Derivative financial instruments	5.6	5.6	10.5	6.0
Contractual interest payments and finance lease charges	9.8	9.4	23.5	51.3
Payables and accruals	28.3	—	—	—
	<b>53.4</b>	<b>24.7</b>	<b>330.7</b>	<b>103.4</b>
<b>2015</b>				
Borrowings	8.2	8.2	242.4	38.4
Derivative financial instruments	5.3	5.3	13.3	8.0
Contractual interest payments and finance lease charges	7.6	7.3	18.7	41.6
Payables and accruals	25.5	—	—	—
	46.6	20.8	274.4	88.0

## 20. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 11.5 years (FY2015: 11.1 years).

	Minimum lease payments		Present value of minimum lease payments	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Within one year	9.8	7.6	9.4	7.2
Within two to five years	32.9	26.0	26.2	20.8
Greater than five years	51.3	41.6	23.3	19.1
	94.0	75.2	58.9	47.1
Less: future finance charges on finance leases	(35.1)	(28.1)	—	—
Present value of finance lease obligations	58.9	47.1	58.9	47.1
			2016 £'m	2015 £'m
Current			9.4	7.2
Non-current			49.5	39.9
			58.9	47.1

## Notes to the financial statements continued

for the year ended 31 October 2016

### 21. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (FY2015: 20%) for the UK and 33.3% (FY2015: 33.3%) for France. The movement on the deferred tax account was as shown below.

	Note	2016 £'m	2015 £'m
At 1 November		41.8	37.7
Charge to income statement	8	3.8	7.9
Exchange differences		11.3	(3.8)
<b>At 31 October</b>		<b>56.9</b>	<b>41.8</b>

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
<b>Deferred tax liability</b>			
At 1 November 2014	38.8	0.9	39.7
Charge to income statement	6.3	(0.2)	6.1
Exchange differences	(3.9)	—	(3.9)
<b>At 31 October 2015</b>	<b>41.2</b>	<b>0.7</b>	<b>41.9</b>
At 1 November 2015	41.2	0.7	41.9
Charge to income statement	4.0	(0.1)	3.9
Exchange differences	11.1	0.2	11.3
<b>At 31 October 2016</b>	<b>56.3</b>	<b>0.8</b>	<b>57.1</b>
<b>Deferred tax asset</b>			
At 1 November 2014	1.7	0.3	2.0
Charge to income statement	(1.6)	(0.2)	(1.8)
Exchange differences	(0.1)	—	(0.1)
<b>At 31 October 2015</b>	<b>—</b>	<b>0.1</b>	<b>0.1</b>
At 1 November 2015	—	0.1	0.1
Charge to income statement	—	0.1	0.1
<b>At 31 October 2016</b>	<b>—</b>	<b>0.2</b>	<b>0.2</b>

The deferred tax liability due after more than one year is £57.1 million (FY2015: £41.9 million).

As at 31 October 2016, the Group had trading losses of £8.9 million (FY2015: £8.9 million) and capital losses of £36.4 million (FY2015: £36.4 million) in respect of its UK operations. No deferred tax asset has been recognised in respect of these losses.

### 22. Called up share capital

	2016 £'m	2015 £'m
<b>Called up, allotted and fully paid</b>		
208,689,628 (FY2015: 207,683,636) ordinary shares of 1 pence each	2.1	2.1

#### Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

During the year the Company issued 1,005,992 ordinary shares (FY2015: 549,370 ordinary shares).

Under the authority granted by shareholders in March 2010, the Company no longer has an authorised share capital.



## 22. Called up share capital continued

### Safestore Holdings plc Sharesave scheme

No new options were granted during the year under the Sharesave scheme. The fair values of options granted under the Sharesave scheme in previous years, and still outstanding during 2016, were assessed by an independent actuary using a Black-Scholes model.

### Safestore 2009 Performance Share Plan

The fair values of the awards granted in the accounting period were assessed by an independent actuary using a Monte Carlo model based on the assumptions set out in the table below. In determining an appropriate assumption for expected future volatility, the historical volatility of the share price of Safestore Holdings plc has been considered along with the historical volatility of comparator companies.

		Grant date March 2016	
		(PBT-EPS part)	(TSR part)
Number of options granted		259,521	129,759
Share price at grant date	(pence)	347	347
Exercise price	(pence)	—	—
Risk-free rate of interest	(% per annum)	n/a	0.55
Expected volatility	(% per annum)	n/a	27.7
Expected term to exercise	(years)	3	3
Value per option	(pence)	347	217

Details of the awards outstanding under all of the Group's share schemes are set out below:

Date of grant	At 31 October 2015	Granted	Exercised	Lapsed	At 31 October 2016	Exercise price	Expiry date
<b>Safestore Holdings plc Sharesave scheme</b>							
11/08/2011	88,985	—	(87,992)	(993)	—	104.0p	11/02/2017
26/08/2014	219,706	—	—	(17,557)	<b>202,149</b>	164.0p	01/03/2018
26/08/2014	67,617	—	—	(5,542)	<b>62,075</b>	164.0p	01/03/2020
<b>Total</b>	<b>376,308</b>	<b>—</b>	<b>(87,992)</b>	<b>(24,092)</b>	<b>264,224</b>		
<b>Safestore 2009 Performance Share Plan</b>							
06/02/2013	562,172	—	(532,868)	—	<b>29,304</b>	0.0p	06/02/2017
28/06/2013	293,927	—	(293,927)	—	—	0.0p	28/06/2017
04/02/2014	576,399	—	—	—	<b>576,399</b>	0.0p	04/02/2018
28/01/2015	489,529	—	—	—	<b>489,529</b>	0.0p	28/01/2019
14/03/2016	—	389,280	—	—	<b>389,280</b>	0.0p	14/03/2020
<b>Total</b>	<b>1,922,027</b>	<b>389,280</b>	<b>(826,795)</b>	<b>—</b>	<b>1,484,512</b>		

No options have been modified since grant under any of the schemes.

The weighted average exercise price of outstanding options under the Sharesave scheme is 164 pence (FY2015: 150 pence).

Participants exercising Performance Share Plan awards during the year also received a further 58,669 shares in respect of dividends accrued during the vesting period.

### Own shares

Included within retained earnings are ordinary shares with a nominal value of £335 (FY2015: £9) that represent shares allotted to the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan and which remain unvested.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 23. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Notes	2016 £'m	2015 £'m
<b>Cash generated from continuing operations</b>			
Profit before income tax		<b>94.9</b>	118.2
Gain on investment properties	11	<b>(41.7)</b>	(78.9)
Negative goodwill on acquisition of subsidiary		<b>(5.6)</b>	—
Depreciation	12	<b>0.4</b>	0.4
Change in fair value of derivatives		<b>—</b>	0.3
Net finance expense	4	<b>14.4</b>	16.0
Employee share options		<b>1.2</b>	1.0
Changes in working capital:			
(Increase)/decrease in trade and other receivables		<b>(0.3)</b>	0.2
(Decrease)/increase in trade and other payables		<b>(1.4)</b>	0.6
<b>Cash generated from continuing operations</b>		<b>61.9</b>	57.8

### 24. Analysis of movement in net debt

	2015 £'m	Cash flows £'m	Non-cash movements £'m	2016 £'m
<b>Cash in hand</b>	13.8	(10.0)	1.6	<b>5.4</b>
Debt due after one year	(249.5)	(38.2)	(28.0)	<b>(315.7)</b>
<b>Total net debt excluding finance leases</b>	(249.5)	(38.2)	(28.0)	<b>(315.7)</b>
Finance leases due within one year	(7.2)	4.6	(6.8)	<b>(9.4)</b>
Finance leases due after one year	(39.9)	—	(9.6)	<b>(49.5)</b>
<b>Total finance leases</b>	(47.1)	4.6	(16.4)	<b>(58.9)</b>
<b>Total net debt</b>	(282.8)	(43.6)	(42.8)	<b>(369.2)</b>

Non-cash movements relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, foreign exchange movements and unwinding of discount.

### 25. Employees and Directors

<b>Staff costs (including Directors) for the Group during the year</b>	2016 £'m	2015 £'m
Wages and salaries	<b>15.9</b>	15.5
Social security costs	<b>2.7</b>	2.7
Other pension costs	<b>0.2</b>	0.3
Share-based payments	<b>1.2</b>	1.0
	<b>20.0</b>	19.5

During the period ended 31 October 2016 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore 2009 Performance Share Plan. The number of awards made under each scheme is detailed in note 22. No options have been modified since grant under any of the schemes.

## 25. Employees and Directors continued

Average monthly number of people (including Executive Directors) employed	2016 Number	2015 Number
Sales	475	455
Administration	70	72
	<b>545</b>	527

Key management compensation	2016 £'m	2015 £'m
Wages and salaries	2.9	2.9
Social security costs	1.1	1.3
Post-employment benefits	0.1	0.1
Share-based payments	1.2	1.0
	<b>5.3</b>	5.3

The key management figures given above include Directors.

Directors	2016 £'m	2015 £'m
Aggregate emoluments	2.7	2.6
Company contributions paid to money purchase pension schemes	0.1	0.1
	<b>2.8</b>	2.7

There were two Directors (FY2015: two) accruing benefits under a money purchase scheme.

## 26. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £317.5 million (FY2015: £251.3 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

Following a tax audit carried out on the Group's operations in France, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013. Similar challenges from the FTA have also been made to other operators within the self-storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and intend to strongly contest the findings of the FTA. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, any potential exposure in relation to the tax audit issues is not likely to be material, and no provision for any potential exposure has been recorded in the consolidated financial statements.

## 27. Capital commitments

The Group had £1.7 million of capital commitments as at 31 October 2016 (FY2015: £4.6 million).

## 28. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2015: £nil) transactions were carried out with related parties.

## Notes to the financial statements continued

for the year ended 31 October 2016

### 29. Parent company

Safestore Holdings plc is a limited liability company incorporated in England and Wales and domiciled in the UK. It operates as the ultimate parent company of the Safestore Holdings plc Group.

### 30. Business combination

On 29 July 2016, the Group completed the acquisition of Space Maker Stores Limited ("SMS") from Allodial Capital Limited and James Elton for initial consideration of £40.9 million plus £1.4 million of deferred consideration, which has subsequently been paid, resulting in a total consideration of £42.3 million. The consideration paid was less than the fair value of the identifiable net assets and, as a result, £5.6 million of negative goodwill has been recognised within operating profit in the consolidated income statement. In addition, £1.3 million of transaction related costs are included within administrative expenses. The net gain arising on business combinations of £4.3 million, recognised in the income statement, is considered to be exceptional.

The fair value of the assets and liabilities of SMS recognised at the date of acquisition is set out in the table below:

	£'m
<b>Assets</b>	
Investment properties	48.0
Interests in leasehold properties	10.3
Trade and other receivables	2.1
Cash	0.5
<b>Total assets</b>	<b>60.9</b>
<b>Liabilities</b>	
Trade and other payables	(2.7)
Obligations under finance leases	(10.3)
<b>Total liabilities</b>	<b>(13.0)</b>
<b>Net assets</b>	<b>47.9</b>
Fair value of consideration paid	42.3
<b>Negative goodwill on acquisition of subsidiary</b>	<b>5.6</b>
Transaction related costs	(1.3)
<b>Net gain on business combinations recognised in the income statement</b>	<b>4.3</b>

Since the date of acquisition, SMS has contributed £2.4 million to the revenue of the Group and £1.1 million to the profit after tax for the Group. On a pro-forma basis, had the acquisition of SMS occurred at the beginning of the financial year, it would have contributed revenue of £9.0 million and profit after tax of £4.0 million to the Group.

## Company balance sheet

as at 31 October 2016

	Notes	Company	
		2016 £'m	2015 £'m
<b>Fixed assets</b>			
Tangible assets	5	—	—
Investments in subsidiaries	6	1.0	1.0
<b>Total fixed assets</b>		<b>1.0</b>	1.0
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	—	0.1
Debtors: amounts falling due after more than one year	7	234.8	170.9
Cash and cash equivalents		0.4	0.1
<b>Total current assets</b>		<b>235.2</b>	171.1
<b>Total assets</b>		<b>236.2</b>	172.1
Creditors: amounts falling due within one year	8	(16.4)	(9.4)
<b>Total assets less current liabilities</b>		<b>219.8</b>	162.7
Creditors: amounts falling due after more than one year	9	(92.3)	(72.7)
<b>Net assets</b>		<b>127.5</b>	90.0
<b>Capital and reserves</b>			
Called up share capital	10	2.1	2.1
Share premium account		60.1	60.0
Profit and loss account		65.3	27.9
<b>Total shareholders' funds</b>		<b>127.5</b>	90.0

The Company financial statements on pages 99 to 103 were approved by the Board of Directors on 6 January 2017 and signed on its behalf by:

**A Jones**

Chief Financial Officer

**F Vecchioli**

Chief Executive Officer

Company registration number: 4726380

## Company statement of changes in equity

for the year ended 31 October 2016

	Company			Total £'m
	Share capital £'m	Share premium £'m	Retained earnings £'m	
<b>Balance at 1 November 2014</b>	2.1	60.0	23.0	85.1
<b>Comprehensive income</b>				
Profit for the year	—	—	21.1	21.1
<b>Total comprehensive income</b>	—	—	21.1	21.1
<b>Transactions with owners</b>				
Dividends	—	—	(17.2)	(17.2)
Employee share options	—	—	1.0	1.0
<b>Transactions with owners</b>	—	—	(16.2)	(16.2)
<b>Balance at 1 November 2015</b>	2.1	60.0	27.9	90.0
<b>Comprehensive income</b>				
Profit for the year	—	—	57.5	57.5
<b>Total comprehensive income</b>	—	—	57.5	57.5
<b>Transactions with owners</b>				
Dividends	—	—	(21.3)	(21.3)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	1.2	1.2
<b>Transactions with owners</b>	—	0.1	(20.1)	(20.0)
<b>Balance at 31 October 2016</b>	<b>2.1</b>	<b>60.1</b>	<b>65.3</b>	<b>127.5</b>

For details of the dividend paid in the year see note 9 in the Group financial statements.

# Notes to the Company financial statements

for the year ended 31 October 2016

## 1. Accounting policies and basis of preparation

The Company financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

This is the first year that the Company has presented its financial statements under FRS 101. In the transition to FRS 101 the Company has applied IFRS 1 'First-time Adoption of International Financial Reporting Standards' whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The last financial statements under UK GAAP were for the year ended 31 October 2015 and the date of transition to FRS 101 was therefore 1 November 2014.

On transition to FRS 101, no amounts previously reported under UK GAAP have required restatement, hence no reconciliation of equity has been prepared.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- IFRS 2 'Share-based Payment' in respect of Group-settled share-based payments; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The above disclosure exemptions are permitted because equivalent disclosures are included in the Group consolidated financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention. The Company's principal accounting policies are the same as those applied in the Group financial statements, except as described below:

### Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

## 2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account as part of these financial statements. The Company's profit for the financial year amounted to £57.5 million (FY2015: £21.1 million).

## 3. Directors' emoluments

The Directors' emoluments are disclosed in note 25 of the Annual Report and Financial Statements of the Group.

## 4. Operating profit

The Company does not have any employees (FY2015: none). Details of the Company's share-based payments are set out in note 22 to the Group financial statements.

Auditor's remuneration for the year ended 31 October 2016 was £10,000 (FY2015: £10,000). There were no non-audit services (FY2015: none) provided by the auditor.

## Notes to the Company financial statements continued

for the year ended 31 October 2016

### 5. Tangible assets – fixtures and fittings

	£'m
<b>Cost</b>	
As at 1 November 2015 and at 31 October 2016	0.2
<b>Accumulated depreciation</b>	
As at 1 November 2015	0.2
Charge for the year	—
<b>At 31 October 2016</b>	<b>0.2</b>
<b>Net book value</b>	
<b>At 31 October 2016</b>	<b>—</b>
At 31 October 2015	—

### 6. Investments in subsidiaries

	£'m
<b>Cost and net book value</b>	
At 1 November 2015 and 31 October 2016	1.0

Investments in subsidiaries are stated at cost. A list of interests in subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

#### Interests in subsidiary undertakings

The entities listed below are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed. The results of all of the subsidiaries have been consolidated within these financial statements.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments Limited <sup>1</sup>	England and Wales	Holding company
Access Storage Holdings (France) S.à r.l.	Luxembourg	Holding company
Assay Insurance Services Limited <sup>2</sup>	Guernsey	Insurance services
Compagnie de Libre Entreposage France SAS	France	Holding company
Crown Self Storage (Exeter) Limited	England and Wales	Provision of self-storage
Crown Self Storage (Plymouth) Limited	England and Wales	Provision of self-storage
Mentmore Limited	England and Wales	Holding company
R & M Hampson Limited	England and Wales	Provision of self-storage
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Limited	England and Wales	Provision of self-storage
Safestore Properties Limited	England and Wales	Provision of self-storage
Safestore Trading Limited	England and Wales	Non-trading
Space Maker Properties Limited	Cayman Islands	Provision of self-storage
Space Maker Stores Limited	England and Wales	Holding company
Space Maker Trading Limited	England and Wales	Provision of self-storage
Spaces Personal Storage Limited	England and Wales	Provision of self-storage
Une Pièce en Plus SAS	France	Provision of self-storage

<sup>1</sup> Held directly by the Company.

<sup>2</sup> UK tax resident since September 2015.



## 7. Debtors

	2016 £'m	2015 £'m
Trade debtors	—	0.1
Debtors due within one year	—	0.1
Amounts owed by Group undertakings	<b>234.8</b>	170.9
Debtors due after more than one year	<b>234.8</b>	170.9

Amounts owed by Group undertakings are unsecured and repayable on demand; however, the Directors consider it unlikely that repayment will arise in the short term and it is for this reason that the amounts are shown as falling due after one year.

Interest is charged to Group undertakings on amounts totalling £92.7 million (FY2015: £73.2 million). The remaining amounts owed by Group undertakings are interest free.

## 8. Creditors: amounts falling due within one year

	2016 £'m	2015 £'m
Amounts owed to Group undertakings	<b>14.5</b>	7.3
Other taxes and social security	—	0.1
Accruals and deferred income	<b>1.9</b>	2.0
Creditors due within one year	<b>16.4</b>	9.4

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

## 9. Creditors: amounts falling due after more than one year

	2016 £'m	2015 £'m
Secured loan notes	<b>92.7</b>	73.2
Debt issue costs	<b>(0.4)</b>	(0.5)
Creditors due after more than one year	<b>92.3</b>	72.7

The loan notes are \$65.6 million (FY2015: \$65.6 million) 5.52% Series A Senior Secured Notes due 2019 and \$47.3 million (FY2015: \$47.3 million) 6.29% Series B Senior Secured Notes due 2024.

## 10. Called up share capital

	2016 £'m	2015 £'m
<b>Called up, allotted and fully paid</b>		
208,689,628 (FY2015: 207,683,636) ordinary shares of 1 pence	<b>2.1</b>	2.1

### Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

For details of share options see note 22 in the Group financial statements.

## 11. Contingent liabilities

For details of contingent liabilities see note 26 in the Group financial statements.

## Directors and advisers

### Directors

Alan Lewis	(Non-Executive Chairman)
Frederic Vecchioli	(Chief Executive Officer)
Andy Jones	(Chief Financial Officer)
Ian Krieger	(Non-Executive Director)
Joanne Kenrick	(Non-Executive Director)
Claire Balmforth	(Non-Executive Director)
Bill Oliver	(Non-Executive Director)

### Company Secretary

Sam Ahmed

### Registered office

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Stirling Way  
Borehamwood  
Hertfordshire WD6 2BT

### Registered company number

4726380

### Websites

[www.safestore.co.uk](http://www.safestore.co.uk)  
[www.safestore.com](http://www.safestore.com)

### Bankers

National Westminster Bank  
HSBC Bank  
Lloyds Bank  
Santander UK  
BRED Banque Populaire  
Bank of Taiwan

### Independent auditor

#### Deloitte LLP

Chartered Accountants and Statutory Auditor  
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London EC4A 3BZ

### Legal advisers

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10 Snow Hill  
London EC1A 2AL

#### Eversheds LLP

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Birmingham B3 3AL

### Brokers and financial advisers

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London EC2V 7QP

#### Citigroup Global Markets Limited

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### Financial PR advisers

#### Instinctif Partners

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Share Portal: [www.capitashareportal.com](http://www.capitashareportal.com)

Through the website of our Registrar, Capita Asset Services, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

### Please visit our investor relations website

All the latest news and updates for investors at [www.safestore.com](http://www.safestore.com).



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