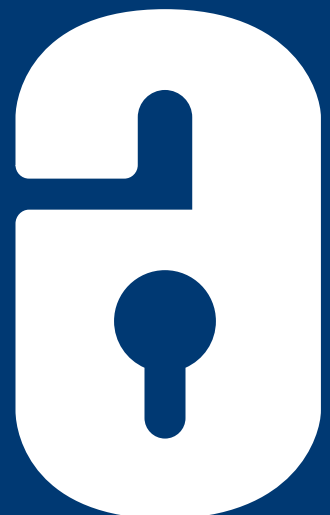


# Safestore Holdings plc

Annual report and  
financial statements 2018

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# A fifth consecutive year of double-digit EPS<sup>1</sup> and dividend growth and continued strategic progress

“We have delivered another successful year of growth characterised by strong organic performance, efficient integration of our recent acquisitions and good performances from our recently opened new stores. The fully integrated Alligator portfolio of twelve stores, acquired at the beginning of the financial year, is performing well. We have continued to seek high quality sites to open new stores and have successfully added four new stores to the pipeline which means we plan to open new stores in London-Carshalton, Paris-Pontoise, and Birmingham-Merry Hill during 2019 and, subject to planning, Paris-Magenta in 2020.

Our strong balance sheet continues to provide the flexibility to target selected development and acquisition opportunities as they arise.

Over the last five years, the like-for-like occupancy has increased on average by 2.7ppts per year, moving from 63.1% to 76.6%. The Company is in an excellent position and, as ever, our top priority remains the significant organic growth opportunity represented by the 1.7m sq ft of currently unlet space in our existing fully invested estate.

The start to the current financial year has been encouraging in all our geographies and our leading market positions in the UK and Paris, combined with our resilient business model, enable us to look forward to the future with confidence.”

## Frederic Vecchioli

Safestore's Chief Executive Officer



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## Highlights

### Strong financial performance

- Group revenue for the year up 10.8% (10.4% in CER<sup>2</sup>)
- Like-for-like<sup>3</sup> Group revenue for the year in CER<sup>1</sup> up 5.2%
  - UK up 5.2%
  - Paris up 5.1%
- Underlying EBITDA<sup>4</sup> up 11.0% in CER<sup>2</sup> which, combined with a gain on investment properties of £122.1 million (FY2017: £39.2 million), drove an increase in profit before tax<sup>5</sup> of 134.9%
- Adjusted Diluted EPRA Earnings per Share<sup>1</sup> up 15.5% at 26.8 pence; 13.8% increase in the final dividend to 11.15 pence (FY2017: 9.8 pence) giving a total for the year of 16.25 pence (FY2017: 14.0 pence)

### Operational focus

- Continued balanced approach to revenue management drives returns
  - Like-for-like<sup>3</sup> closing occupancy of 76.6% (up 2.7ppts on 2017)
  - Like-for-like<sup>3</sup> average occupancy for the year up 4.8%
  - Like-for-like<sup>3</sup> average storage rate<sup>6</sup> for the year up 0.2% in CER<sup>2</sup> with improving momentum as the year progressed (Q4 +1.8% in CER<sup>2</sup>) underpinned by continuing improvements in marketing and pricing analytics
  - Total average storage rate<sup>6</sup> down 3.3% in CER<sup>2</sup> reflecting dilutive impact of Alligator acquisition and new store openings
- Alligator and new stores trading well and in line with business plans

### Strategic progress

- Twelve Alligator stores acquired on 1 November 2017 for £55.9 million<sup>7</sup> now integrated into the business
- Three new stores opened in the year at London Paddington Marble Arch, London Mitcham and Paris Poissy
- Four new stores in the pipeline with 210,000 sq ft of new space scheduled to open in London Carshalton, Birmingham Merry Hill, Paris Pontoise and Paris Magenta (subject to planning)

### Strong and flexible balance sheet

- Bank facilities extended to June 2023
- 20.9% increase in property valuation in CER<sup>2</sup> driven by the Alligator acquisition, reduced exit cap rates and revised stabilised occupancy assumptions
- Group loan-to-value ratio ("LTV"<sup>8</sup>) at 31 October 2018 at 30% and interest cover ratio ("ICR"<sup>9</sup>) at 8.6x

### Succession

- After nearly ten years with the Group, in accordance with good governance recommendations, Chairman Alan Lewis announces intention to retire from the Board

### Revenue (£'m)

£143.9m  
+10.8%

18	143.9
17	129.9
16	115.4
15	104.8
14	97.9

### Underlying EBITDA<sup>4</sup> (£'m)

£82.9m  
+11.4%

18	82.9
17	74.4
16	65.7
15	58.6
14	54.3

### Dividend (pence per share)

16.25p  
+16.1%

18	16.25
17	14.00
16	11.65
15	9.65
14	7.45

#### Notes

Please see overleaf for accompanying notes.

## Financial highlights

### Key measures

	Year ended 31 October 2018	Year ended 31 October 2017	Change	Change – CER <sup>2</sup>
<b>Underlying and operating metrics – total</b>				
Revenue	<b>£143.9m</b>	£129.9m	10.8%	10.4%
Underlying EBITDA <sup>4</sup>	<b>£82.9m</b>	£74.4m	11.4%	11.0%
Closing occupancy (let sq ft – million) <sup>10</sup>	<b>4.69</b>	4.14	13.3%	n/a
Closing occupancy (% of MLA) <sup>11</sup>	<b>73.6%</b>	72.6%	+1.0ppts	n/a
Average storage rate <sup>6</sup>	<b>£25.90</b>	£26.67	(2.9%)	(3.3%)
Adjusted Diluted EPRA earnings per share <sup>1</sup>	<b>26.8p</b>	23.2p	15.5%	n/a
Free cash flow <sup>12</sup>	<b>£55.4m</b>	£50.3m	10.1%	n/a
EPRA basic NAV per share	<b>£4.02</b>	£3.29	22.2%	n/a
<b>Underlying and operating metrics – like-for-like<sup>3</sup></b>				
Revenue	<b>£134.0m</b>	£126.9m	5.6%	5.2%
Underlying EBITDA <sup>4</sup>	<b>£77.6m</b>	£72.6m	6.9%	6.5%
Closing occupancy (let sq ft – million) <sup>10</sup>	<b>4.25</b>	4.09	3.9%	n/a
Closing occupancy (% of MLA) <sup>11</sup>	<b>76.6%</b>	73.9%	+2.7ppts	n/a
Average occupancy (let sq ft – million) <sup>10</sup>	<b>4.14</b>	3.95	4.8%	n/a
Average storage rate <sup>6</sup>	<b>£26.71</b>	£26.55	0.6%	0.2%
<b>Statutory metrics</b>				
Profit before tax <sup>5</sup>	<b>£185.3m</b>	£78.9m	134.9%	n/a
Basic earnings per share	<b>84.4p</b>	37.4p	125.7%	n/a
Dividend per share	<b>16.25p</b>	14.0p	16.1%	n/a
Cash inflow from operating activities	<b>£60.6m</b>	£55.6m	9.0%	n/a

### Notes

- 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 a statutory, 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.
- CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
- Like-for-like adjustments have been made to remove the impact of Alligator, 2017 opening of Combs-la-Ville, 2018 openings of Mitcham, Paddington Marble Arch and Poissy, 2017 closure of Deptford and 2018 closures of Leeds Central, Merton and Paddington.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, 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.
- Profit before tax increased by £106.4 million to £185.3 million (FY2017: £78.9 million) principally as a result of an increase in the gain on investment properties of £82.9 million to £122.1 million (FY2017: £39.2 million), complemented by an increase of £8.5 million or 11.4% in underlying EBITDA as a result of stronger trading performance.
- Average storage rate is calculated as the revenue generated from self-storage revenues divided by the average square footage occupied during the period in question.
- The consideration paid for Alligator on 1 November 2017 was £55.9 million, net of cash acquired.
- LTV ratio is loan-to-value ratio, which is defined as gross debt (excluding finance leases) 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.
- Occupancy excludes offices but includes bulk tenancy. As at 31 October 2018, closing occupancy includes 26,000 sq ft of bulk tenancy (31 October 2017: 27,000 sq ft). The Group full year average occupancy figures (+4.4%) on page 1 of our Q4 trading update of 15 November 2018 were in fact the figures for the quarter ended 31 October 2018 and were described as full year in error. The full year average occupancy figures were up 4.8%.
- MLA is maximum lettable area. At 31 October 2018, Group MLA was 6.37m sq ft (FY2017: 5.71m sq ft).
- Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.



# Our purpose is simple – to add stakeholder value

## Safestore has delivered the highest total shareholder return of any UK-listed self-storage operator

I am pleased to announce, on behalf of the Board of Safestore, another strong set of results for the year ended 31 October 2018.

Our purpose is simple – to add stakeholder value by being a market leader in self-storage, providing effective solutions for our customers and development opportunities for our colleagues. This, supported by our strategy and underpinned by our values, has helped create real value for all our stakeholders.

Over the past year we have made good strategic progress. The nine new stores opened over the last two years are all performing at least in line with their business plans. Alligator Self Storage, acquired on 1 November 2017, is now fully integrated into the business and we have a pipeline of four new sites, adding 210,000 sq ft of capacity, opening over the next circa 18 months.

Management's focus remains on the existing store portfolio and filling the 1.7m sq ft of available capacity, building on the operational improvements made over the previous five years.

During the year, our Remuneration Committee has, for the second year, spent a significant amount of time engaging with our shareholders around our remuneration policy, which was implemented in 2017. This resulted in a number of changes to our policy which are detailed in the Directors' remuneration report. Like the Remuneration Committee, I continue to believe strongly that the remuneration structure, which is designed to break away from the conventional model and drive exceptional corporate performance from our talented management team over a five-year period, is in the best interests of all stakeholders. I would like to take this opportunity to thank all the shareholders who have supported our proposals as well as all of those who have engaged with us, and put considerable time and effort into analysing and providing feedback on our proposals.

In addition, corporate and social responsibility ("CSR") is important to Safestore's business processes and operations. Our CSR agenda has developed in the year and is covered in our Annual Report.

### Financial results

Revenue for the year was £143.9 million, 10.8% ahead of last year (FY2017: £129.9 million) and was up 10.4% on a constant currency basis. Like-for-like revenue was up 5.2% in constant currency. This result was driven by a strong performance in the UK which grew like-for-like revenue by 5.2%, combined with another good performance by Une Pièce en Plus, our Parisian business, which grew like-for-like revenue by

5.1%. In addition, the November 2017 acquisition of Alligator contributed to the revenue growth.

Underlying EBITDA increased by 11.4% to £82.9 million (FY2017: £74.4 million) and 11.0% on a constant currency basis. Underlying EBITDA after rental costs increased by 11.9% to £71.7 million (FY2017: £64.1 million).

The annualisation of the benefit of the refinancing of our bank debt and US private placement notes in May 2017 drove a reduction in the year in the underlying finance charge of £1.0 million or 10.6% to £8.4 million (FY2017: £9.4 million). Over the last five years we have reduced our finance charges by 54% or £10.0 million.

As a result of the above factors, Adjusted Diluted EPRA earnings per share grew by 15.5% to 26.8 pence (FY2017: 23.2 pence). Adjusted Diluted EPRA earnings per share has grown by 16.1 pence or 150% over the last five years. Statutory basic earnings per share increased to 84.4 pence (FY2017: 37.4 pence), the increase in Adjusted Diluted EPRA earnings per share combining with a significant gain on valuation of investment properties.

### Capital structure

The Group's balance sheet remains robust with a Group LTV<sup>8</sup> ratio of 30% and an interest cover ratio<sup>9</sup> ("ICR") of 8.6x. 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 13.8% increase in the final dividend to 11.15 pence per share (FY2017: 9.8 pence per share) resulting in an increase of 16.1% in the total dividend to 16.25 pence per share for the year (FY2017: 14.0 pence per share). The total dividend for the year is covered 1.65 times by Adjusted EPRA diluted earnings (1.66 times in 2017). The Group's dividend has increased by 183% in the last five years during which period the Group has returned to shareholders a total of 59 pence per share. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 20 March 2019 and, if approved, the final dividend will be payable on 10 April 2019 to shareholders on the register at close of business on 8 March 2019.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2019 and beyond. In the medium term it is anticipated that the Group's

dividend will grow at least in line with Adjusted Diluted EPRA earnings per share.

Over the last five years, the management and store teams have delivered a total shareholder return of 317.6%, ranking at number one in the property sector and number five in the FTSE 250, significantly ahead of any other listed self-storage operators. Since flotation in 2007, Safestore has also delivered the highest total shareholder return of any UK-listed self-storage operator.

### People

Of course, this set of strong results would not have been possible without having the best people, fully trained and highly motivated. During the last year Safestore was awarded the Gold accreditation under the Investors In People ("IIP") programme, a significant improvement from the Bronze accreditation awarded in 2015. This places Safestore as one of the top employers of 14,000 IIP-accredited companies across 75 countries. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the year 250+ category. This is a great testament to our colleagues across the business who continue to be the key to the success of the business and demonstrates our commitment to developing our people.

IIP recognised that the business continues to undergo significant self-review in order to create a sustainable organisation with an unwavering commitment to improve performance through people. It also recognised that the levels of pride in the Company are high and what sets the Company apart is its culture of being friendly, supportive and showing a genuine interest in the individual.

I would like to take this opportunity to thank all my colleagues throughout the Group for their hard work and dedication this year.

### Succession

After nearly ten years as a Director of the Group, five years of which have been as Chairman, I have decided that the time is right to seek my successor. This also accords with latest governance recommendations. A recruitment process, managed by our Senior Independent Director Ian Krieger, will be launched imminently and I will step down in due course once that successor has been appointed. A further announcement will be made at an appropriate time.

**Alan Lewis**  
Chairman

7 January 2019



## Chief Executive's statement



# A strong organic performance complemented by an acquisition and new stores

## Safestore has strengthened its market positions in both the UK and Paris

### Summary

In 2018, Safestore has delivered a fifth year of double-digit growth in Adjusted Diluted EPRA earnings per share<sup>1</sup> characterised by a combination of organic and acquisitive growth. Total Group revenue increased by 10.8% (10.4% at CER<sup>2</sup>) with a strong performance across the UK (+11.8%) and continued strength in Paris (+5.9%). On a like-for-like<sup>3</sup> basis in CER<sup>2</sup>, Group revenue increased by 5.2% with the UK up 5.2% and Paris up 5.1%. The Group's like-for-like<sup>3</sup> closing occupancy increased by 2.7 percentage points ("ppts") to 76.6% with the average storage rate<sup>4</sup> up 0.2% at CER<sup>2</sup>.

Our operational performance across the UK has been strong this year. Robust enquiry conversion, driven by our ongoing commitment to investing in and supporting our people, has resulted in like-for-like<sup>3</sup> closing occupancy in the UK growing by 2.9ppts to 74.7%. Growth in occupancy across the UK has been healthy with the UK regions performing slightly more strongly than London and the South East.

In the UK, we completed the acquisition of the twelve-store Alligator Self Storage portfolio on 1 November 2017 for £55.9 million<sup>5</sup>. The portfolio was successfully integrated during the year. In addition, two new stores in London Mitcham and London Paddington Marble Arch were opened on time and on budget.

In Paris, our performance has also been strong with like-for-like<sup>3</sup> revenue growing by 5.1%. Average occupancy growth was

6.0% whilst average rate declined by 0.9% impacted, as expected, by the dilutive effect of our recent suburban opening at Emerainville. Like-for-like<sup>3</sup> closing occupancy ended the year at 84.1% (FY2017: 82.6%). This is the twentieth consecutive year of revenue growth in Paris with average growth over the last six years of circa 5%. We opened a new store in Poissy in August 2018 which is trading in line with its business plan.

Group underlying EBITDA<sup>6</sup> of £82.9 million increased by 11.0% at CER<sup>2</sup> on the prior year and by 11.4% on a reported basis reflecting the impact of the strengthening Euro on the profit earned from our Paris business. The Group's EBITDA<sup>6</sup> performance, combined with reduced finance costs arising from the annualisation of the refinancing of the Group's US Private Placement ("USPP") Notes and amendment and extension of the bank facilities completed in May 2017, resulted in a 15.5% increase in Adjusted Diluted EPRA EPS<sup>1</sup> in the period to 26.8 pence (FY2017: 23.2 pence).

Our property portfolio valuation, including investment properties under construction, increased in the year by 20.9% on a constant currency basis, driven by the acquisition of Alligator and revisions to exit cap rates and stabilised occupancy assumptions. After exchange rate movements, the portfolio valuation increased by 21.2% to £1,220.9 million with the UK portfolio up £176.7 million to a total UK value of £921.1 million and the French portfolio increasing by €38.6 million to €337.2 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 13.8% increase in the final dividend to 11.15 pence per share (FY2017: 9.8 pence) resulting in a full year dividend up 16.1% to 16.25 pence per share (FY2017: 14.0 pence).

### Outlook

In the last two financial years, Safestore has further strengthened its market positions in both the UK and Paris with the acquisitions of Space Maker and Alligator, the opening of nine new stores and the establishment of a pipeline of a further four new stores. The Group has 1.7m sq ft of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provide us with the opportunity to actively consider further selective development and acquisition opportunities in our key markets.

The strong performance of the final quarter of 2017/18 has continued into the new financial year with LFL Group revenue ("CER") up 6.4% for the two months to December 2018. Our strong market positions, operational platform and geographical diversity enable the Group to look forward with confidence to the 2018/19 financial year.

**“Our balance sheet strength and flexibility provide us with the opportunity to consider selective development and acquisition opportunities”**

### Notes

- 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 a statutory, 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.
- CER is constant exchange rates (Euro-denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
- Like-for-like adjustments have been made to remove the impact of Alligator, 2017 opening of Combs-la-Ville, 2018 openings of Mitcham, Paddington Marble Arch and Poissy, 2017 closure of Deptford and 2018 closures of Leeds Central, Merton and Paddington.
- Average storage rate is calculated as the revenue generated from self-storage revenues divided by the average square footage occupied during the period in question.
- The consideration paid for Alligator on 1 November 2017 was £55.9 million, net of cash acquired.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, 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.

## Our strategy

The Group's proven strategy remains unchanged. 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 10 and 11.

## Optimisation of existing portfolio

With the opening of nine new stores since August 2016, and the acquisitions of Space Maker in July 2016 and Alligator in November 2017, we have further strengthened our market-leading portfolio. We have a high quality, fully invested estate in both the UK and Paris. Of our 146 stores, 94 are in London and the South East of England or in Paris with 52 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.

With the aforementioned new store openings, our MLA<sup>4</sup> has increased to 6.37m sq ft at 31 October 2018. At the current occupancy level of 73.6% we have 1.7m sq ft of unoccupied space, of which 1.4m sq ft is in our UK stores and 0.3m sq ft in Paris. In total this unlet space is the equivalent of circa 40 empty stores located across the estate. This 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. Over the last five years, the like-for-like occupancy has increased from 63.1% to 76.6% i.e. an average of 2.7% per year. As of 31 December 2018, the like-for-like closing occupancy is up 2.7pts year-on-year.

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.

## Digital marketing expertise

Awareness of self-storage is increasing each year but still remains relatively low with 54% (FY2017: 58%) of the UK population either knowing very little or nothing about self-storage (source: 2018 SSA Annual Report). In the UK around 75% of our new customers are using self-storage for the first time. It is largely a brand-blind purchase with only 12% of respondents in the Self Storage Association Annual Survey stating that a brand would influence their purchase decision. Only 3% of respondents in the same survey associated any particular features or benefits with a certain brand. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self-storage near me").

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 has resulted in the development of a leading digital marketing platform that has generated over 40% enquiry growth over the last five years. Our digital marketing team has been enhanced with the recruitment and on-boarding of a Digital and Marketing Director. Our increasing in-house expertise and significant annual budget have enabled us to deliver strong results.

Online enquiries now represent 83% of our enquiries in the UK (FY2017: 82%) and 74% in France (FY2017: 72%). Nearly 50% of our online enquiries in the UK now originate from a mobile device (excluding tablets), compared to just over 45% last year, highlighting the need for continual investment in our responsive web platform for a "mobile-first" world.

During 2018, the Group successfully completed the integration of the Alligator Self Storage marketing platform (core website, hosting, paid advertising, social media and analytics) and CRM system with full realisation of cost synergies as planned. Now within the Safestore platform, the search engine visibility of former Alligator stores has been improving, which should provide the foundation for future enquiry and occupancy growth.

We will continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of the overall cost per enquiry.

In 2018, Safestore once again achieved a Feefo customer service rating of 96% based on the customers who rated their experience as "Excellent" or "Good". Having achieved this service level online, in the store and on the phone, Safestore was again recognised with a "Gold Trusted Merchant" award – given to businesses achieving over 95% – for the fifth year running. In addition to using Feefo, Safestore now invites customers to leave a review of their service on a number of review platforms, including Google, to ensure that

customers can confidently choose Safestore wherever they look for trust and reputational signals in the brand. In France, Une Pièce en Plus continues to use Trustpilot to obtain independent customer reviews. More than 93% of customers are satisfied with their customer service experience, rating it four stars and above.

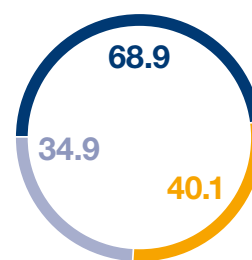
## Motivated and effective store teams benefiting from improved training and coaching

Our enthusiastic, well-trained and customer-centric sales team remains a key differentiator and a strength of our business. Understanding the needs of our customer and using this knowledge to develop in-store trusted advisers is a fundamental part of driving revenue growth and market share.

On 1 November 2017, we acquired the Alligator Self Storage portfolio of twelve stores. Drawing on the experience gained from the successful integration of the Space Maker brand in 2016, we implemented enhancements to our leadership structure and successfully and efficiently integrated the stores into our geographical regional structure. Our dedicated online learning platform allows our new colleagues to take part in our industry-leading training and development programmes. The Alligator internal and external rebrand to Safestore commenced in June 2018 and is exceeding its projected completion programme timescales.

## Revenue (£'m)

£143.9m



- London and South East
- Rest of UK
- Paris

## Chief Executive's statement *continued*

### Optimisation of existing portfolio *continued*

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

November 2016 saw the launch of our internal Store Manager Development Programme designed to provide the business with its future store managers. The first group of trainees graduated in November 2017 and the second intake of sales consultants at the end of October 2018. We are proud to announce that our intake 3 programme delegates have the opportunity to gain a nationally recognised qualification from the Institute of Leadership & Management ("ILM") at Level 3.

As with our new Alligator colleagues, all new recruits to the business benefit from enhanced induction and training tools which have been developed in-house and enable us to quickly identify high potential individuals and increase their speed to competency. Our Store Manager Development Programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360-degree feedback process utilising the learnings from not only the candidates but also our training store managers. This allows our people to be trained with the knowledge and skills to sell effectively in today's market place.

All new recruits receive individual performance targets within four weeks of joining the business and are placed on the "pay-for-skills" programme which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme, to ensure that close to 100% of our store manager appointments are from within the business, still remains and we are pleased with our progress to date.

The training and development of our store and customer-facing colleagues is an essential part of our daily routines. In 2018, we delivered a further 29,000 hours of training 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, fire and compliance training, ensuring that our staff are up to date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These modules are continually updated to target the areas of most opportunity and maintain colleague engagement. These tools, systems and resources have allowed us to effectively communicate changes quickly and manage compliance robustly, allowing our colleagues to complete the training on an annual basis.

To further support our cyber security and GDPR compliance we have introduced further enhanced online training modules. All colleagues are required to complete this training.

Our performance dashboard allows our store and field teams to focus on the key operating metrics of the business providing an appropriate level of management information to enable swift decision making. Reporting performance down to individual employee level enhances our competitive approach to team and individual performance. We continue to reward our people for their performances with bonuses of up to 50% of basic salary based on their achievements against individual 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.

Customers continue to be at the heart of everything we do, whether it be in store, online or in their communities. Our Gold standard Feefo customer service score, currently at 96%, reflects our ongoing commitment to their satisfaction.

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.

Safestore has been an Investors in People ("IIP") organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well trained colleagues. In April 2018, Safestore was awarded the Gold Accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP-accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the year 250+ category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

### 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, in selected stores, 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 four years is linked to store team variable incentives and is monitored closely by the central pricing team.

Average rates are 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 three occasions, each time on improved terms, 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.

In 2017, we completed the refinancing of the Group's US Private Placement Notes ("USPP") and an amendment and extension of its existing bank facilities to extend the average maturity and lower the cost of the Group's debt financing. The terms of the amendment and extension of the bank facilities allowed for an option to extend the facilities by a further year. We have recently completed this extension. From the £250 million UK revolving bank facility, £26 million matures in June 2022 and £224 million matures in June 2023. €13.3 million of the €70 million France revolving facility matures in June 2022 and €56.7 million matures in June 2023.



During the year we hedged a further £35 million of our Sterling revolving credit facility drawings at a rate of 1.2915%. Currently, 87% of our debt facilities are either fixed rate or hedged until June 2022.

At 31 October 2018, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt is 2.28%. The weighted average maturity of the Group's drawn debt is 6.3 years at the current period end and the Group's LTV ratio under the new financing arrangements is 30.3% as at 31 October 2018.

This LTV and ICR of 8.6x for the rolling twelve-month period ended 31 October 2018 provide us with significant headroom compared to our banking covenants. We have £103 million of available bank facilities at 31 October 2018.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of circa £10 million over the last five years, the Group is now capable of generating free cash after dividends sufficient to fund the building of two 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 a Group LTV ratio of between 30% and 40% which the Board considers to be appropriate for the Group.

## 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 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.

Since we relaunched our store opening strategy in summer 2016 we have opened six new stores in the UK in Chiswick, Wandsworth, Paddington Marble Arch and Mitcham in London, Birmingham, Altrincham and three stores in Paris at Emerainville, Combs-la-Ville and Poissy as well as completing the extension and refurbishment of our Acton and Longpont (Paris) stores. All of these stores are performing in line with or ahead of their business plans.

In addition, we have a pipeline of 210,000 sq ft of space across four new stores to be opened in 2019 in the UK in Carshalton in South London and Merry Hill in Birmingham and in Paris in Pontoise and Magenta.

Further details of the last twelve months' activity are as follows:

In April 2018, we opened a new circa 54,000 sq ft freehold store in Mitcham, in South West London. The site was acquired in December 2016 with the planning and building process taking just 16 months.

At the end of July 2018, we closed our leasehold Merton store and consolidated the majority of customers into our new Mitcham store. The closed Merton store had an MLA of 19,000 sq ft and an annual EBITDA of circa £0.1 million.

In June 2018, we opened a new 37,000 sq ft leasehold store located between Paddington and Marble Arch in central London. The lease is for a period of 20 years, with an option to extend for a further ten years. Our former 15,000 sq ft Paddington store closed in July 2018 with a significant proportion of its customers transferred to the new store.

In October 2017, we completed the acquisition of a 1.34 acre industrial site at Merry Hill, around ten miles west of the centre of Birmingham, in a very prominent location close to Merry Hill regional shopping centre. We have now received planning consent and commenced building and we expect to open a purpose-built freehold 55,000 sq ft store in the second half of 2019.

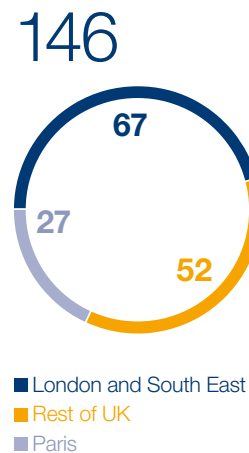
In our interim results this year, we announced that we had exchanged contracts to acquire a freehold site in Carshalton in South London subject to planning permission. We have now received planning permission and have completed the acquisition of the site. We anticipate opening the circa 40,000 sq ft store in 2019.

In Paris, where regulatory barriers are likely to continue to restrict meaningful 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 to complement the strong second belt markets in which we operate.

In June 2018, we exchanged contracts on a freehold 4.2 acre site in Pontoise, north west of Paris, and have now received planning permission and completed the acquisition of the site in December 2018. We anticipate converting the existing building into a 65,000 sq ft store and that opening will be in 2019.

## Owned store portfolio

### Number of stores



In April 2018, we agreed a lease on a site at Magenta in central Paris. Subject to planning, we aim to open a 50,000 sq ft store here in the 2019/20 financial year.

In November 2017, we exchanged contracts on a site at Poissy, in the west of Paris, an area where we previously had no stores. We have since completed the acquisition of the site and opened the freehold 80,000 sq ft store in summer 2018.

We believe there will be further opportunities to develop new stores in the outer suburbs of Paris and are actively reviewing the market for new opportunities.

Following the year end, we extended the lease on our Edinburgh Gyle store by ten years. The lease now has 18 years remaining and expires in 2036. In addition, a six-month rent-free period was agreed.

We have now extended the leases on 19 stores or 53% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 12.5 years as compared to 13.3 years at FY2017.

In the UK we plan to redevelop a small number of our older stores. Currently, our Leeds store is closed as part of this programme and most of the store's customers have been relocated to other sites. In addition, our Newcastle store is undergoing a full refurbishment and remains open during the course of the works. Finally, options for the refurbishment of our Sheldon store, as anticipated on acquisition of the Alligator portfolio, are being considered.

## Chief Executive's statement *continued*

### Acquisitions

On 1 November 2017, the Group completed the acquisition of Stork Self Storage (Holdings) Limited ("SSSHL"), trading as Alligator Self Storage. The consideration paid was £55.9 million, net of cash acquired with the business.

SSSHL was the eleventh largest self-storage portfolio in the UK with twelve stores and a maximum lettable area estimated at circa 569,000 sq ft. SSSHL's stores, which are geographically complementary to the existing estate, are located in London (Camden), the South East of the UK (Fareham, Farnham, Luton and Winchester), Birmingham (three stores), Southampton, Bolton, Bristol and Nottingham. Ten of the SSSHL stores are freehold or long leasehold and two are leasehold stores with an average remaining lease length of 14.3 years as at 31 October 2018.

The Alligator stores have now been fully integrated into the Safestore portfolio from an operational and back office perspective and the rebranding of the portfolio will be completed during the course of the current financial year. Trading of the Alligator portfolio during the year was in line with our expectations.

### Portfolio summary

The self-storage market has been growing consistently in the last 20 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 central 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 69% of our French stores are located and which has one of the highest population 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 circa 245 storage centres within the M25 as compared to only circa 90 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 71 stores, contribute £83.4 million of revenue and £57.7 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 119 stores in the UK, 67 of which are in London and the South East, and 27 stores in Paris.

In the UK, 63% 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 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. 69% 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 2018, London, the South East and Paris represent 64% of our stores, 72% of our revenues, as well as 58% 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.

### 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 2018) confirmed that self-storage capacity stands at 0.67 sq ft per head of population in the UK and 0.16 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 compares with 7.3 sq ft per inhabitant in the USA and 2.0 sq ft in Australia. In the UK, in order to reach the US density of supply would require the addition of around another circa 12,000 stores as compared to circa 1,150 currently operating. In the Paris region, it would require circa 1,800 new facilities versus circa 90 currently opened.

### Owned store portfolio by region

	London and South East	Rest of UK	UK Total	Paris	Group Total
Number of stores	67	52	119	27	146
Let square feet (m sq ft)	1.96	1.78	3.74	0.95	4.69
Maximum lettable area (m sq ft)	2.63	2.49	5.12	1.25	6.37
Average let square feet per store (k sq ft)	29	34	31	35	32
Average store capacity (k sq ft)	39	48	43	46	44
Closing occupancy (%)	74.4%	71.4%	72.9%	76.5%	73.6%
Average rate (£ per sq ft)	28.63	18.08	23.66	34.87	25.90
Revenue (£'m)	68.9	40.1	109.0	34.9	143.9
Average revenue per store (£'m)	1.03	0.77	0.92	1.29	0.99

#### Note

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

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 19 stores per annum between 2011 and 2016 (including container storage openings).

The SSA 2018 Survey reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only circa 30 of the sites represent self-storage sites that are comparable with Safestore's own portfolio. Of those sites, only around half are in catchments where Safestore has a presence. The 30 comparable sites represent around 2.6% of the traditional self-storage industry in the UK.

The SSA 2018 Survey also reported that operators have become more conservative since 2017 in terms of new store openings and site acquisitions. For 2019, operators have revised their new store predictions down from 52 to 47 and their site acquisitions down from 46 to 31. Traditionally, operators have opened or acquired far fewer stores than originally estimated. For 2017, the survey group had predicted in the previous year that it would open 47 stores and only 26 were in fact opened by the operators in the survey group. For 2020, around 42 new developments are predicted. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 30 stores per annum will be developed over the coming years.

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

The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 119 wholly owned sites, followed by Big Yellow with 74 wholly owned stores, Access with 57 stores, Lok'n Store with 29 stores, Shurgard with 28 stores and Storage King with 26 stores. In aggregate, the top ten leading operators account for 28% of the UK store portfolio. The remaining circa 1,100 self-storage outlets (including 345 container-based operations) are independently owned in small chains or single units. In total there are 723 storage businesses operating in the UK.

Safestore's 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 relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 54% (58% in 2017) 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. 61% 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 67% of those surveyed (71% in 2017) 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 circa 23% of respondents (circa 23% in 2017).

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.

Safestore's domestic customers' need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market, including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 10–15% of the Group's new lets. This is consistent with the SSA 2018 Survey which reported that only 22.5% of the industry's customer base use self-storage as temporary storage whilst moving house which includes both the rental and the owner occupier market.

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

Safestore's customer base is resilient and diverse and consists of around 64,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

## Business model

Safestore's proven business model remains unchanged.

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 in 2007/08 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.

The Group's capital-efficient portfolio of 146 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.

Currently, around 30% of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2018 of 12.5 years (FY2017: 13.3 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.

Business and personal customers

### Personal customers

	UK	Paris
Numbers (% of total)	74%	83%
Square feet occupied (% of total)	53%	66%
Average length of stay (months)	20.2	26.4

### Business customers

Numbers (% of total)	26%	17%
Square feet occupied (% of total)	47%	34%
Average length of stay (months)	30.5	32.2

## Chief Executive's statement *continued*

### Business model *continued*

In Paris, where 41% 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 but at a significantly higher exit cap rate.

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 83% (FY2017: 82%) of our enquiries in the UK and 75% (FY2017: 72%) in France. Telephone enquiries comprise 11% of the total (17% in France) and "walk-ins" amount to only 6% (8% in France). This dynamic 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 40% enquiry growth over the last five years (excluding Alligator). 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. A similar website was launched in our Paris business at the end of 2016.

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 14% 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 96% customer satisfaction, based on 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 47% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business represents around 445k sq ft of occupied space (around 12% of the UK's occupancy). 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 64,000 business and domestic customers with an average length of stay of 31 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, the subsequent amendment and extension of our banking facilities in summer 2015 and the refinancing of all facilities in May 2017, Safestore has secured 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 developments or acquisition opportunities.

At 31 October 2018 we had 1.4m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to circa 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.

### Trading performance

The UK's revenue performance was strong with the business growing revenue by 11.8% and like-for-like<sup>1</sup> revenue by 5.2%. Performance was strong across all of the UK with London and the South East up 4.1% and regional UK up 7.4%.

Over the year, the business added occupancy of 132,000 sq ft on a like-for-like<sup>1</sup> basis (FY2017: 123,000). As a result, like-for-like<sup>1</sup> closing occupancy, at 74.7%, increased by 2.9ppts compared to the prior year. Like-for-like<sup>1</sup> average occupancy for the year grew by 4.5%.

Average like-for-like<sup>1</sup> rate has showed improving momentum as the year has progressed and finished the year up 0.5% with Q4 rate up 2.6%.

The positive trends of Q4 2018 have continued into the first quarter of the new financial year.

When the impact of the acquisition of Alligator, combined with new store openings in Mitcham and Paddington Marble Arch offset by closures in Deptford, Merton, Leeds and Paddington is taken into consideration, revenue grew by 11.8% for the full year. New stores, in the initial period after opening, are dilutive to occupancy and rate. However, all new stores and Alligator are trading in line or ahead of our business plans.

We remain focused on our cost base. During the year, our cost base, on a like-for-like<sup>1</sup> basis, increased by just 4.0% or £1.7 million. Aside from a 13% or £0.8 million increase in our marketing investment in the year, our cost base grew by just over 3% on a like-for-like<sup>1</sup> basis. Our total reported cost base grew by £4.7 million reflecting the acquisition of Alligator and the cost bases relating to the recently opened stores.

As a result, underlying EBITDA<sup>2</sup> for the UK business was £61.1 million (FY2017: £54.3 million), an increase of £6.8 million or 12.5%.



## UK – strong like-for-like<sup>1</sup> growth supplemented by acquisition of Alligator

	2018	2017	Change
<b>UK operating performance – total</b>			
Revenue (£'m)	<b>109.0</b>	97.5	11.8%
Underlying EBITDA (£'m) <sup>2</sup>	<b>61.1</b>	54.3	12.5%
Underlying EBITDA (after leasehold costs) (£'m)	<b>54.4</b>	48.1	13.1%
Closing occupancy (let sq ft- million) <sup>3</sup>	<b>3.74</b>	3.25	15.1%
Maximum lettable area (MLA) <sup>4</sup>	<b>5.12</b>	4.54	12.8%
Closing occupancy (% of MLA)	<b>72.9%</b>	71.6%	+1.3ppts
Average storage rate (£) <sup>5</sup>	<b>23.66</b>	24.42	(3.1%)
<b>UK operating performance – like-for-like<sup>1</sup></b>			
Revenue (£'m)	<b>99.5</b>	94.6	5.2%
Underlying EBITDA (£'m) <sup>2</sup>	<b>55.6</b>	52.4	6.1%
Closing occupancy (let sq ft- million) <sup>3</sup>	<b>3.33</b>	3.21	3.7%
Closing occupancy (% of MLA)	<b>74.7%</b>	71.8%	+2.9ppts
Average occupancy (let sq ft- million) <sup>3</sup>	<b>3.25</b>	3.11	4.5%
Average storage rate (£) <sup>5</sup>	<b>24.33</b>	24.20	0.5%

## Paris – twentieth year of revenue growth driven by improving occupancy

	2018	2017	Change
<b>Paris operating performance – total</b>			
Revenue (€'m)	<b>39.4</b>	37.2	5.9%
Underlying EBITDA (€'m) <sup>2</sup>	<b>24.6</b>	23.1	6.5%
Underlying EBITDA (after leasehold costs) (€'m)	<b>19.5</b>	18.5	5.4%
Closing occupancy (let sq ft- million) <sup>3</sup>	<b>0.95</b>	0.89	6.7%
Maximum lettable area (MLA) <sup>4</sup>	<b>1.25</b>	1.17	6.8%
Closing occupancy (% of MLA)	<b>76.5%</b>	76.6%	(0.1ppts)
Average storage rate (€) <sup>5</sup>	<b>39.44</b>	40.28	(2.1%)
Revenue (£'m)	<b>34.9</b>	32.4	7.7%
<b>Paris operating performance – like-for-like<sup>1</sup></b>			
Revenue (€'m)	<b>39.0</b>	37.1	5.1%
Underlying EBITDA (€'m) <sup>2</sup>	<b>24.8</b>	23.2	6.9%
Closing occupancy (let sq ft- million) <sup>3</sup>	<b>0.92</b>	0.88	4.5%
Closing occupancy (% of MLA)	<b>84.1%</b>	82.6%	+1.5ppts
Average occupancy (let sq ft- million) <sup>3</sup>	<b>0.89</b>	0.84	6.0%
Average storage rate (€) <sup>5</sup>	<b>39.96</b>	40.34	(0.9%)

### Notes

- Like-for-like adjustments have been made to remove the impact of Alligator, 2017 opening of Combs-la-Ville, 2018 openings of Mitcham, Paddington Marble Arch and Poissy, 2017 closure of Deptford and 2018 closures of Leeds Central, Merton and Paddington.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, 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 2018, closing occupancy includes 26,000 sq ft of bulk tenancy (31 October 2017: 27,000 sq ft). The Group full year average occupancy figures (+4.4%) on page 1 of our Q4 trading update of 15 November 2018 were in fact the figures for the quarter ended 31 October 2018 and were described as full year in error. The full year average occupancy figures were up 4.8%.
- MLA is maximum lettable area. At 31 October 2018, Group MLA was 6.37m sq ft (FY2017: 5.71m sq ft).
- Average storage rate is calculated as the revenue generated from self-storage revenues divided by the average square footage occupied during the period in question.

## Paris

On a like-for-like<sup>1</sup> basis the business grew revenue by 5.1% for the full year. This was driven by average occupancy growth of 6.0% for the year.

Like-for-like<sup>1</sup> occupancy grew by 36,000 sq ft for the year (FY2017: 68,000 sq ft) resulting in closing occupancy of 84.1%, up 1.5 percentage points compared to the prior year.

Like-for-like<sup>1</sup> average rate in Paris was down 0.9% for the year but has, like the UK, shown improving momentum as the year has progressed. Excluding the mix effect of our lower priced suburban Emerainville store, which opened in September 2016, from the like-for-like<sup>1</sup> stores the average rate was flat over the year.

The positive trading trends of Q4 2018 have continued into the first quarter of the new financial year.

The impact of the new stores opened in June 2017 at Combs-la-Ville (73,500 sq ft of MLA and circa 10,000 sq ft of office space) and August 2018 at Poissy (80,000 sq ft of MLA), in the west of Paris, is to dilute rate and occupancy in the initial period after trading commences. These stores, however, are trading ahead of our business plan.

The impact of the 1.5% weakening of Sterling over the year also contributed to the Sterling equivalent total revenue increasing 7.7% on the prior year.

The cost base in Paris remained well controlled during the year with like-for-like<sup>1</sup> costs growing by 2.2% or €0.3 million. The total cost base grew by 5.0% or €0.7 million reflecting the new store openings which typically make a loss in the first full year of operations. As a result, like-for-like<sup>1</sup> underlying EBITDA<sup>2</sup> in Paris grew by €1.6 million and underlying EBITDA<sup>2</sup> grew by €1.5 million to €24.6 million (FY2017: €23.1 million).

**Frederic Vecchioli**  
**Chief Executive Officer**  
 7 January 2019



## Principal risks

# 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

### Risks and risk management

The Board recognises that effective risk management requires awareness and engagement at all levels of our organisation.

### Risk management process

The Board is responsible for determining the nature of the risks the Group faces, and for ensuring that appropriate mitigating actions are in place to manage them in a manner that enables the Group to achieve its strategic objectives.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that the risk management process 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 has defined the Group's risk appetite and 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 Board, with support from the Audit Committee, which in turn is supported by the Risk Committee. Strategic risks are reviewed by the Audit Committee 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 Board and the Audit Committee. These risks 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 Board, supported by the Risk Committee, identifies and prioritises the top business risks, with a focus 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.

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 2017
<b>Strategy</b>		
The Group develops business plans based on a wide range of variables. Incorrect assumptions about the economic environment, 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.	<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>– Continuing 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> <li>– Robust cost management.</li> </ul>	<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 acquisition of the twelve-store Alligator portfolio was completed at the start of the year, and three new stores have been opened, all successfully integrated into the Group's store portfolio.</p> <p>However, no business strategy is without risk, and the level of this risk is considered to have remained broadly similar to last year.</p>
<b>Finance risk</b>		
Lack of funding resulting in inability to meet business plans or satisfy liabilities, or a breach of covenants.	<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>– 88% of the Group's banking facilities run to 30 June 2023, with the remaining 12% to 30 June 2022. The US private placement notes mature in six, nine and eleven years.</li> </ul>	<p>In June 2018, the Group extended 88% of its banking facilities by a year, which provides more certainty for our loan financing.</p> <p>The Group's loan-to-value ratio ("LTV") has reduced during the year, from 36% to 30%, reflecting the valuation increase in the store portfolio.</p> <p>This risk is considered to have remained broadly unchanged since last year.</p>
<b>Treasury risk</b>		
Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.	<ul style="list-style-type: none"> <li>– Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate swaps to manage this risk.</li> <li>– Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.</li> </ul>	<p>Euro-denominated borrowings continue to provide an effective, natural hedge against the Euro-denominated net assets of our French business.</p> <p>During the year, we took out a further £35 million of interest rate swaps to hedge an increase in borrowings, which principally arose due to the Alligator acquisition.</p> <p>Despite recent increases in the UK base rate, this risk remains low. Mitigation of future rate increases is provided by our interest rate swaps and fixed interest borrowings, so the risk of adverse interest rate fluctuations remains broadly unchanged since the prior year.</p>
<b>Property investment and development</b>		
Acquisition and development of properties that fail to meet performance expectations, overexposure to developments within a short timeframe or the inability to find and open new stores may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value.	<ul style="list-style-type: none"> <li>– Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development.</li> <li>– Execution of targeted acquisitions and disposals.</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 and post-investment reviews are undertaken.</li> </ul>	<p>A robust due diligence process was undertaken prior to the Alligator acquisition. Projects are not pursued when they fail to meet our rigorous investment criteria, and post-investment reviews indicate that sound and appropriate investment decisions have been made.</p> <p>The capital requirements of development projects undertaken during the year have been carefully forecasted and monitored, and we continue to maintain significant capacity within our financing arrangements.</p> <p>We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. Therefore, the Board considers that there has been no significant change to this risk since last year.</p>

## Principal risks *continued*

### Risks and risk management *continued*

#### Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2017
<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>	<ul style="list-style-type: none"> <li>– Independent valuations are conducted regularly by experienced, independent, professionally qualified valuers.</li> <li>– A diversified portfolio which is let to a large number of customers helps to mitigate any negative impact arising from changing conditions in the financial and property markets.</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 valuation of the Group's portfolio has continued to grow during the year, reflecting both valuation gains arising from the increasing profitability of our portfolio and additions to our portfolio through corporate acquisitions and the opening of new development stores.</p> <p>In addition, the availability of recent relevant transactional evidence continues to increase; nevertheless, the level of this risk is viewed as broadly similar to last year.</p>
<b>Occupancy risk</b>		
<p>A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.</p>	<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 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 like-for-like 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>We have continued to grow like-for-like occupancy during the year, and the newly opened stores are performing well.</p> <p>Growth in our store portfolio diversifies the potential impact of underperformance of an individual store; however, the level of this risk is similar to last year.</p>
<b>Real estate investment trust ("REIT") risk</b>		
<p>Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.</p>	<ul style="list-style-type: none"> <li>– Internal monitoring procedures are 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>		
<p>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.</p>	<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, and a specific focus on fire prevention and safety procedures.</li> <li>– Fire risk assessments in stores.</li> <li>– Periodic security review of all systems supported by external monitoring and penetration testing.</li> <li>– Limited retention of customer data.</li> <li>– Online colleague training modules.</li> </ul>	<p>Continuing focus from the Risk Committee, with particular attention to specific issues.</p> <p>Implementation of GDPR during the year prompted a thorough review of our data management and retention processes.</p> <p>The threat from cyber-attacks continues to grow. The risk management and mitigation actions have been developed accordingly.</p>

Risk	Current mitigation activities	Developments since 2017
<b>Regulatory compliance risk</b>		
The regulatory landscape for UK listed companies is constantly developing and becoming more demanding, with new reporting and compliance requirements arising frequently.	<ul style="list-style-type: none"> <li>– Monitoring and review at the Risk Committee.</li> <li>– Project-specific steering committees to address the implementation of new regulatory requirements.</li> <li>– Legal and professional advice.</li> <li>– Online colleague training modules.</li> </ul>	<p>Whilst this risk is not new, the increase in regulatory and compliance requirements is such that this risk now warrants reporting separately.</p> <p>All regulatory compliance risks have been monitored during the year. In particular, a steering committee ensured an effective and compliant implementation of GDPR, and continues to monitor ongoing compliance.</p>
<b>Marketing risk</b>		
Our marketing strategy is critical to the success of the business, including maintaining web leadership, including our relationship with Google.	<ul style="list-style-type: none"> <li>– Constant measuring and monitoring of our web presence.</li> <li>– Market-leading website.</li> <li>– Our pricing strategy monitors and adapts to evolving customer behaviour.</li> </ul>	<p>We have on-boarded a new Digital and Marketing Director with deep experience in performance marketing and web optimisation.</p> <p>We have built functional expertise at Group level in performance marketing, organic and local searches and analytics.</p> <p>We have established a Group marketing forum to review performance, market developments and our ongoing improvement plan.</p> <p>We have defined and begun execution of a new value and quality-focused performance marketing strategy.</p> <p>The level of risk is considered similar to last year.</p>
<b>Consequences of the UK's decision to leave the EU ("Brexit")</b>		
<p>The UK is expected to leave the EU by March 2019. The terms of the UK's departure remain unclear, which has generated uncertainty in the economy and also with regard to legislation changes both before and after Brexit.</p> <p>Potential changes to UK legislation or regulations 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.</p>	<ul style="list-style-type: none"> <li>– 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>– Self-storage is a localised industry, with a broad and diversified customer base, so demand is unlikely to be significantly impacted by Brexit related changes.</li> <li>– The Group's workforce in the UK includes a low proportion of employees whose right to work in the UK may be impacted by potential Brexit related legislation changes.</li> </ul>	<p>The terms of Brexit are still to be approved by the UK Parliament, and the risk of a "no deal" Brexit remains.</p> <p>Whilst the Group has only limited exposure to the direct risks arising from Brexit, the continuing risk of a "no deal" Brexit increases economic uncertainty, so the level of this risk is considered to have increased since last year.</p>

## Viability statement

The Directors have assessed the viability of the Group over a three-year period to October 2021, 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 12 to 15 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. No borrowings will fall due to be repaid during the three-year outlook period; however, the Directors consider that additional funding for the business in the form of equity or borrowings will be available in all likely market conditions, if required. 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



# EPS<sup>1</sup> grew by 15.5% driven by strong EBITDA growth and a reduction in finance costs

	2018 £'m	2017 £'m	Movement %
Revenue	143.9	129.9	10.8%
Underlying costs	(61.0)	(55.5)	9.9%
<b>Underlying EBITDA</b>	<b>82.9</b>	74.4	11.4%
Leasehold rent	(11.2)	(10.3)	8.7%
<b>Underlying EBITDA after leasehold rent</b>	<b>71.7</b>	64.1	11.9%
Depreciation	(0.6)	(0.5)	20.0%
Finance charges	(8.4)	(9.4)	(10.6%)
<b>Underlying profit before tax</b>	<b>62.7</b>	54.2	15.7%
Current tax	(4.7)	(4.0)	17.5%
<b>Adjusted EPRA earnings</b>	<b>58.0</b>	50.2	15.5%
Share-based payments charge	(5.3)	(1.5)	253.3%
<b>EPRA basic earnings</b>	<b>52.7</b>	48.7	8.2%
Average shares in issue (m)	209.9	209.2	
Diluted shares (for ADE EPS) (m)	216.7	216.7	
<b>Adjusted diluted EPRA EPS (p)</b>	<b>26.8</b>	23.2	15.5%

### Notes

- Adjusted Diluted EPRA EPS is defined in note 2 to the financial statements.
- Adjusted EPRA earnings excludes share-based payment charges and, accordingly, the underlying EBITDA, underlying EBITDA after leasehold rent and underlying profit before tax measures have been restated to exclude share-based payment charges for consistency.

### Underlying income statement

The table above sets out the Group's underlying results of operations for the year ended 31 October 2018 and the year ended 31 October 2017. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

Underlying EBITDA increased by 11.4% to £82.9 million (FY2017: £74.4 million), reflecting a 10.8% increase in revenue and a 9.9% increase to the underlying cost base. This performance reflects the contribution from the acquisition of Alligator in November 2017, as well as the impact of the four new stores opened since June 2017, offset by the closures of Deptford, Merton, Leeds and Paddington.

Leasehold rent increased by 8.7% from £10.3 million to £11.2 million, principally due to an additional two leases in respect of the Alligator business and our new leasehold store at Paddington Marble Arch.

Underlying finance charges reduced by 10.6% from £9.4 million to £8.4 million. This reflects the benefit of the annualisation of our May 2017 refinancing of our borrowing arrangements as well as the restructuring of our hedging arrangements undertaken during the prior year.

As a result, we achieved a 15.7% increase in underlying profit before tax to £62.7 million (FY2017: £54.2 million).

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £4.7 million (FY2017: £4.0 million), calculated by applying the French statutory income tax rate of 33.33% on the taxable profits earned by our Paris business, which results in an effective underlying tax rate of 28%. The Group's share-based payment charge increased £3.8 million to £5.3 million (FY2017: £1.5 million), representing the impact of the new remuneration policy and Long Term Incentive Plan.

Management considers that the most representative earnings per share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 15.5% to 26.8 pence (FY2017: 23.2 pence).



## Reconciliation of underlying EBITDA

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

	2018 £'m	2017 £'m
Operating profit	197.6	109.6
Adjusted for:		
– gain on investment properties	(122.1)	(39.2)
– depreciation	0.6	0.5
– contingent rent	1.5	0.6
– share-based payments	5.3	1.5
Exceptional items:		
– costs incurred relating to corporate transactions	–	1.4
Underlying EBITDA	82.9	74.4

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, contingent rent and share-based payment charges. The gain on investment properties was £122.1 million, as compared to £39.2 million in 2017. The Group's approach to the valuation of its investment property portfolio at 31 October 2018 is discussed below.

## 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.

	2018			2017		
	UK £'m	Paris €'m	Total (CER) £'m	UK £'m	Paris €'m	Total (CER) £'m
Revenue	109.0	39.4	143.4	97.5	37.2	129.9
Underlying cost of sales	(39.6)	(11.3)	(49.4)	(35.6)	(10.4)	(44.6)
Store EBITDA	69.4	28.1	94.0	61.9	26.8	85.3
Store EBITDA margin	63.7%	71.3%	65.6%	63.5%	72.0%	65.7%
LFL store EBITDA margin	64.3%	72.6%	66.4%	63.4%	72.2%	65.7%
Underlying administrative expenses	(8.3)	(3.5)	(11.4)	(7.6)	(3.7)	(10.9)
Underlying EBITDA	61.1	24.6	82.6	54.3	23.1	74.4
EBITDA margin	56.1%	62.4%	57.6%	55.7%	62.1%	57.3%
LFL EBITDA margin	55.9%	63.6%	57.9%	55.4%	62.5%	57.2%
Leasehold rent	(6.7)	(5.1)	(11.2)	(6.2)	(4.6)	(10.3)
Underlying EBITDA after leasehold rent	54.4	19.5	71.4	48.1	18.5	64.1
EBITDA after leasehold rent margin	49.9%	49.5%	49.8%	49.3%	49.7%	49.3%
	UK £'m	Paris £'m	Total £'m	UK £'m	Paris £'m	Total £'m
Underlying EBITDA after leasehold rent (CER)	54.4	17.0	71.4	48.1	16.0	64.1
Adjustment to actual exchange rate	–	0.3	0.3	–	–	–
Reported underlying EBITDA after leasehold rent	54.4	17.3	71.7	48.1	16.0	64.1

### 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 in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £6.8 million, or 12.5%, to £61.1 million (FY2017: £54.3 million), underpinned by an 11.8% or £11.5 million increase in revenue, which was driven primarily by a full year contribution from the acquisition of Alligator in November 2017 as well as the impact of the new stores opened in Mitcham and Paddington Marble Arch offset by the closures of Leeds Central, Merton, Paddington and Deptford. Underlying UK EBITDA after leasehold rent increased by 13.1% to £54.4 million (FY2017: £48.1 million).

In Paris, underlying EBITDA increased by €1.5 million, or 6.5%, to €24.6 million (FY2017: €23.1 million), driven by a €2.2 million increase in revenue. Underlying EBITDA after leasehold rent in Paris increased by 5.4% to €19.5 million (FY2017: €18.5 million).

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, store EBITDA margin in the UK was 64.3% (FY2017: 63.4%) and in France it was 72.6% (FY2017: 72.2%).

The combined results of the UK and Paris delivered an 11.4% increase in underlying EBITDA after leasehold rent at constant exchange rates at Group level. Adjusting for a favourable exchange impact of £0.3 million, the Group's reported underlying EBITDA after leasehold rent also increased by 11.9%, or £7.6 million, to £71.7 million (FY2017: £64.1 million).

## Financial review *continued*

### 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 2018 and 2017.

		2018	% of total	2017	% of total	% change
<b>UK</b>	£'m	<b>109.0</b>	<b>76%</b>	97.5	75%	11.8%
<b>Paris</b>						
Local currency	€'m	<b>39.4</b>		37.2		5.9%
Average exchange rate	€:£	<b>1.131</b>		1.148		1.5%
Paris in Sterling	£'m	<b>34.9</b>	<b>24%</b>	32.4	25%	7.7%
<b>Total revenue</b>		<b>143.9</b>	<b>100%</b>	129.9	100%	10.8%

The Group's revenue increased by 10.8% or £14.0 million in the year. The Group's occupied space was 550,000 sq ft higher at 31 October 2018 (4.69 million sq ft) than at 31 October 2017 (4.14 million sq ft), and the average rental rate per square foot for the Group, affected in the year by the dilutive impact of our lower priced new stores and acquired Alligator stores, was 2.9% lower in 2018 at £25.90 than in 2017 (£26.67).

Adjusting the Group's revenue to a like-for-like basis (to reflect the Alligator acquisition, the opening of two new stores in the UK and two in Paris, and the closures of four stores in the UK), revenue has increased by 5.6%. Adjusting further for the strengthening of the Euro during the year, Group like-for-like revenue at constant exchange rates has increased by 5.2%.

In the UK, revenue grew by £11.5 million or 11.8%, and on a like-for-like basis it increased by 5.2%. Occupancy was 490,000 sq ft higher at 31 October 2018 than at 31 October 2017, at 3.74 million sq ft (3.25 million sq ft) largely reflecting the acquisition of the Alligator portfolio. The average rental rate for the year fell 3.1%, from £24.42 in 2017 to £23.66 in 2018, due to the dilutive impact of acquired Alligator stores. On a like-for-like basis, the average rental rate in the UK increased by 0.5% to £24.33 (FY2017: £24.20).

In Paris, revenue increased by 5.1% to €39.0 million on a like-for-like basis (FY2017: €37.1 million). However, the 1.5% strengthening of the Euro during the financial year had a favourable currency impact of approximately £0.5 million on translation, which contributed to a 7.7% increase when reported in Sterling. Closing occupancy grew to 0.95 million sq ft (FY2017: 0.89 million sq ft), and the average rental rate fell by 2.1% to €39.44 for the year (FY2017: €40.28). Adjusting for the impact of immature stores, on a like-for-like basis the average rental rate in France fell 0.9% to €39.96 (FY2017: €40.34) and, removing the dilutive mix effect of our lower priced suburban Emerainville store, average rate remained flat year-on-year.

### Analysis of cost base

#### Cost of sales

The table below details the key movements in cost of sales between 2017 and 2018.

	2018 £'m	2017 £'m
Reported cost of sales	<b>(51.7)</b>	(45.7)
Adjusted for:		
– Depreciation	<b>0.6</b>	0.5
– Contingent rent	<b>1.5</b>	0.6
Underlying cost of sales	<b>(49.6)</b>	(44.6)
Underlying cost of sales for 2017		(44.6)
– Closed and new store cost of sales		1.1
Underlying cost of sales for 2017 (like-for-like):		(43.5)
– Enquiry generation spend		(0.8)
– Employee costs, business rates and other cost of sales		(0.5)
Underlying cost of sales for 2018 (like-for-like; CER)		(44.8)
– Alligator, closed and new store cost of sales		(4.6)
Underlying cost of sales for 2018 (CER)		(49.4)
– Foreign exchange		(0.2)
Underlying cost of sales for 2018		(49.6)

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation, which does not form part of underlying EBITDA, and contingent rent, which forms part of our leasehold rent costs in the presentation of our underlying income statement.

Cost of sales increased by £5.0 million in the year, from £44.6 million in 2017 to £49.6 million in 2018. Adjusting for a £0.2 million adverse currency impact, in constant currency underlying cost of sales grew by £4.8 million, which is largely attributable to a £3.5 million increase in costs of sales arising from the twelve Alligator stores, two new stores in the UK and two in Paris, offset by four store closures in the UK. On a like-for-like basis, at constant exchange rates, cost of sales increased by £1.3 million or 3.0%, with £0.5 million from business rates, store maintenance and store employee remuneration and £0.8 million of additional enquiry generation investment. The cost of our marketing efforts during the year represented 5.4% of revenue.

## Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2017 and 2018.

	2018 £'m	2017 £'m
Reported administrative expenses	<b>(16.7)</b>	(13.8)
Adjusted for:		
– Exceptional items	–	1.4
– Share-based payments	<b>5.3</b>	1.5
Underlying administrative expenses	<b>(11.4)</b>	(10.9)
Underlying administrative expenses for 2017		(10.9)
– Closed and new store administrative expenses		0.1
Underlying administrative expenses for 2017 (like-for-like):		(10.8)
– Employee remuneration		(0.4)
– Professional fees and administration costs		(0.2)
Underlying administrative expenses for 2018 (like-for-like; CER)		(11.4)
– Alligator, closed and new store administrative expenses		–
Underlying administrative expenses for 2018 (CER)		(11.4)
– Foreign exchange		–
Underlying administrative expenses for 2018		(11.4)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, share-based payments and other non-underlying items.

Administrative expenses increased by £0.5 million or 4.6% in the year, from £10.9 million in 2017 to £11.4 million in 2018 through a £0.4 million increase in employee remuneration and net £0.1 million increase in other professional fees and administration costs.

Total costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £1.9 million, or 3.5%, to £56.2 million (FY2017: £54.3 million), principally as a result of the increase in cost of sales explained above.

## Exceptional items

A net exceptional cost of zero was incurred in the year. However, in France, exceptional income of £0.5 million relating to compensation was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK. In the prior year, the Group incurred exceptional transaction related costs totalling £1.4 million which arose on the acquisition of Stork Self Storage (Holdings) Limited (which trades as Alligator Self Storage).

## 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.

	2018 £'m	2017 £'m
Revaluation of investment properties	<b>124.8</b>	43.6
Revaluation of investment properties under construction	<b>2.5</b>	0.9
Depreciation on leasehold properties	<b>(5.2)</b>	(5.3)
Gain on investment properties	<b>122.1</b>	39.2

In the current financial year, including investment properties under construction, the UK business contributed £101.4 million to the positive valuation movement and the Paris business contributed £25.9 million. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which has further driven positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

## Operating profit

Operating profit increased by £88.0 million from £109.6 million in 2017 to £197.6 million in 2018, comprising an £8.5 million increase in underlying EBITDA, an £82.9 million higher investment property gain and non-repeating exceptional transactional costs of £1.4 million recognised in the prior year, offset by a £1.0 million increase in depreciation and contingent rent and a £3.8 million increase in share-based payment charges.

## Financial review *continued*

### Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs decreased by £18.4 million in 2018, to £12.3 million from £30.7 million in 2017, principally due to the non-repeat of £16.3 million of exceptional refinancing costs incurred in 2017.

	2018 £'m	2017 £'m
Net bank interest payable	(8.4)	(9.4)
Interest on obligations under finance leases	(4.5)	(4.4)
Fair value movement on derivatives	0.5	(5.2)
Net exchange gains	—	4.5
Unwinding of discount on Capital Goods Scheme receivable	0.1	0.1
Exceptional finance expenses	—	(16.3)
<b>Net finance costs</b>	<b>(12.3)</b>	<b>(30.7)</b>

### Underlying finance charge

The underlying finance charge (net bank interest payable) reduced by £1.0 million to £8.4 million, principally reflecting a full year of interest savings arising from the refinancing of our borrowing arrangements undertaken in May 2017, as well as the restructuring of our hedging arrangements in August 2017. Net bank interest payable also includes the amortisation of debt issue costs, which decreased to £0.1 million (FY2017: £0.3 million).

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 revolver	£250.0	£171.0	£135.0	79%	1.25%	0.94%	0.82%	2.16%
UK revolver – non-utilisation	£79.0	—	—	—	0.50%	—	—	0.50%
Euro revolver	€70.0	£38.2	£26.7	70%	1.25%	0.16%	(0.32%)	1.27%
Euro revolver – non-utilisation	€27.0	—	—	—	0.50%	—	—	0.50%
US Private Placement 2024	€50.9	£45.3	£45.3	100%	1.59%	—	—	1.59%
US Private Placement 2027	€74.1	£65.9	£65.9	100%	2.00%	—	—	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	—	—	2.92%
Unamortised finance costs	—	(£1.0)	—	—	—	—	—	—
<b>Total</b>	<b>£473.9</b>	<b>£369.9</b>	<b>£323.4</b>	<b>87%</b>				<b>2.28%</b>

As at 31 October 2018, £171 million of the £250 million UK revolver and €43 million (£38.2 million) of the €70 million Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £79 million and €27 million.

The Group has interest rate hedge agreements in place to June 2022, swapping LIBOR on £135 million at a weighted average effective rate of 0.94% and EURIBOR on €30 million at an effective rate of 0.16%.

The 2024 and 2027 US private placement notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million) and 2.00% (on €74.1 million) respectively. The Euro-denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The £50.5 million 2029 US private placement notes are denominated in Sterling and attract a fixed interest rate of 2.92%.

87% of the Group's drawn debt is effectively at fixed rates of interest, as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.28% at 31 October 2018, compared to 2.14% at the previous year end, as a result of a combination of increasing UK interest rates on the unhedged portion of the UK revolver and the rate impact of the Group's additional £35 million hedging arrangements.

### Non-underlying finance charge

Interest on finance leases was £4.5 million (FY2017: £4.4 million) and reflects part of the leasehold rental payment. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge increased from £10.3 million in 2017 to £11.2 million in 2018, principally reflecting the addition of two new leases through the acquisition of the Alligator business, our new leasehold store at Paddington Marble Arch, and the non-repeat of favourable rent settlements in Paris in 2017.

Net finance costs includes no exchange gain or loss (FY2017: £4.5 million of net exchange gains). The gain in the prior period arose primarily on retranslation of the Group's US Dollar-denominated borrowings.

A net gain of £0.5 million was recognised on fair valuation of derivatives (FY2017: net loss of £5.2 million). The loss in the prior period principally comprised a loss of £6.5 million arising on the US Dollar cross currency swaps, less a net gain of £1.3 million arising on our interest rate hedging arrangements.

Since our refinancing in May 2017, the Group is no longer exposed to exchange movements on US Dollar-denominated borrowings, and the US Dollar cross currency swaps were broken as part of the refinancing. The Group undertakes net investment hedge accounting for its new Euro-denominated loan notes, so the income statement is not exposed to fluctuations in the Euro exchange rate.

## Tax

The tax charge for the year is analysed below:

	2018 £'m	2017 £'m
Underlying current tax	(4.7)	(4.0)
Current tax charge	(4.7)	(4.0)
Tax on investment properties movement	(7.6)	(5.4)
Tax on revaluation of interest rate swaps	(0.1)	(0.1)
Impact of tax rate change in France	4.0	8.8
Adjustment in respect of prior years	0.2	—
Other	0.1	0.1
Deferred tax (charge)/credit	(3.4)	3.4
Net tax charge	(8.1)	(0.6)

The net income tax charge for the year is £8.1 million (FY2017: £0.6 million). In the UK, the Group is a REIT, so the tax charge relates solely to the Paris business. The underlying current tax charge relating to Paris amounted to £4.7 million (FY2017: £4.0 million), calculated by applying the French statutory income tax rate of 33.33% to its taxable profits, which results in an effective underlying tax rate of 28%.

Deferred tax was a £3.4 million charge (FY2017: £3.4 million credit). In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result of this change, a non-recurring deferred tax credit of £4.0 million (FY2017: £8.8 million) has been recognised.

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 £7.6 million (FY2017: £5.4 million).

## Earnings per share

As a result of the movements explained above, profit after tax for 2018 was £177.2 million as compared with £78.3 million in 2017. Basic EPS was 84.4 pence (FY2017: 37.4 pence) and diluted EPS was 84.2 pence (FY2017: 37.3 pence).

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 disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any Long Term Incentive Plan ("LTIP") awards may vest.

Management introduced Adjusted Diluted EPRA EPS as a new measure of EPS following the implementation of the Group's new LTIP scheme in 2017. Management considers that the real cost to existing shareholders is the dilution that they will experience from the new LTIP scheme; therefore, earnings has been adjusted for the IFRS 2 share-based payment charge, and the number of shares used in the EPS calculation has been adjusted for the dilutive effect of the new LTIP scheme.





## Financial review *continued*

### Earnings per share *continued*

Adjusted Diluted EPRA EPS for the year was 26.8 pence (FY2017: 23.2 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

	2018			2017		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
<b>Basic earnings</b>	<b>177.2</b>	<b>209.9</b>	<b>84.4</b>	78.3	209.2	37.4
<b>Adjustments:</b>						
Gain on investment properties	(122.1)	—	(58.2)	(39.2)	—	(18.8)
Exceptional items	—	—	—	1.4	—	0.7
Exceptional finance costs	—	—	—	16.3	—	7.8
Unwinding of discount on CGS receivable	(0.1)	—	—	(0.1)	—	—
Net exchange (gain)	—	—	—	(4.5)	—	(2.2)
Change in fair value of derivatives	(0.5)	—	(0.2)	5.2	—	2.5
Tax on adjustments	2.4	—	1.1	(4.4)	—	(2.1)
<b>Adjusted</b>	<b>56.9</b>	<b>209.9</b>	<b>27.1</b>	53.0	209.2	25.3
EPRA adjusted:						
Depreciation of leasehold properties	(5.2)	—	(2.5)	(5.3)	—	(2.5)
Tax on leasehold depreciation adjustment	1.0	—	0.5	1.0	—	0.5
EPRA basic EPS	52.7	209.9	25.1	48.7	209.2	23.3
Share-based payments charge	5.3	—	2.5	1.5	—	0.7
Dilutive shares	—	6.8	(0.8)	—	7.5	(0.8)
<b>Adjusted Diluted EPRA EPS</b>	<b>58.0</b>	<b>216.7</b>	<b>26.8</b>	50.2	216.7	23.2

### Dividends

The Directors are recommending a final dividend of 11.15 pence (FY2017: 9.80 pence) which shareholders will be asked to approve at the Company's Annual General Meeting on 20 March 2019. If approved by shareholders, the final dividend will be payable on 10 April 2019 to shareholders on the register at close of business on 8 March 2019.

Reflective of the Group's improved performance, the Group's full year dividend of 16.25 pence is 16.1% up on the prior year dividend of 14.0 pence. The property income dividend ("PID") element of the full year dividend is 13.7 pence (FY2017: 11.9 pence).

### Property valuation and net asset value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP has valued the Group's property portfolio. As at 31 October 2018, the total value of the Group's property portfolio was £1,216.2 million (excluding investment properties under construction of £4.7 million). This represents an increase of £217.0 million compared with the £999.2 million valuation as at 31 October 2017. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Total £'m	Paris €'m
Value at 1 November 2017	736.6	262.6	999.2	298.6
Currency translation movement	—	3.1	3.1	—
Additions	14.4	3.7	18.1	4.2
On acquisition of subsidiary	56.6	—	56.6	—
Disposals	—	—	—	—
Reclassifications	9.9	4.5	14.4	5.1
Revaluation	98.9	25.9	124.8	29.3
<b>Value at 31 October 2018</b>	<b>916.4</b>	<b>299.8</b>	<b>1,216.2</b>	<b>337.2</b>

The exchange rate at 31 October 2018 was €1.12:£1 compared with €1.14:£1 at 31 October 2017. This movement in the foreign exchange rate has resulted in a £3.1 million favourable currency translation movement in the year. This has impacted 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 £179.8 million compared with 31 October 2017, including a £98.9 million valuation gain, £56.6 million from the acquisition of the Alligator portfolio and capital additions (including reclassifications from investment properties under construction) of £24.3 million.

Our pipeline of expansion stores in the UK, comprising sites at Birmingham Merry Hill and Carshalton, is valued at £4.7 million.

In Paris, the value of the property portfolio increased by €38.6 million, of which €29.3 million was valuation gain and capital additions (including reclassifications from investment properties under construction) were €9.3 million. However, the net increase in Sterling amounted to £37.2 million, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2018 reduced to 6.74%, from 7.06% at 31 October 2017, and the weighted average annual discount rate for the whole portfolio has reduced from 10.56% at 31 October 2017 to 10.17% at 31 October 2018. The improvement in the capitalisation rates used in the valuation arose from positive adjustments to certain risk factors such as cash flow and specific building locations, in particular for the London and Paris portfolio.

The adjusted EPRA NAV per share was 402 pence at 31 October 2018, up 22.2% since 31 October 2017, and reported NAV per share was 376 pence (FY2017: 304 pence), reflecting a £150.9 million increase in reported net assets during the year.

## Gearing and capital structure

The Group's borrowings comprise revolving bank borrowing facilities in the UK and France and a US private placement.

Net debt (including finance leases and cash) stood at £415.5 million at 31 October 2018, an increase of £61.3 million from the 2017 position of £354.2 million, reflecting funding for the acquisition of Alligator in November 2017. Total capital (net debt plus equity) increased from £991.9 million at 31 October 2017 to £1,204.1 million at 31 October 2018. The net impact is that the gearing ratio has decreased from 36% to 35% in the year.

Management also measures gearing with reference to its loan-to-value ("LTV") ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2018 the Group LTV ratio was 30% as compared to 36% at 31 October 2017. The Board considers the current 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.

### Borrowings at 31 October 2018

As at 31 October 2018, £171 million of the £250 million UK revolver and €43 million (£38.2 million) of the €70 million Euro revolver were drawn. Including the US private placement debt of €125 million (£111.2 million) and £50.5 million, the Group's borrowings totalled £370.9 million (before adjustment for unamortised finance costs).

In July 2018, the Group exercised an option to extend some UK and Euro revolving credit facilities by one year from June 2022 to June 2023. As at 31 October 2018, the weighted average remaining term for the Group's committed borrowing facilities is 5.8 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 of EBITDA:interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2018 is 8.6x.

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 2018, 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 2018 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.

## Cash flow

The table below sets out the underlying cash flow of the business in 2018 and 2017. For statutory reporting purposes, leasehold rent cash flows are allocated between finance costs, principal repayments and contingent rent, however, management considers a presentation of cash flows that reflects leasehold rent as a single line item to be representative of the underlying cash flow performance of the business.

	2018 £'m	2017 £'m
Underlying EBITDA	82.9	74.4
Working capital/exceptionals/other	(1.2)	(0.8)
<b>Operating cash inflow</b>	<b>81.7</b>	73.6
Interest payments	(8.7)	(10.4)
Leasehold rent payments	(11.2)	(10.3)
Tax payments	(6.4)	(2.6)
<b>Free cash flow (before investing and financing activities)</b>	<b>55.4</b>	50.3
Acquisition of subsidiary, net of cash acquired	(55.9)	—
Capital expenditure – investment properties	(27.7)	(21.7)
Capital expenditure – property, plant and equipment	(0.8)	(0.6)
Capital Goods Scheme receipt	1.1	1.4
Proceeds from disposal – investment properties	—	8.1
<b>Net cash flow after investing activities</b>	<b>(27.9)</b>	37.5
Issue of share capital	0.1	0.3
Dividends paid	(31.3)	(25.6)
Net drawdown of borrowings	5.0	38.9
Debt issuance costs	(1.1)	(2.0)
Net hedge breakage receipt	—	11.3
<b>Net (decrease)/increase in cash</b>	<b>(55.2)</b>	60.4

## Financial review *continued*

### Cash flow *continued*

Operating cash flow increased by £8.1 million in the year, principally due to the £8.5 million improvement in underlying EBITDA. Working capital, exceptional items and other movements resulted in a net £1.2 million outflow (FY2017: £0.8 million), principally due to the payment of transaction costs related to the acquisition of Alligator.

Free cash flow (before investing and financing activities) grew by 10.1% to £55.4 million (FY2017: £50.3 million). The free cash flow benefited from the increase in operating cash flow, as well as a £1.7 million decrease in interest payments, arising from the prior year's refinancing, offset by a £0.9 million increase in leasehold rental payments, reflecting an equivalent increase in the rent charge, and a £3.8 million increase in tax.

Investing activities experienced a net outflow of £83.3 million (FY2017: £12.8 million), which included £55.9 million relating to the acquisition of Stork Self Storage (Holdings) Limited (which trades as Alligator Self Storage) and £27.7 million (FY2017: £21.7 million) of capital expenditure on our investment property portfolio, of which £11.3 million was in respect of our new stores at Combs-la-Ville, Poissy, Mitcham and Paddington Marble Arch and our two new pipeline sites at Carshalton and Merry Hill in Birmingham. The prior year included £8.1 million generated from the sales of Deptford and our old Birmingham Central store.

Financing activities generated a net cash outflow of £27.3 million (FY2017: £22.9 million inflow). Dividend payments totalled £31.3 million (FY2017: £25.6 million). The net drawdown of borrowings was £5.0 million (FY2017: £38.9 million), which in the prior year included £56.0 million in anticipation of the Alligator acquisition, which completed immediately after the year end on 1 November 2017 (and which is the principal reason for the £60.4 million net increase in cash in the prior year), less a £12.4 million "make-whole" payment on cancellation of US Private Placement loan notes. In addition, financing activities in the prior year included a net inflow of £11.3 million (FY2018: £nil) comprising a receipt of £13.9 million on breaking the Sterling/Dollar cross currency swap relating to the cancelled loan notes less a cash outflow of £2.6 million on restructuring of our interest rate hedge arrangements.

**Andy Jones**  
**Chief Financial Officer**  
 7 January 2019



## Corporate social responsibility (“CSR”)

# We continue to seek ways to make a difference to our colleagues, our customers and the local communities and environment in which we operate

At Safestore, corporate social responsibility (“CSR”) is important to our business processes and operations. We strive to ensure that our activities reflect our ongoing commitment to customer care, colleague engagement, responsible supply chains, driving stakeholder value and helping to maintain a sustainable environment for future generations.

The Group continues to contribute to the development of a sustainable society through focused efforts on the four pillars of our CSR strategy:

- commitment to customer care (“Our customers”);
- creating a diverse, dynamic and engaged workplace (“Our people”);
- developing and maintaining partnerships with local communities and charities (“Our community”); and
- mitigating the environmental effects of our activities (“Our environment”).

As the UK’s largest provider of self-storage facilities, we are very aware of the impact we can have in society and on the environment and therefore, by making incremental changes year-on-year, we can ensure that our actions have positive implications for our colleagues, suppliers and wider society.

We are continuously adapting our business to respond to our customers’ changing expectations including improving customer convenience and offering flexibility for small, medium and large businesses.

We are proud of the role we continue to play in the lives of our customers as we meet the demand for space from domestic and business customers, and we want to keep pace with their needs and expectations whilst delivering our commercial objectives.

During the year, the Board continued to focus on delivering the Group’s strategy whilst addressing the key environmental, social and ethical factors facing Safestore.

We continue to do this by:

- ensuring our colleagues are engaged and have the expertise to deliver high quality customer service;
- developing long term relationships with local charities and creating strong ties to the communities where we have a storage centre;
- strengthening partnerships with our suppliers so we can serve our customers better and grow our businesses together going forward;

- managing the resources we use in order to minimise any negative impact on the environment either through our direct operations or through our sourcing activities; and
- maintaining our membership of the Self Storage Association to further industry standards and codes of ethics for the benefit of our customers.

A notable development this year has been the establishment of a cross-functional CSR leadership team to provide direction and maintain momentum in driving forward the Group’s CSR agenda. This increased management focus has seen progress in all key areas during the year. Highlights include:

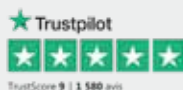
- maintained high customer service levels – Feefo “Gold Trusted Merchant” for the fifth consecutive year in the UK and 92% positive ratings on Trustpilot in France, rated in the top category of “Excellent” overall;
- awarded Investors in People Gold award, and selected as a top ten finalist for the Gold Employer of the year 250+ award category;
- estate electricity consumption reduced by 22%; and
- awarded Charity Initiative of the Year at the Federation of European Self Storage Associations (“FEDESSA”) awards for the efforts of our West London stores in the wake of the Grenfell Tower tragedy.

### Our customers

We are committed to delivering a first class service and because our customers are at the heart of everything we do, we continue with our focus on improving our service. We do this by gauging customer satisfaction using our website, third party tools and social media.

This information helps us to develop offers and services as well as resolving issues at store level. We are aware how customer feedback and testimonials play a part in the buying process and therefore, our customer feedback, whether it is good or bad, informs us if we need to do things better and has proven invaluable to us over the years.

We continue to seek customer feedback through Feefo, the online review platform which 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.





## Corporate social responsibility (“CSR”) continued



85%

A recent engagement survey demonstrated that:

85% of our colleagues felt Safestore is a great place to work

84% of our colleagues felt their manager motivates them to achieve their best

84% felt that they could trust the leaders in the organisation

### Our customers continued

In 2018, Safestore once again maintained a customer service rating of 96% based on the customers who rated their experience as “Excellent” or “Good”. Having achieved this service level online, in store and on the phone, Safestore was again recognised with a “Gold Trusted Merchant” award – given to businesses achieving over 95% for the fifth year running.

This coveted award is based purely on the interactions with verified and genuine customers and as such the accreditation is a true reflection of our commitment to providing outstanding service.

In addition to using Feefo, Safestore now invites customers to leave a review of their service on a number of review platforms, including Google, Trustpilot and directly on safestore.co.uk. This way, wherever customers look for trust and reputational signals about Safestore, they will see an impartial view of our excellent customer satisfaction.

Une Pièce en Plus continues to use Trustpilot to obtain independent customer reviews. Since 2013, over 1,600 reviews have been collected with more than 92% of customers satisfied with their customer service experience, rating it four stars and above.

We are proud to be recognised for delivering exceptional customer service and we see this as a great achievement and a testament to the hard work of our colleagues in store.

### Our people

Our colleagues play a pivotal role in providing the best solution for our customers and we are passionate in providing a diverse CSR programme that ensures they are truly placed at the heart of our business. We have provided the tools and time to dedicate to our teams to help our colleagues achieve their goals and this is underpinned by our commitment to attract and retain the very best talent to shape our future success.

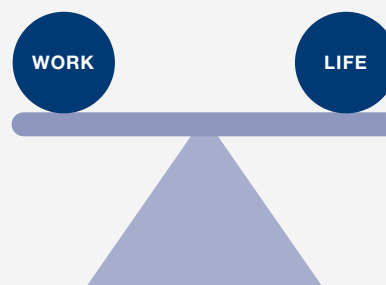
We are extremely proud of achieving the Investors in People (“IIP”) Gold accreditation for 2018, which means we are one of the top employers of 14,000 organisations surveyed, across 75 countries. We were also a top ten finalist for the Gold Employer of the year 250+ award category.

### Living healthier lives

This year we have been committed to driving our health and well-being agenda and to continuously evolve with the everyday challenges our colleagues may be faced with. We are focused on offering simple, practical well-being initiatives, to make it easier for our colleagues to lead healthier and happier lives. We recognise that the organisation’s success depends on it.

- We have introduced an Employee Assistance Programme (“EAP”) to provide our colleagues with expert guidance and support on everyday matters, whenever they need it.
- We are making it easier for our colleagues to make simple healthy choices, by providing regular fresh fruit deliveries, a tax-free cycle to work scheme and a reflection room facility.
- We work closely with our occupational health provider who helps with appropriate support, guidance and recommendations for our colleagues regarding health concerns, including mental health.
- We want to create a culture where mental health is not a subject that people shy away from. We are building mental health awareness within the workplace by educating our managers, so we can offer the right support at the right time and experiences can be safely shared.
- We offer colleagues the opportunity to join our private healthcare scheme. This enables our colleagues to have access to private treatment whenever they need to use it.
- We value our colleagues as individuals and understand that people may have other commitments outside of work. We therefore welcome and consider all requests for flexible and at-home working to encourage a healthy work/life balance.

70% of our colleagues feel they are able to balance their work and personal life





- Prevention of conflict is the most effective way of maintaining strong relationships which is why we have invested in mediation training for our expert advisers, to change the way we manage conflict in the workplace. Encouraging open and honest communication through facilitated discussions and mediation sessions builds harmonious teams and transforms relationships. Our new conflict resolution policy is now in development and due to be phased in to replace our grievance policy in 2018/19.

We are committed to providing a working environment free from harassment and bullying and ensuring all colleagues are treated, and treat others, with dignity and respect. Our bullying and harassment policy sets out our clear expectations in this area.

#### Creating financial peace of mind

In order to support our colleagues to safeguard their future, we have recently introduced an option for eligible colleagues to switch their pension contributions to “salary sacrifice”, recognised as the most tax-efficient way of making pension contributions.

This year, following a formal review of our workplace pension arrangements, we made the decision to change our scheme provider to Scottish Widows, one of the UK’s leading workplace pension providers.

We were pleased to offer all colleagues the opportunity to join our Sharesave scheme. Following the success of the previous scheme, we saw an increase of 130% of Safestore colleagues enrolled in the Sharesave scheme currently in operation compared to the 2014 scheme.



#### Learning and development

We strongly believe that our learning and development agenda was pivotal in us achieving the Investors in People (“IIP”) Gold accreditation for 2018. It has been an exciting year for learning and development at Safestore. We continue to deliver in-house workshops from our well-established training portfolio, and further key initiatives continue to positively impact our people agenda.

We have maintained colleague development through our Sales Consultant programme which enables individuals to gain and demonstrate business knowledge and skills as they progress through the structured five-step framework.

We are utilising our Apprenticeship Levy to continue to develop individuals in specialised subject areas whilst gaining external qualifications. Currently, we have individuals working towards their professional finance qualification. We have also taken the opportunity

## “The coaching programme has been a central plank in the cultural change that Safestore has achieved”

IIP Report 2018

to collaborate with the Institute of Leadership and Management (“ILM”), in order to provide the Level 3 ILM qualification as a part of our Store Manager Development Programme.

We are proud of our 22-course e-learning portfolio, which we continue to review and develop. Completion rate is 100% from all of our new starters and several of the learning modules form a key part of the coaching action points, with colleagues encouraged to revisit the modules throughout the year. We have introduced key compliance subjects such as GDPR and modern slavery, which are now compulsory for all Safestore colleagues. Modules such as Health and Safety and Fire Safety are refreshed annually as a part of our ongoing learning programme. This year colleagues have completed an additional 1,000 hours of compliance modules online.

We have continued to deliver our annual sales refresher, which has been successful in ensuring our store teams continue to offer market-leading sales and customer service. We have completed 3,090 of training hours on the sales refresher during 2018.

Existing store managers and those on our Store Manager Development (“SMD”) Programme are currently enhancing their skills whilst attending our most recent workshop, “Management Basics”. All managers in our business will have attended this course by the end of 2018.

QUEST is our two-day sales course focused on supporting and upskilling our new starters on how we sell at Safestore. Five of our experienced store managers assist in facilitating QUEST, supporting continuous learning and development at every level. We have 100% attendance from all new operational starters within eight weeks of joining the business, including new store managers.

Safestore’s coaching programme teaches the skills required to become a great coach.

Our 18-month SMD Programme upskills individuals to understand our business, people, operations and customers to an advanced level by learning management theories as a part of the ILM accreditation and then demonstrating their skills at store level. Since 2016 we are delighted to have made 17 internal promotions to store manager as a result of this programme, with a further ten colleagues on the programme at present.

Alongside our values, we believe that demonstrating the right behaviours at work is critical to our culture. In order to support this view we provide behavioural skills assessments through the use of externally accredited assessment tools such as Jigsaw@Work, Insights Discovery and Belbin to upskill groups of individuals to grow their awareness of others with whom they work and influence. These courses have been met with high levels of engagement from our store and Head Office teams and the rewards of more focused and self-aware teams are visible.

At Safestore we do not offer any “Business Values” workshops. Instead, we recruit, train and develop individuals to our values and behaviours on a daily basis. Our values are therefore deeply embedded and understood by the Safestore team.

## Corporate social responsibility (“CSR”) *continued*

### Our values

*Our values, created by our store teams, are at the heart of everything we do.*

**We Love Customers** – *we deliver much more than storage, we provide solutions that exceed our customers’ expectations and we expect our people to show appreciation of our customers and their business.*

**We Lead the Way** – *we want people who talk with pride about Safestore, set themselves high standards and demonstrate passion for what they do.*

**We Have Great People** – *everyone has a key role to play within Safestore and we need people who show respect for everyone, no matter their position. Our people drive their own performance and are keen to learn from others.*

**We Dare to be Different** – *we want people that adapt to change and are willing to try new things. Part of daring to be different involves actively seeking feedback in order to develop new and existing skills.*

**We Get It** – *we want people to be clear on our vision and goals and in turn, know what part they play in achieving them. “We get it” is also about communicating in a clear, open and honest way to enable sound decision making.*

### Our people *continued*

#### Learning and development *continued*

Through our annual appraisal process, we take the opportunity to align needs analysis with development goals. Workshop outcomes are aligned to people development and business objectives. Structured feedback is collated after each workshop, which allows us to review content, engagement levels and any further opportunities.

With our colleagues at the centre of everything we do, we remain focused to ensure we continue to develop them and their skills to grow not only business results, but also our colleagues as individuals. During 2018 we have conducted 29,000 hours of face-to-face training.

**“Safestore has a clear strategy for ongoing growth”**

IIP Report 2018

## 83% of our colleagues feel Safestore values and respects individual differences

### A diverse and inclusive organisation

Our equal opportunities and dignity at work policy provides a framework for fair and equitable treatment for all colleagues. We want to continue being a diverse and inclusive organisation, where every one of our colleagues can fulfil their potential. We strongly believe diverse teams perform better. This year we have continued to:

- be committed 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 or civil partnership, pregnancy or maternity;
- give full and fair consideration to all applications for employment by disabled persons, which are assessed in accordance with their particular skills and abilities. The Group does all that is practicable to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all colleagues;
- be an equal opportunities employer that maintains a workforce reflecting the uniqueness of the communities within which we operate;
- nurture the talents of our people and the benefit they bring to our varying business functions through a clearly defined and transparent performance framework;
- take all reasonable steps to employ, train and promote colleagues on the basis of their experience, abilities and qualifications;
- maintain an active succession planning strategy that considers the ability of internal colleagues before recruiting externally and ensuring that the criteria for selecting colleagues 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 colleagues participate in the appraisal process and there is positive encouragement to discuss development and training needs and opportunities. Safestore made 24 internal promotions this year;
- encourage our colleagues to achieve and maintain satisfactory standards of conduct, ensuring all are treated fairly and consistently, through an inclusive disciplinary policy and procedure; and
- deliver Equality Essentials, our bespoke e-learning workshop. This is 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.

## Integrity

Our Code of Conduct provides guidance and support to conduct our business ethically and to comply with the law, which are vital to our success. The Code of Conduct applies to all individuals working for Safestore Group irrespective of their status, level or grade. During the year we have updated our policies on anti-corruption and bribery, gifts, tips and hospitality which support and uphold our zero tolerance position on bribery. This year the Group has also reviewed its whistleblowing ("Speak Out") policy for the reporting of inappropriate conduct, including contact details for the Group's external auditor. These updated policies were communicated to all colleagues via our internal newsletter, Safestore News, circulated to employees every two weeks.

## Gender equality

The ratio of male to female colleagues at 31 October 2018 is outlined in the table below. Further analysis of our gender pay gap can also be found in the gender pay gap report online. The report also sets out a range of actions we are taking to help close the gap.

### Group gender split at 31 October 2018

	Male	Female
Board Directors	5	2
Senior managers (excluding Directors)	6	1
All employees	427	198

## Regulatory compliance

### Human rights

Safestore is committed to respecting human rights. Our commitment to preventing modern slavery in our supply chain is outlined in our statement on slavery and human trafficking, which is available on our website.

This year we increased our modern slavery awareness and capacity by developing a specific e-learning module which includes practical guidance on identifying the signs of modern slavery and human trafficking. We have made this training module compulsory for all new starters to complete within the first ten days of joining us and all current colleagues have completed refresher training, with regular revision thereafter.

This year we have also updated our supplier contractual processes to include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children. We expect our suppliers to hold their own supplies to the same high standards.

### General Data Protection Regulation ("GDPR")

Observing data privacy laws is something we take extremely seriously. GDPR came into force on 25 May 2018, designed to modernise laws that protect our personal information.

To ensure Safestore is compliant, we have worked hard on introducing robust new policies, including our IT policy and data protection policy, conducting data impact assessments, carrying out data audits and introducing regular and systematic monitoring. We also want to ensure everyone at Safestore understands the new regulations so have provided comprehensive online GDPR training to all colleagues, a website for reference materials and tools, and updated our induction programme to make GDPR training compulsory for all new starters.

### Employment security and responsible workforce restructuring

Safestore recognises that security of employment is important to colleagues and therefore every effort is made to avoid termination of employment due to redundancy and to provide continuity of employment, wherever practicable.

Where it becomes necessary to reduce team numbers, whether for economic or other reasons, including where jobs become redundant as a result of restructuring or reorganisation, it is Safestore's policy to try to minimise the effect on those concerned. Careful consideration is given to all alternative employment possibilities and outplacement support is offered to all those affected by redundancy.

We are pleased that there have been no large-scale redundancies or significant job cuts this year.

In order to ensure that our colleagues have financial stability and security, we strive to use permanent contracts wherever possible and practicable. We do not use zero-hours contracts anywhere within the organisation. The percentage of our colleagues on permanent contracts on 1 April 2018 was 99.59%.

## Health and safety

As a Board we recognise the importance of high standards in health and safety and play an active role in ensuring 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 stores and our Head Office. An annual review of fire risk assessments and health and safety audits are conducted by our external health and safety consultants on a rolling programme assessing that our health and safety policies are implemented, maintained and fully compliant to the latest standards. All employees have a responsibility for health and safety and our managers have specific responsibilities as set out in the health and safety manual. It is the responsibility of divisional managers and the risk management team to ensure compliance with our health and safety manual and policy statement in respect of store operations. Actions recommended are reviewed by the Health and Safety Committee;
- ensuring our Health and Safety Committee meets regularly to review issues, processes, policies and actions, harnessing a culture where health and safety always sits high on our agenda. The Health and Safety Committee minutes are reviewed by our Risk Committee and the Audit Committee;
- delivering health and safety training relevant to job roles as standard to all colleagues, increasing awareness and compliance through a blended learning approach. Learning modules are introduced to all employees from induction on fire safety and general health and safety tailored to suit our working environment. Training is also delivered at managers' meetings by regional management. Agendas for these meetings are provided by our retail services manager, our risk manager, our facilities manager and our construction manager; and
- accident reports help to identify, prevent and mitigate against potential risks and are managed using our intranet incident reporting systems. These are collated by our risk manager and reviewed by the Health and Safety Committee to consider what preventative measures can be adopted operationally.

There were no fatal injuries, notices or prosecutions during the year ended 31 October 2018 in any part of Safestore operations.

**"We do not use zero-hours contracts anywhere within the organisation"**

IIP Report 2018

## Corporate social responsibility (“CSR”) continued

### Our community

At Safestore, we strive to ensure that we develop and maintain partnerships with local charities as we seek to be an integral and trusted part of our communities nationwide.

By taking this approach we can ensure that Safestore employees are able to participate with and influence how we develop our CSR strategy for the future, whilst delivering maximum stakeholder value.

As a Group, Safestore endeavours to work closely with charities within the local communities in which our stores operate. We do this through a range of collaborative partnerships with a variety of different charities.

We know that many of our people want to “give something back” to society and we believe that it is important to operate in a way which connects local people with our employees as well as support charities to do their vital work in the community.

Safestore is committed to being a responsible business in how we contribute to our local communities.

With 119 stores nationwide we continually:

- provide fundraising support to existing and new local charity partners;
- offer free or discounted storage space for charities within our local communities through our “charity room in every store” scheme;
- actively seek out practical and creative solutions by working with and supporting a number of charitable causes; and
- leverage social media and our blog platform to promote our charity partners and raise awareness of their cause.

During 2018, the space occupied by local charities in 150 units across 82 stores was 18,290 sq ft and worth £312,275. Our aim is to have at least one charity room in every store.

We regularly monitor the free and discounted space occupied by charities ensuring that the partnerships are running smoothly. In addition, our colleagues maintain ongoing relationships with the charities and we continually review the scheme to ensure that it continues to be beneficial for all involved.

### Hands on London

Safestore has been supporting Hands on London’s “Wrap Up London” campaign for the past six years.

The charity, which promotes community-based volunteering, organises the annual campaign encouraging Londoners to donate any unwanted coats ahead of the winter season. The “Wrap Up London” campaign has collected 103,000 coats since it launched in 2011.

In November 2017, we provided storage space at four London stores to facilitate the sorting, storage and distribution of 24,000 coats to over 100 charities, homeless shelters, vulnerable women and children centres.

The rapidly growing annual campaign also added additional collection locations as part of a plan to expand nationwide. “Wrap Up London” worked with Human Appeal to run the coat drive in Manchester for a second year and launched in the cities of Birmingham and Glasgow.

Safestore’s involvement included:

- providing storage space across four stores in London, five stores in Manchester and one each in Birmingham and Glasgow;
- a total of 4,375 sq ft of storage space was provided enabling 1,125 “Wrap Up” campaign volunteers to spend over 3,045 hours sorting and packing up coats for distribution;
- the stores continued to act as a drop-off point beyond the campaign week and received numerous donations from other businesses and the general public;
- several members of our Head Office and colleagues in store joined nearly 500 volunteers to help at London tube station collection points including Kings Cross and Liverpool Street; and
- using our internal and external communications platforms to raise awareness of “Wrap Up London’s” cause and inspiring our employees to get involved.

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

*“Thank you very much for once again providing storage facilities for our annual Wrap Up campaign. We sincerely appreciate the allocation of space which enables our volunteer teams to easily sort through and package up the thousands of coats donated to us for those who are vulnerable and in need.”*

*“The coat collection target surpassed last year’s numbers particularly as the campaign has now grown in other areas such as Manchester, Birmingham and Glasgow in addition to London.”*

*“We are also grateful for your Head Office and store team volunteers – we applaud their work ethic and positive attitude and we look forward to continuing our partnership in the years to come.”*



Safestore colleagues volunteering for Wrap Up London



Supporting the charity Smart Works





**FEDESSA European Awards  
Charity Initiative of the Year**

### Smart Works

As part of our continued efforts to support charities with free storage space, Safestore is pleased to be able to assist Smart Works, a UK charity that helps unemployed women to enter or return to work by providing them with the skills and clothing they need for interview success.

Set up in North London, the model for the charity was so successful that other branches have now opened nationwide.

To this end, we support Smart Works not only by promoting its aims to support vulnerable women into work but also by storing its extensive wardrobe collections and donations of clothing, free of charge at multiple Safestore stores across the UK including London, Edinburgh, Reading, Manchester and Birmingham.

**Amy Hughes-Hallett, Partnerships Manager, Smart Works, said:**  
*"We are incredibly grateful to Safestore for the provision of free storage space in various locations across the UK enabling us to safely store the many donations of high quality clothing that we regularly receive.*

*"Storage is absolutely vital for us in making sure our wardrobes are beautifully organised so that we can help more women with the clothing they need to turn around their lives. Thank you Safestore for your ongoing support."*

### Local charity support

In addition to our fundraising and voluntary activities, we continue to support individual charities with free and discounted storage space through our "charity room in every store" scheme.

This space has enabled a diverse range of local charities to focus on their core activities without the added cost of storing donations and archives.

Further to the provision of storage space, we actively encourage our colleagues in Head Office and in stores to make a positive difference to the local community by supporting charities through fundraising and volunteering. Findings from our recent Investors in People survey showed that 68% of our staff were positive about our impact in the community.

In September 2018, Safestore was the winner of the FEDESSA European Awards Charity Initiative of the Year following our work for the Grenfell Tower relief project, an award we were honoured and humbled to accept.



**Safestore Mitcham which  
opened in March 2018**

During the year, our internal fundraising efforts included a big breakfast in Head Office in aid of Honeypot Children's Charity, a fantastic charity which works with young carers to give them a break from their massive responsibilities. They organise weekends away and days out and provide emotional support for children caring for a relative.

In addition, a colleague from Safestore Glasgow North arranged a charity night in Anstruther where his band played and hosted a raffle raising over £1,500 for Edinburgh Children's Hospital Charity. Another colleague from Safestore Feltham regularly hosts fundraising events as chairman of the Ruislip Round Table, including quiz nights, equipment rental and Christmas sleigh collections.

We support our store staff to work together and with others to bring communities together and to support causes and charities local to them.

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.

### Stakeholder interest in tax issues

Tax policies and practices are important to stakeholders, and we support transparency and dialogue on this issue.

We see payment of taxes as a responsibility and one that brings positive socio-economic impacts through our presence and employment creation in the countries we operate. It is our policy to pay the right amount of tax wherever we do business, based on a fair and sound application of local tax laws to the economic substance of our business transactions. Safestore does not use artificial tax avoidance schemes or tax havens to reduce the Group's tax liabilities.

Safestore complies with tax rules and payment obligations throughout its business operations. This is ensured through a robust governance system handling tax strategy and compliance which is carried out by Group finance. A Group tax policy has been in place since 2016, which is approved by the Board and reviewed annually by the Audit Committee. Local finance and human resources teams are responsible for tax compliance and are supported by trusted external tax advisers who have a deep understanding of our business as a result of long-term partnering with the Group.



## Corporate social responsibility (“CSR”) *continued*

### Carbon footprint and energy conservation case study

#### Stockport Bryant – new roof installation in 2018

##### Overview

We have carried out extensive works to maintain this important historic Grade II listed building in Stockport. Following lengthy consultation with Stockport MBC’s heritage officer, this year we have re-roofed the building making extensive use of existing Welsh slate tiles. We have additionally sympathetically used modern materials that achieve both conservation and energy performance requirements.

We carried out repairs to existing timbers including the installation of structural steel supports to the roof and outer wall structure joints and where necessary millboards to the floors were replaced.

These works have the benefit of bringing the top floor of this 80,000 sq ft MLA building back into full economic use.

#### Carbon footprint and energy conservation of materials used

As part of the works we have used Marley Eternit Rivendale Fibre Cement Slate.

The fibre cement slates used have the following properties:

- a low carbon footprint of 13 CO<sub>2</sub>e/m<sup>2</sup>; and
- a 100% recyclable building material.

The slates have been combined with the full Marley Eternit specification including eaves ventilation and breathable membrane. An A+ rating (the lowest environmental impact) in the Building Research Establishment’s Green Guide to Specification can be achieved using these slates. At the “end of life”, the crushed fibre cement slate can be recycled without need for any further processing.

From a conservation viewpoint they provide a traditional slate aesthetic whilst reducing cost and lowering the carbon footprint of the roof.

#### Kingspan KS1000 TD composite roof panels

The primary function of insulated panels is energy conservation. The panels are designed using one of the highest performing and most efficient insulations and are also capable of providing extremely high levels of air tightness.

These attributes uniquely contribute to the energy efficiency of the building envelope with the potential to considerably cut CO<sub>2</sub> emissions.

Topdek panels reduce costly roofing delays by installing the steel deck, insulation core and weather membrane in a single operation. This means buildings become weathertight faster and installers spend less time on the roof, helping improve safety.

#### Terne coated stainless steel seamless gutters

Terne coated stainless steels are defined as “stainless steel continuously hot dip coated with a lead-tin alloy”. These strip materials are much lighter than traditional lead roofing systems and so can result in lighter support structure cost savings.

Metals are infinitely recyclable and are safe for the environment.

Recycling scrap metal reduces greenhouse gas emissions and uses less energy than making metal from virgin ore. Metal recycling also conserves natural resources.

The stainless steel used on the project:

- is produced from 60% recycled materials; and
- has longevity – stainless steel has a very low life cycle cost.

#### Re-claimed Welsh slate

Natural slate is one of the world’s oldest continuously used roofing materials.

The decision to re-use the original Welsh slates on the two end bays that are both visually observable from ground level helps the building to retain its traditional aesthetics from a local conservation viewpoint.

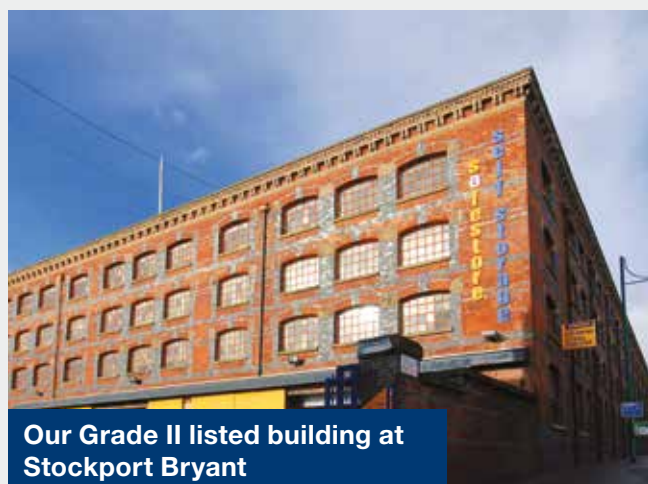
The carbon footprint of recycling this material is reduced through not needing to transport or manufacture a new product specifically for this project.

#### Waste recycling

As part of our commitment to sustainable and environmentally friendly construction techniques, and with the help of our contractor, we are taking the time to separate all of our recyclable waste on the project, including:

- scrap lead;
- waste glass;
- waste timber; and
- waste hard-core.

All non-hazardous waste timber has been collected and transported to a recycling plant in Droylsden, Manchester. Once at the processing facility the waste timber can be used to produce biomass woodchip fuel and other products like dust-free wood fibre bedding for both the equestrian and agricultural industries.



**Our Grade II listed building at Stockport Bryant**



**Completed hip using fibre cement slates**

## Our environment

### Climate change

Safestore aims to minimise the impact of our business operations on the environment, both directly and through our sourcing activities. We consciously look to make changes in a sustainable way which matches our growth within the market sector.

In the context of climate change, we strive to respond to all aspects that have an impacting effect on our products and services. In recognition of the serious implications that climate change and other environmental risks may pose to our customers, shareholders and our employees, we have developed a comprehensive CSR strategy to minimise our overall impact on the environment.

### New stores

All of our new stores are designed with efficiency in mind, from using recycled materials in the construction to the energy-efficient way in which we light our stores. Our impact on the environment is at the heart of all our developments. Our new store in Mitcham achieved a Building Research Establishment Environmental Assessment Method ("BREEAM") rating of "Very Good" and an Energy Performance Certificate ("EPC") rating of "A" when it opened earlier in the year.

Our last four new store openings have achieved an EPC rating of "A".

Our future development site in Carshalton, South London, will require us to achieve a BREEAM rating of "Excellent" when it opens in 2019.

All steel used for the construction of our stores has a minimum of 60% recycled content and is all sourced from British steel. The chipboard used for our mezzanine floors is all Forest Stewardship Council ("FSC") certified.

Since 2016 all construction projects have achieved a minimum of 95% construction waste being recycled.

Two years ago we switched our lighting in new stores from fluorescent to light emitting diode ("LED"). This has enabled us to drastically reduce the amount of electricity required to light our stores. Our Mitcham store is currently fitted out across three floors and by using these fittings we are currently saving 9,504 watts of electricity per annum compared with the old fluorescent fittings.

Photovoltaic cells play an important part in providing renewable energy. Our new store in Mitcham has a 5 kW system installed on the roof which will generate 4,500 kWh of electricity per year which is put back into the grid.

Rainwater from our new stores is often held in attenuation tanks on site and slowly discharged into the main sewers so as not to overflow the system.

We comply with all current planning policies and building regulations and actively engage with planners over the design to ensure our stores fit well within the local environment.

As a responsible developer we require all of our sites to be registered with the Considerate Construction Scheme through our Construction Management Partners and actively support dialogue and feedback with the local community.

We consider all sites for new stores and over the years have redeveloped many brownfield sites and continue to do so. As a responsible developer we decontaminate and remediate our sites where required before construction works commence.

This year also saw us add our third basement car park to the portfolio with the conversion of an old NCP car park in Paddington. The subterranean store offers 37,000 sq ft of storage space within a short walk of Marble Arch.

### Our packaging range

Although usage has increased, we have increased our store portfolio by circa 10% with the addition of twelve stores which were acquired in November 2017 and newly opened stores.

An increase in sales across our product range has shown an uplift in volumes over the previous twelve-month period. Please see confirmation below of this year's and last year's numbers for comparison in kilograms supplied.

We worked with our supplier Ecopac to update its logistics by opting to use supply chains already in place, optimising scheduled routes already. We anticipate saving 15 tonnes of CO<sub>2</sub> by switching supplier. Reducing the number of orders by stores to one per month where possible it will decrease the amount of deliveries needed on our behalf.

Our continued commitment to fully recycled paper has minimised the cost to the environment and we estimate that at these volumes around 650 trees have been saved.

We continue to liaise with our suppliers to help us achieve the goals which we have set to help improve our overall footprint on the environment.

This is also incorporated in our packing supplier Ecopac, which offers a diversified range of solutions for our packaging needs:

- replacing virgin material with recycled material;
- replacing standard polythenes with bio-polythene;
- replacing polystyrene with starch-based products; and
- lightweight without compromising performance.

## Material purchased in kg

	2016-2017 kg	2017-2018 kg	Difference kg	Difference %
Oxy-bio bubble	5,775	5,915	140	2.4
Poly covers	4,230	4,504	274	6.5
Corrugated (cardboard)	250,000	259,000	9,000	3.6

## Corporate social responsibility (“CSR”) *continued*

### Our environment *continued*

#### Our uniforms

We are proud to use suppliers that hold environmental and ethical principles to high standards. Our uniform supplier processes are based on the ethical trade initiative, based on the International Register of Certificated Auditors (“IRCA”) who audit and inspect their supply base.

The principles are based on the Ethical Trade Initiative where:

- employment is freely chosen;
- freedom of association and the right to collective bargaining are respected;
- working conditions are safe and hygienic;
- child labour shall not be used;
- living wages are paid;
- working hours are not excessive;
- no discrimination is practised;
- regular employment is provided; and
- no harsh or inhumane treatment is allowed.

#### Electricity

##### What powers us?

We have taken positive steps this year to reduce our carbon footprint. From October 2018 we changed to 100% renewable energy sources in all our UK freehold sites which equates to a 5,218t CO<sub>2</sub> reduction to our overall carbon footprint. To put this into perspective this would equate to an estimated 237,150 trees saved per annum.

##### Smart meters

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate for the operational needs of the business and to satisfy the requirements of our customers. We have installed smart meters in 80% of our stores and have targeted 100% by mid-2019. It is our intention to phase in business management systems (“BMS”) in our stores, using tablet controlled units for lighting controlled by Wi-Fi.

##### Lighting up our stores

Recognising that our electricity consumption is predominantly derived from our lighting requirements we have installed timers and PIR sensors at all of our stores and have undertaken a portfolio-wide LED lighting installation programme.

During the last twelve months, Safestore has been aggressively changing fluorescent lighting to LED lighting. This programme of works has involved the replacement of over 25,000 fluorescent lights, in over 100 stores. The carbon saving that has been generated is the equivalent of taking over 800 diesel cars off the road every year.

The lighting replacement programme included the internal corridor lights changing from a 70w fluorescent to a 28w LED. These have individual microwave technology to sense a person’s movement and turn on five metres before and turn off ten metres after they have passed the light. The new lighting also has a range of 10–90% meaning it benefits from not having to burn energy turning on from a cold start, saving a significant amount of energy per annum.

We also took the opportunity to change any old halogen floodlights to LED PIR floodlighting and our reception square lighting from 72w to 30w LED panels. The lighting replacement has also had significant other benefits and it needs changing less often.

It comes with a seven-year warranty meaning less harmful mercury vapour gas is being produced by lighting manufacturers and reduced maintenance means fewer contractor journeys to our stores.

The impact of the installation programme has reduced our electricity consumption by 22% over the past twelve months.

#### Gas

We continually seek opportunities to reduce energy consumption and have removed gas from two of our stores and are looking to remove it from existing stores where possible over the coming twelve months. Our gas use was impacted significantly at the beginning of the year due to adverse weather caused by the “Beast from the East” and Storm Emma. All new built stores do not require gas and are electrically heated in the limited areas of the stores required.

#### Water

The deregulation of water has allowed us to consolidate to one supplier this year rather than the 29 we had previously. This means that we now have clear communication with just one supplier making it easier for us to achieve our reduction goals.

As a company we consume very low volumes of water but strive to further minimise our consumption wherever possible through the installation of efficient water fixtures and fittings. We are trialling a flow saver system at our Head Office which limits the amount of water used in our bathrooms and kitchens from the taps. It estimates a 70% saving on water compared to a standard tap. If the trial is successful it will be rolled out to our higher usage stores.

#### Waste

##### Recycling, recycling and recycling

This year the percentage of our waste going to recycling has increased by 54% which is a positive step. We will continue to encourage our colleagues and our customers to use the recycle bins wherever possible.

We are currently actioning an efficiency plan across our portfolio to ensure that we have the correct facilities on site to enable our stores to minimise landfill waste ensuring waste that is generated is recycled.

We are also trialling the “Every Can Counts” initiative recycling aluminium and tin cans as these can be melted down and endlessly re-used. Again it is our intention to roll this out across all stores.

Open.  
Drink.  
Recycle.  
Repeat.

Your drinks can is infinitely recyclable  
and could be back on the shelf in  
just 8 weeks time.

Make yours count today!

every can counts

everycancounts.co.uk

## Our actions in 2018

With all suppliers that have been renewed in the last twelve months we have ensured that our suppliers have agreed to our modern slavery, anti-bribery and GDPR requirements.



LED lighting has been installed in 100% of our stores.



Our renewable energy supply for electricity has increased from 24% to 100% in the UK stores.



Our recycling rate has increased by 54% from last year as we continue to be more environmentally conscious.



Our electricity usage has decreased by 22%.



Emissions per sq ft have been reduced by 34%.



Using fully recycled paper has saved 650 trees.

## Our focus for 2018–2019:

- ensure the safe handling and disposal of waste products;
- continue to deploy cardboard recycling facilities across our stores which is supported by our efficiency roll-out for waste;
- reduce our energy usage through a range of initiatives;
- where possible we will look to use renewable energy sources;
- work with our suppliers to reduce our carbon footprint within our supply chains;
- use eco-friendly solutions when building new stores and, as a minimum, building to the BRE Environmental Assessment Method;
- this year we are going to revisit the packaging of our products to remove any plastic packaging which is not bio-degradable. This change will look to be implemented by the end of financial year 2019;
- reduce our freshwater usage by 5% collectively for our UK stores; and
- change suppliers for the consumables so deliveries can be made from local depots, thus reducing the cost of CO<sub>2</sub> emissions on transport.

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

This report was undertaken in accordance with the Mandatory Greenhouse Gas (“GHG”) Emissions Reporting requirements outlined in the Companies Act for listed companies, which requires Safestore Holdings plc (“Safestore”) to report on its greenhouse gas (“GHG”) emissions each financial year. This report contains our GHG disclosure for the 2017/18 financial year.

We have 119 stores in the UK and 27 stores in France. During the 2017/18 reporting period we opened two new UK stores (Mitcham and Paddington Marble Arch), acquired twelve new UK stores (Birmingham Sheldon, Birmingham Yardley, Bolton North, Bristol Brislington, Camden Town, Fareham, Farnham, Luton, Nottingham, Southampton Quay, Wednesbury and Winchester) and opened one new French store (Poissy). This report contains the following environmental data for all

146 of our stores: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation and business travel.

## Methodology

### Scope of analysis and data collection

Over 2017/18 we have collected primary data for all of our stores, including: building size (sq ft), electricity consumption (kWh), electricity transmission and distribution (kWh losses), gas consumption (kWh), water consumption (m<sup>3</sup>), waste generation (tonnes by waste disposal method) and business travel (mileage). We do not have any refrigerant leakage to report for any of our stores in the UK or France. All primary data used within this report is from 1 September 2017 to 31 August 2018, covering the same reporting period as last year.

### KPI selection and calculation

For the purposes of this report stationary energy use (electricity and gas consumption), water consumption, waste generation and business travel have been selected as the most appropriate key performance indicators (“KPIs”) for the Group. To ensure consistency in our reporting, particularly where there are differences between the UK and France, we are reporting all GHG emissions in units of CO<sub>2</sub>e. We have used the 2018 GHG conversion factors published annually by Defra and BEIS with the exception of the French CO<sub>2</sub>e conversion factors which are no longer published by Defra and BEIS; this is outlined in further detail at the end of this report.

### GHG emissions scope

The Greenhouse Gas Protocol (“GHG Protocol”) differentiates between direct and indirect emissions using a classification system across three different scopes:

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

### GHG emissions – scopes included in this report

- **Scope 1 emissions:** we are reporting our gas consumption and business mileage.
- **Scope 2 emissions:** we are reporting our electricity consumption.
- **Scope 3 emissions:** we are reporting our electricity transmission and distribution, waste generation and water consumption.

### Group environmental performance

We recognise the importance of taking a proactive, strategic approach to environmental management and we aim to ensure that good environmental practices are applied throughout our stores, and that those working for or on behalf of Safestore are aware of the need to act responsibly and sustainably. Our most significant environmental impacts arise from the construction of new stores and the operational energy consumption of our existing stores.

Safestore is committed to the protection of the environment, prevention of pollution and continually improving its environmental performance. We will comply with all relevant legislation and strive to exceed legal requirements where possible in order to avoid or minimise any potential environmental impacts.

The Safestore Group includes 119 stores in the UK and 27 stores in France. This report contains the following environmental data for all 146 of our stores: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation (recycling, landfill and energy from waste) and business travel.



## Corporate social responsibility (“CSR”) *continued*

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

#### Group environmental performance *continued*

The table below displays our “total Group performance” for electricity consumption, gas consumption, water consumption, waste generation (recycling, landfill and energy from waste) and business travel against the previous financial year.

**Table 1: Group environmental performance**

Emissions source	Units	2014/15 (Sept–Aug)	2015/16 (Sept–Aug)	2016/17 (Sept–Aug)	2017/18 (Sept–Aug)
Natural gas	kWh	2,798,080	1,887,917	2,349,277	<b>3,969,356</b>
Electricity	kWh	19,631,052	19,165,216	22,005,201	<b>17,172,585</b>
Purchased water	m <sup>3</sup>	35,512	37,005	45,129	<b>49,459</b>
Recycling	tonnes	605	757	787	<b>1,211</b>
Landfill	tonnes	41	56	49	<b>57</b>
Energy from waste	tonnes	593	419	721	<b>730</b>
Business travel	miles	486,192	612,588	602,240	<b>628,822</b>

### Group environmental performance – analysis

We have analysed the year-on-year change in our performance and provided commentary on our Group environmental performance, as below:

#### Gas performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. We are phasing out the use of gas in our stores wherever possible, but some of our stores still consume low volumes of gas for space heating in reception and office locations. At the design and construction stage we seek opportunities to design efficient low-consumption working environments and are ensuring that all new stores are built and rely just on electricity.

**Table 2: gas performance**

Year ended 31 August		2014/15	2015/16	2016/17	2017/18	% change
Gas use	kWh	2,798,080	1,887,917	2,349,277	<b>3,969,356</b>	68.96
Scope 1 emissions	tCO <sub>2</sub> e	516.00	347	434	<b>730</b>	68.78

Between September 2017 and August 2018, the total gas consumption across all of our stores was 3,969,356 kWh, which is a 68.96% increase compared with the previous financial year. This increase can be attributed to the twelve acquired stores in the UK that consume gas for onsite facilities, as these account for 11% of the total 2018 gas consumption.

Our gas usage has increased from 271 kWh per 1,000 sq ft in 2016/17 to 424 kWh per 1,000 sq ft in 2017/18, which is an increase of 56%.

#### Electricity performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. To support this, we have an intention to install smart meters in all of our stores and to date we have installed 58 smart meters in our stores with a further 24 smart meters scheduled to be installed by the end of the year.

Recognising that our electricity consumption is predominantly derived from our lighting requirements we have installed timers and PIR sensors at all of our stores and we are currently undertaking a portfolio-wide LED lighting upgrade programme, which is scheduled to be completed by the end of this year.

**Table 3: electricity performance**

Year ended 31 August		2014/15	2015/16	2016/17	2017/18	% change
Electricity use	kWh	19,631,052	19,165,216	22,005,201	<b>17,172,585</b>	(21.96)
Scope 2 emissions	tCO <sub>2</sub> e	7,819.77	6,707.66	6,563.29	<b>4,307.84</b>	(34.36)
Scope 3 emissions	tCO <sub>2</sub> e	646.43	604.04	613.64	<b>365.54</b>	(40.43)

Between September 2017 and August 2018, the total electricity consumption across all of our stores was 17,172,585 kWh. Although our portfolio has increased by circa 10% through acquisition and newly opened stores, we have still been able to achieve a 21.96% decrease in electricity consumption compared with the previous financial year. This demonstrates that we have been able to decrease our overall electricity use whilst increasing our supply to customers. A significant proportion of this reduction in electricity can be attributed to our LED lighting upgrade programme. We have already noticed a reduction in our consumption and look forward to seeing the results after a full year of operation.

Our electricity usage has decreased from 2,540 kWh per 1,000 sq ft in 2016/17 to 1,822 kWh per 1,000 sq ft in 2017/18, which is a decrease of 28%.



## Water performance

**Table 4: water performance**

Year ended 31 August		2014/15	2015/16	2016/17	2017/18	% change
Water use	m <sup>3</sup>	35,512	37,005	45,129	49,459	9.60
Scope 3 emissions	tCO <sub>2</sub> e	37.36	38.93	47.48	52.03	9.60

Between September 2017 and August 2018, the total water consumption across all of our stores was 49,459 m<sup>3</sup>. Although this is an increase of 9.60% compared with the previous financial year, our newly opened stores account for 5% of the total 2018 water consumption. We have set ourselves a target of reducing our total water consumption by 5% and to this effect we are currently trialling a flow saver at Head Office which aims to save 70% of usage versus a standard tap. If this is effective, then we will investigate the opportunity of rolling this out across all of our stores.

Our water usage has increased from 5.20 m<sup>3</sup> per 1,000 sq ft in 2016/17 to 5.28 m<sup>3</sup> per 1,000 sq ft in 2017/18, which is an increase of 2%.

## Waste performance

We produce a relatively small amount of waste and we are seeking opportunities to further reduce or avoid the use of natural resources and minimise waste production by promoting recycling where possible. We continue to improve our waste segregation at our stores and are actively enhancing our recycling facilities to divert waste from landfill.

**Table 5: waste performance**

Year ended 31 August		2014/15	2015/16	2016/17	2017/18	% change
Waste – recycling	tonnes	604.9	756.7	787.1	1,211.2*	53.88
Waste – EfW	tonnes	592.8	419.2	721.6	730.0	1.17
Waste – landfill	tonnes	40.5	56.0	49.2	57.3	16.33
Scope 3 emissions	tCO <sub>2</sub> e	28.9	35.8	37.8	47.2	24.88

In the last twelve months to August 2018, a total of 1,998.5 tonnes of waste has been generated which is an increase of 28.28% compared with the previous financial year. The amount of waste going to landfill has increased by 16.33% and the amount of waste being recycled has increased by 53.88% compared to the previous financial year. As a result, we are now sending 60.60% of all of our waste to recycling. We are currently implementing an efficiency plan across our portfolio to ensure that we have the correct facilities onsite to enable our stores to minimise landfill waste and ensure that waste can be recycled. As part of this initiative we are undertaking site audits to identify actions we can take to improve our site facilities; these actions will also be used to continue the education of our colleagues.

\* Please note that the recycling tonnage for the French sites has been estimated for 2017/18. The average year-on-year change in recycling tonnage has been determined for the last four consecutive years for which there is accurate data available. The recycling tonnage for 2016/17 has been uplifted by this average (+5.31%) to calculate the estimated tonnage for 2017/18.

## Business travel performance

**Table 6: business travel performance**

We report on our business travel, which includes vehicles owned by Safestore and business mileage. We shall continue to promote public transport and car sharing where possible.

Year ended 31 August		2014/15	2015/16	2016/17	2017/18	% change
Business travel	miles	486,192	612,588	602,240	628,822	4.41
Scope 1 emissions	tCO <sub>2</sub> e	142.48	176.14	168.46	175.61	4.25

Business vehicles travelled 628,822 miles in the twelve months to 31 August 2018, resulting in a 4.41% increase compared with the previous financial year. As our portfolio has increased by circa 10% through acquisition and newly opened stores, we have recruited an extra regional manager to help support these stores.

## Group GHG performance (“mandatory GHG reporting”)

We have 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. Our GHG emissions for 2017/18 covered 99.25% of floor space (data is not currently available for Camden Town) and all of the UK vehicle fleet, both directly controlled and owner driven vehicles (Company mileage only). Please note that the 2017/18 recycling data for the French sites has been estimated; see waste performance for more information.

## Corporate social responsibility (“CSR”) *continued*

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

#### Group GHG performance (“mandatory GHG reporting”) *continued*

We used the following GHG emission conversion factors:

#### UK Government GHG Emission Conversion Factors for Company Reporting Standard set from 30/06/2017 to 30/06/2018

Scope	Emissions source	Unit	Conversion factors
1	Natural gas (gross CV)	kWh	0.18396
1	Business travel	miles	0.27927
2	UK electricity grid supply	kWh	0.28307
2	France electricity grid supply*	kWh	0.05300
3	UK electricity transmission and distribution	kWh losses	0.02413
3	France electricity transmission and distribution	kWh losses	0.00382
3	Water supply	m <sup>3</sup>	0.344
3	Water treatment	m <sup>3</sup>	0.708
3	Commercial waste – recycling	tonnes	21.38
3	Commercial waste – energy from waste	tonnes	21.38
3	Commercial waste – landfill	tonnes	99.77

\* 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).

In accordance with the Mandatory Greenhouse Gas (“GHG”) Emissions Reporting requirements outlined in the Companies Act for listed companies we have reported our GHG disclosure for the 2017/18 financial year.

#### Mandatory GHG emissions reporting data

GHG emissions	Units	2014/15	2015/16	2016/17	2017/18	% change
Scope 1	tonnes CO <sub>2</sub> e (UK and France)	659	524	602	<b>906</b>	50.69
Scope 2	tonnes CO <sub>2</sub> e (UK and France)	7,820	6,708	6,563	<b>4,308</b>	(34.36)
Scope 3	tonnes CO <sub>2</sub> e (UK and France)	713	679	699	<b>465</b>	(33.50)
Total GHG CO <sub>2</sub> e	total tonnes CO <sub>2</sub> e (UK and France)	9,192	7,911	7,864	<b>5,678</b>	(27.79)
GHG CO <sub>2</sub> e intensity	tonnes CO <sub>2</sub> e/floor space (thousand sq ft)	1.16	0.94	0.90	<b>0.60</b>	(34.32)
GHG CO <sub>2</sub> e intensity	tonnes CO <sub>2</sub> e/floor space (thousand sq m)	—	—	9.77	<b>6.42</b>	(34.32)

#### Group GHG performance (“mandatory GHG reporting”) analysis

Total GHG emissions for Scope 1, Scope 2 and Scope 3 for the twelve-month period to 31 August 2018 have decreased by 27.79% (or 2,186 tonnes CO<sub>2</sub>e) to 5,678 tonnes CO<sub>2</sub>e. Of the total GHG emissions Scope 1 accounts for 16%, Scope 2 accounts for 76% and Scope 3 accounts for 8%.

Whilst our overall floor space has increased from 8,662,135 sq ft (2016/17) to 9,351,117 sq ft (2017/18), we have managed to decouple our carbon emissions, so that they have reduced from 7,864 tonnes CO<sub>2</sub>e (2016/17) to 5,678 tonnes CO<sub>2</sub>e (2017/18). This reduction in GHG emissions can be attributed to a number of emission reduction activities, such as the installation of LED lighting, installation of lighting controls and our increasing smart metering.

This reduction in GHG emissions, particularly Scope 2 emissions (purchased electricity), is also partially attributed to rebasing of the GHG conversion factors. The rebasing of GHG conversion factors has seen the GHG Emissions Conversion Factor for electricity reduced by 19%. This reflects changes to the UK’s energy mix during 2017/18 which saw a reduction in the use of coal-powered electricity generation and increases in gas and renewables generation.

Our GHG emissions CO<sub>2</sub>e intensity has decreased from 0.90 tonnes CO<sub>2</sub>e per 1,000 sq ft in 2016/17 to 0.60 tonnes CO<sub>2</sub>e per 1,000 sq ft in 2017/18, which is a decrease of 33.3%.

## Non-financial information statement

We aim to comply with the new non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information
Environmental matters		<p>The Company's CSR strategy has as one of its four pillars, to mitigate the environmental effects of its activities to reduce its carbon footprint, improve recycling, reduce reliance on packaging, minimise waste and improve efficiencies on finite natural resources in all parts of the Company's operations. How the Company seeks to implement its CSR strategy is set out in Our Environment on pages 33 to 35 of the CSR report.</p> <p>The Company's approach to environmental matters is overseen by the Company's CSR leadership team.</p>
Employees	<ul style="list-style-type: none"> <li>– Code of conduct (page 29)</li> <li>– Equal opportunities policy (page 28)</li> <li>– Bullying and harassment policy (page 27)</li> <li>– Disciplinary and grievance policies (page 27)</li> <li>– Health and safety manual (page 29)</li> </ul>	<p>The pivotal role of our colleagues is reported within the Our People section of the CSR report on pages 26 to 29 and within the Chief Executive's statement on pages 5 and 6.</p> <p>Further commentary for individual policies is set out on the pages as detailed in the previous column. These policies are made available to all colleagues within the Company's Colleague Handbook, an internal document available to all colleagues on the Company's intranet.</p> <p>The Company's approach to Pay Fairness throughout the Group is set out on pages 64 and 65 of the Directors' remuneration report.</p>
Human rights	<ul style="list-style-type: none"> <li>– Code of conduct (page 29)</li> <li>– Equal opportunities policy (page 28)</li> <li>– Data privacy policies (page 29)</li> <li>– Anti-slavery statement (page 29)</li> <li>– Whistleblowing ("Speak Out") policy (page 45)</li> <li>– IT policy</li> </ul>	<p>Our commitment to human rights is reported within our CSR report: Human Rights on page 29. Integrity on page 29.</p> <p>Further commentary for individual policies is set out on the pages as detailed in the previous column.</p> <p>These policies are monitored as part of our risk management processes, overseen by the Audit Committee.</p>
Social matters		<p>The Company does not have formal policies in relation to social matters, but its approach to social matters is set out in Our Community on pages 30 and 31 of the CSR report. The Company's approach to social matters is set out in the Company's Colleague Handbook and Operations Manual, which are internal documents available to all colleagues on the Company's intranet.</p> <p>The Company's approach to social matters is overseen by the Company's CSR leadership team.</p>
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> <li>– Anti-corruption and bribery policy (page 45)</li> <li>– Anti-bribery statement (page 45)</li> <li>– Gifts, tips and hospitality policy (page 45)</li> </ul>	<p>Further commentary for individual policies is set out on the pages detailed in the previous column.</p> <p>These policies are monitored as part of our risk management processes, overseen by the Audit Committee.</p>
Description of principal risks and impact on business activity	Risk overview, pages 12 to 15 of the strategic report	The Company's approach to risk management and internal control is set out in the governance report on page 44.
Description of the business model		The Company's market and business model are reported on pages 8 to 10 in the Chief Executive's review of the strategic report.
Non-financial key performance indicators		KPIs are summarised on page 5 in the Chief Executive's statement and reported in the Financial Highlights section of page 2 and within the Trading Performance section of the strategic report on pages 10 and 11.

Certain Group policies and internal standards and guidelines are not published externally, but are available to all colleagues on the Company's intranet.

## Corporate governance introduction

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

### The Board consistently challenges processes, plans and actions in order to promote continuous and sustained improvement across the business.

Dear shareholder

On behalf of the Board, I present the Company's corporate governance report for the financial year ended 31 October 2018. The Board recognises the importance of, and is committed to, high standards of corporate governance and I am pleased to confirm that throughout the year ended 31 October 2018 the Company has been in compliance with the principles and provisions of the 2016 UK Corporate Governance Code (the "Code").

2018 has been a strong year for the Company. We are pleased that the Company has continued to perform well and has made good strategic progress over the past year. Of course this set of strong results would not have been possible without having the best people and a highlight of the year was receiving Gold accreditation from Investors in People ("IIP"). The IIP recognised the positive culture at Safestore and this year we have sought to explain our culture and approach to employee engagement more fully within our corporate social responsibility report and Directors' remuneration report.

### Shareholder engagement

Following the voting outcome at our 2018 Annual General Meeting Claire Balmforth and I spent a significant amount of time engaging with our shareholders on matters relating to executive remuneration at Safestore. Following the feedback received from the engagement process, the Remuneration Committee agreed, with the support of the Executive Directors, to make further changes to the operation of our remuneration policy. These changes are explained fully within the Directors' remuneration report on pages 50 and 51.

For the reasons set out on pages 50 and 51, the Board trusts that the changes will provide you with comfort that we have listened to the views of our shareholders and acted on them while remaining true to our underlying remuneration principles and seek your support to vote in favour of the Annual report on remuneration and the Remuneration Committee Chairman's statement at our 2019 Annual General Meeting.

### Board changes

I am pleased to report that there have been no changes to the composition of the Board or its Committees during the year.

### 2019 Annual General Meeting

I look forward to meeting shareholders at our next Annual General Meeting which will be held on Wednesday 20 March 2019 at 12.00 noon at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

**Alan Lewis**  
**Non-Executive Chairman**  
 7 January 2019

## Board of Directors



**Alan Lewis**  
**Non-Executive Chairman**

N

### Commenced role

January 2014 (appointed to the Board in June 2009)

### External appointments

Alan Lewis is a member of 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.

### Relevant previous experience

After five years in manufacturing with RTZ and Black & Decker Alan 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

### Commenced role

As Chair of the Audit Committee in April 2014 and as Senior Independent Director in March 2015 (appointed to the Board in October 2013)

### External appointments

Ian Krieger 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 and of Primary Health Properties plc. He is chairman of Anthony Nolan (blood cancer charity) and is a trustee and chairman of the finance committee of the Nuffield Trust.

### Relevant previous experience

Ian joined the Board 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. Previously Ian was a senior partner and vice-chairman at Deloitte until his retirement in 2012.



**Frederic Vecchioli**  
Chief Executive Officer

**Commenced role**  
September 2013 (appointed to the Board in March 2011)

**External appointments**  
None

**Relevant previous experience**  
Frederic Vecchioli founded our French business in 1998 and has overseen its growth to 27 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.



**Andy Jones**  
Chief Financial Officer

**Commenced role**  
May 2013

**External appointments**  
None

**Relevant previous experience**  
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**

**Commenced role**  
October 2014

**External appointments**  
Joanne Kenrick is currently a non-executive director of Coventry Building Society, a non-executive director of Welsh Water, CASS (Current Account Switching Service) chair for Pay.uk, and chair of trustees of the charity Make Some Noise.

**Relevant previous experience**  
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. Until September 2015 Joanne was a non-executive director of Principality Building Society, where she was also a member of the audit and conduct risk committees. Joanne has a law degree and started her career at Mars Confectionery and PepsiCo.



**Claire Balmforth**  
Non-Executive Director

**R**

**Commenced role**  
August 2016

**External appointments**  
Claire Balmforth is also a member of the British Heart Foundation retail committee and remuneration committee.

**Relevant previous experience**  
Previously Claire was group HR director of the Priory Group and, at Carpetright plc, 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**

**Commenced role**  
November 2016

**External appointments**  
Bill Oliver is non-executive deputy chairman of Churchill Retirement plc, a privately owned company.

**Relevant previous experience**  
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.

**Committee membership**

Chairman of Committee

**A** Audit Committee

**N** Nomination Committee

**R** Remuneration Committee



## Corporate governance

### Leadership

#### The role of the Board

The Board is collectively responsible for delivering stakeholder value over the long term, through the Group's culture, strategy, values and governance. The Non-Executive Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.

The Board is supported by the Audit, Remuneration and Nomination Committees. Each Board Committee has defined terms of reference, which can be found online within the Investor pages at [www.safestore.co.uk](http://www.safestore.co.uk). The activities of each Board Committee are set out in separate sections of this report. The Audit Committee is, in turn, supported by the Risk Committee.

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

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, who are supported by an Executive Committee. This includes implementing Group policy, managing and optimising our store portfolio, monitoring financial performance and our capital structure and the development of our colleagues.

#### The Board and its independence

The Board consists of seven Directors, the Chairman, two Executive Directors and four independent Non-Executive Directors, with Ian Krieger appointed as the Senior Independent Director. The biographical details of each of the Directors, along with their dates of appointment, are set out on pages 40 and 41.

Both on an individual and collective basis, the Directors have the skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group. In accordance with provision B.1.2 of the Code at least half of the Board, excluding the Chairman, are independent. 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. Each Non-Executive Director continues to bring independent judgement to the Board's decision-making process. The Executive Directors do not hold any executive or non-executive directorships in other companies.

#### Key roles and responsibilities

The roles of Chairman and Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. 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.co.uk](http://www.safestore.co.uk).

### Effectiveness

#### Activities of the Board

The Board normally schedules at least eight meetings throughout the year, including an extended strategy review. Additional Board meetings are held as and when required. During the year, the Board constituted a Standing Committee and a Disclosure Committee. Both are sub-committees of the Board and meet as required. The Standing Committee has delegated authority to approve routine matters such as matters relating to the operation of the Company's share scheme arrangements and any other matters which may be expressly delegated by the Board from time to time. The Disclosure Committee has delegated responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulations.

The Board has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal schedule, can be found on pages 43 and 44.

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.

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

#### Attendance at Board meetings

Attendance of the individual Directors of the Board 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
Alan Lewis	8/8
Frederic Vecchioli	8/8
Andy Jones	8/8
Ian Krieger	8/8
Joanne Kenrick	8/8
Claire Balmforth	8/8
Bill Oliver	8/8

In addition to the Board meetings above, there were three Standing Committee meetings held during the year which approved the 2018 interim results announcement, including the 2018 interim dividend and administrative matters relating to the internal re-organisation of certain subsidiary companies within the Group.

## A summary of the key activities of the Board during the year

Responsibilities	Activities
<b>Strategy</b>	<p>The development and implementation of the Company's strategy has included:</p> <ul style="list-style-type: none"> <li>– general updates from the CEO and CFO;</li> <li>– specific strategy review discussions at a two-day strategy away day;</li> <li>– presentations from members of the management team on strategy implementation in their operation; and</li> <li>– considering acquisition opportunities.</li> </ul>
<b>Performance and operational matters</b>	<ul style="list-style-type: none"> <li>– Approved the 2018 budget.</li> <li>– Reviewed performance against budget and forecast for the UK and French operations.</li> </ul>
<b>Finance and capital</b>	<ul style="list-style-type: none"> <li>– Reviewed the Group's capital structure.</li> <li>– Monitored going concern and long-term viability.</li> <li>– Annual update on REIT compliance.</li> </ul>
<b>People, culture and values</b>	<ul style="list-style-type: none"> <li>– Received regular update on people and HR matters.</li> <li>– Considered the results of the Investors in People ("IIP") online survey and written report for which we attained IIP Gold Accreditation.</li> <li>– Reviewed and approved the Company's Modern Slavery Act Statement, anti-corruption and bribery (statement and policy) and whistleblowing ("Speak Out") policy.</li> <li>– Considered and reviewed the gender pay gap report for 2017.</li> </ul>
<b>Governance and risk</b>	<ul style="list-style-type: none"> <li>– Reviewed reports on governance and legal issues, including developments in the new UK Corporate Governance Code, GDPR, Modern Slavery Act disclosure requirements and executive remuneration.</li> <li>– Reviewed the Company's principal risks.</li> <li>– Considered the Company's risk appetite in relation to its strategy.</li> <li>– Reviewed the outcome of the Board and its Committee's effectiveness review.</li> <li>– Discussed the implications following the UK's decision to leave the European Union.</li> </ul>
<b>Shareholder engagement</b>	<ul style="list-style-type: none"> <li>– Discussed feedback and agreed the Remuneration Committee's response following the further shareholder engagement process relating to executive remuneration at Safestore.</li> <li>– Discussed feedback from investors and analysts' meetings following the release of our annual and half year announcement and quarterly updates and meetings with existing and potential shareholders.</li> <li>– Received regular updates from brokers and PR advisers on the market perception of Safestore.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>– Approved the Annual Report and Financial Statements and recommended final dividend.</li> <li>– Approved the 2018 interim results and declared interim dividend.</li> <li>– Received and reviewed monthly shareholders' analysis reports.</li> </ul>

During the year the Board has met with key members of the management team and held an extended strategy meeting in Bristol which included a visit to four Bristol stores.

The Board receives periodic operational updates from management and at each meeting receives updates on property matters, investor activity and analyst feedback. Furthermore, the Board receives updates for approval on the Group's key policies.

### Board evaluation 2018

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual performance evaluation, full induction of new Board members and ongoing Board development activities.

This year, the Board carried out an internal evaluation of its performance, its Committees and individual Directors. An externally facilitated Board evaluation will be conducted in 2019.

The scope of this year's Board and Committee evaluation process was agreed with the Chairman and undertaken by the Interim Company Secretary. Directors completed detailed written questionnaires covering a number of key areas including strategy, succession planning, Board size, composition and balance of skills, 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. The key findings arising from the evaluation were reviewed by the Board and recommendations were made to:

- refresh the role and responsibilities of the Nomination Committee and to include a more detailed review of the Group's succession planning;
- keep under review the training and development needs of the Board;
- make time available within the Board calendar for Board training on matters of interest to the Board and relevant to the Company; and
- improve forward-looking debate, with continued focus on the Company's culture and values.

Following the evaluation, enhancements were made to Board meeting materials and the activities of the Nomination Committee were informed by the Board evaluation process.

The Directors have concluded that, following this evaluation, the Board and its Committees operate effectively.

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.

## Corporate governance *continued*

### Effectiveness *continued*

#### Board development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues. Specific and tailored updates are provided at Board meetings and to members of the Audit Committee and have included presentations from the Company's advisers.

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Company Secretary. No such independent advice was sought in 2018.

As there have been no new appointments during the year, we have not had to deliver an induction programme. Our approach to induction, led by the Chairman with support from the Company Secretary, remains to ensure that we provide a comprehensive introduction to the Group as a whole.

#### Board appointments

There have been no changes to the composition of the Board during the year. 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.

#### Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' remuneration report on page 65. The service agreements of the Executive Directors and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours, including the 15 minutes immediately prior to the Annual General Meeting. The letters of appointment for Non-Executive Directors are in line with the provisions of the Code relating to expected time commitment.

At each Annual General Meeting of the Company, all Directors will stand for re-election in accordance with the Code.

#### Directors' conflicts of interest

The Company's Articles of Association give the Directors the power to consider, and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

#### Diversity

The Company's equal opportunities and dignity at work policy includes the Company's policy on diversity, which also covers the Board. Details of the Company's equal opportunities and dignity at work policy is detailed on page 28. The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background and experience. Whilst the Board believes that appointments should be made solely on merit, we seek to ensure that the Board maintains an appropriate balance through a diverse mix of experience, backgrounds, skills and deep knowledge and insight.

The Board, as at the date of this Annual Report and Financial Statements, comprises 29% women (FY2017: 29%). 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 control

A summary of the principal risks and uncertainties within the business is set out on pages 12 to 15.

The Board retains overall responsibility for setting Safestore's risk appetite, and establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate the risks entirely.

The Board has established a number of ongoing processes to identify, evaluate and manage the key financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this report.

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 chaired by the Chief Financial Officer and comprises representatives 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 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 47 to 49.

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 the Group. 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.

### Company ethics and whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all employees to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain its business values and to ensure that any instances of malpractice are detected and dealt with.

The Company has a number of policies available online to its employees. These include a code of conduct, an anti-bribery policy, receipt of gifts & corporate hospitality policy and a whistleblowing ("Speak Out") policy. These policies have been relaunched during 2018. The whistleblowing policy has procedures for disclosing malpractice and, together with the code of conduct, is intended to act as deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

No whistleblowing issues were reported during the year.

### Investor relations

We are committed to proactive and constructive engagement with shareholders. The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with them through an investor relations programme. This includes formal presentations of the full year and interim results and meetings with institutional investors and analysts as required. The Directors' remuneration report includes comment on extensive engagement with shareholders in respect of the operation of executive remuneration at Safestore.

To ensure all Board members share a good understanding of the views of major shareholders, the Board receives regular updates on the views of our shareholders and receives summaries of institutional investor comments following meetings on the full year and interim results.

In the event that shareholders have any concerns, which the normal channels of communication through the Chief Executive Officer or Chief Financial Officer have failed to resolve or for which contact is inappropriate, our Chairman or Senior Independent Director are available to address such concerns. Both make themselves available when requested, for meetings with shareholders on issues relating to the Company's governance and strategy.

The Board considers the Annual Report and Financial Statements and the Annual General Meeting 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 Chairs of the Audit, Nomination and Remuneration Committees.



## Nomination Committee report

### Members

Member	No. of meetings
Alan Lewis	3/3
Ian Krieger	3/3
Joanne Kenrick	3/3

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

### Key objectives

To ensure the Board and executive leadership comprises individuals with the necessary skills, knowledge and experience and to ensure that it is effective in discharging its responsibilities.

### Activities of the Committee during the year

During the year, the activities of the Nomination Committee included:

Responsibilities	Activities
<b>Board and Committee composition</b>	<ul style="list-style-type: none"> <li>Assessed the diversity and skill set and composition of the existing Board and its Committees, informed by the output of the Board and Committee evaluation process.</li> <li>Considered the performance of the Chief Executive Officer and the Chief Financial Officer.</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>Discussed succession planning both in respect of Board members and senior management within the Group.</li> </ul>
<b>Board development</b>	<ul style="list-style-type: none"> <li>Reviewed programme for Non-Executive Director development.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Reviewed the Group's culture, values and behaviours.</li> <li>Reviewed the Group's contingency planning arrangements.</li> <li>Discussed the remit and role of the Committee and reviewed its terms of reference.</li> </ul>

### Succession planning

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.

### 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.

### Responsibilities

The Board has approved terms of reference for the Nomination Committee which are available on the Investor pages of the Group's website at [www.safestore.co.uk](http://www.safestore.co.uk). These provide the framework for the Committee's work in the year and can be summarised as:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning; and
- overseeing the performance evaluation of the Board, its Committees and individual Directors.

### Membership

There were no changes to the membership of the Committee during the year, all of whom are Non-Executive Directors of the Company.

### How the Committee operates

The Nomination Committee meets as necessary and each meeting had full attendance.

### Directors standing for re-election

All Directors will stand for re-election at the 2019 AGM. Following the annual Board performance reviews of individual Directors, 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 40 and 41.

I will be available at the Annual General Meeting to answer any questions on the work of the Nomination Committee.

#### Alan Lewis

#### Chair of the Nomination Committee

7 January 2019



# Audit Committee report

## Members

Member	No. of meetings
Ian Krieger (Chair)	4/4
Joanne Kenrick	4/4
Bill Oliver	4/4

## Key objectives

The provision of effective governance over the appropriateness of the Company's financial reporting, the performance of both the store assurance arrangements and the external auditor and oversight over the Company's system of internal control.

## Responsibilities

The Board has approved terms of reference for the Audit Committee which are available on the Investor pages of the Group's website at [www.safestore.co.uk](http://www.safestore.co.uk). These provide the framework for the Committee's work in the year and can be summarised as providing oversight of the:

- appropriateness of the Company's external financial reporting;
- relationship with, and performance of, the external auditor;
- Company's store assurance arrangements and the risk management framework; and
- Company's system of compliance activities.

## Main activities of the Committee during the year

A summary of the Audit Committee's main activities during the year has included the following items:

Responsibilities	Activities
<b>Financial reporting</b>	<p>The Audit Committee has reviewed:</p> <ul style="list-style-type: none"> <li>– whether Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;</li> <li>– the appropriateness of adopting the going concern basis of accounting and whether the Group can meet its liabilities as they fall due over a three-year period (the viability assessment);</li> <li>– the significant issues and material judgements which were made in preparing the 2018 Interim Report and the Annual Report and Financial Statements;</li> <li>– the integrity of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year; and</li> <li>– the principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditor.</li> </ul>
<b>External auditor</b>	<ul style="list-style-type: none"> <li>– the 2018 audit plan with the external auditor and approved it as appropriate for the Group, including in respect of scope and materiality;</li> <li>– external audit effectiveness, independence and re-appointment;</li> <li>– a summary of audit quality inspection findings following the Financial Reporting Council's ("FRC") Audit Quality Review ("AQR") review of Deloitte; and</li> <li>– approved auditor remuneration.</li> </ul>
<b>Internal audit arrangements</b>	<ul style="list-style-type: none"> <li>– challenged the effectiveness of the Group's store audit arrangements; and</li> <li>– whether there was a need for the Company to establish an internal audit function.</li> </ul>
<b>Governance and risk</b>	<ul style="list-style-type: none"> <li>– the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including: <ul style="list-style-type: none"> <li>– store assurance audit reports;</li> <li>– internal financial control assessments;</li> <li>– fraud and loss prevention; and</li> <li>– risk assessment;</li> </ul> </li> <li>– the Company's anti-corruption and bribery (statement and policy) and whistleblowing ("Speak Out") policy and procedures;</li> <li>– the Company's information security and business continuity arrangements; and</li> <li>– store assurance team effectiveness and independence.</li> </ul>

## Membership

The Audit Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities. Given my experience, I continue to be designated as the financial expert on the Committee for the purposes of the Code. In order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which the Company operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting and accounting matters. An externally facilitated evaluation of the Committee's performance will be undertaken in 2019. There were no changes in the membership of the Committee during the year, all of whom are Non-Executive Directors of the Company.

## How the Committee operates

The Audit Committee met four times during the year and each meeting had full attendance. In addition to the Committee members, the following were also in attendance by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- the Chairman and the Chief Executive Officer;
- other senior managers, including those responsible for IT security, GDPR compliance and risk management; and
- the audit partner and senior managers from Deloitte.

The Committee also meets separately with Deloitte without any other member of management being present.

## Audit Committee report *continued*

### 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.

**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.

### Fair, balanced and understandable assessment

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

### Risk management and internal control

The Board, as a whole, including the Audit Committee members, considers whether the nature and extent of Safestore's risk management framework and risk profile is acceptable in order to achieve the Company's strategic objectives. As a result, the Committee 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 44.

### 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. During the period the Audit Committee reviewed an analysis of how the key risks in the business are mitigated by existing controls as well as the store assurance team and concluded that an internal audit function is not required. In addition, the Audit Committee will from time to time consider the requirement to commission externally facilitated reviews of the control environment, to supplement the work of the store assurance team, until the Audit Committee determines that it is appropriate for the Group to establish a separate internal audit function.

### External audit

The remit of the Audit Committee includes:

- advising the Board on the appointment, re-appointment, and removal of the external auditor and on its remuneration both for audit and non-audit work;
- approving the nature and scope of the external audit with the external auditor;
- discussing the findings of the external audit with the external auditor and assessing the effectiveness of the audit; and
- reviewing the independence and objectivity of the external auditor, including the level of fees paid.

### Financial Reporting Council's ("FRC") Audit Quality Review

We have reviewed a summary of audit quality inspection findings following the FRC's Audit Quality Review ("AQR") review of Deloitte, our external auditor. Deloitte presented a summary of findings in their planning report to the Audit Committee, including noting those areas where Deloitte had enhanced its policies and procedures, and the key findings that the AQR review had highlighted in the current year.

### Audit effectiveness

One of the key responsibilities of the Audit Committee is to assess the effectiveness of the external audit process. Since September 2014, Deloitte LLP has served as the Company's external auditor.

During the year the Audit Committee has reviewed the reports it received from the external auditor, including audit plans and the results of the audit work performed. The Audit Committee challenged, where necessary, the risks identified and the results of the work performed, and sought feedback from management on the effectiveness of the audit process.

The Audit Committee has reviewed the effectiveness, independence, objectivity and expertise of the external auditor and following this review recommended to the Board that Deloitte be proposed for re-appointment as external auditor for 2019.

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 least once a year.

### 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 £42,000. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place. It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Deloitte was appointed as external auditor to conduct the audit for the 2014 financial year. The first lead audit partner retired following the 2017 audit and Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

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. As part of the 2018 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.

### Audit tendering

This has been Deloitte's fifth 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 and partner rotation every five years. As noted above, Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018.

Resolutions to re-appoint Deloitte as auditor and to authorise the Directors to agree its remuneration will be put to shareholders at the Annual General Meeting that will take place on Wednesday 20 March 2019.

I will be available at the Annual General Meeting to answer any questions on the work of the Audit Committee.

### Ian Krieger

#### Chair of the Audit Committee

7 January 2019



# Directors' remuneration report

for the year ended 31 October 2018



## PART A: ANNUAL STATEMENT

Dear shareholder

Following last year's AGM, both I and the other members of the Remuneration Committee have reflected on how and why we have such a split in our shareholders' views on our remuneration. This statement and accompanying remuneration report aims to address specifically the actions we have taken and changes we have made during 2018. As the Chair of the Committee I wanted to start the report with a brief update in order to reassure all our shareholders that we do not want to continue with the level of unease and voting position that we are currently experiencing. I would like to emphasise the following points:

Back in 2016 we thought very carefully about the implementation of our current policy and genuinely believed it was in the best interests of the Company to align the Executive Team and other key employees' reward with delivering very stretching targets supporting our long-term business strategy.

We recognise that in the last two years the world around executive remuneration has changed and we fully understand that our LTIP construct would not be acceptable in today's landscape for some investors. We will not introduce any new LTIP without a significantly greater level of shareholder support than has been the case with this policy.

Shareholders acknowledge that the Committee is faced with a fundamental choice around the operation of the LTIP which is now in its third year of operation of the five-year performance period. On one hand does the Committee breach a contractual and moral obligation with the Executive Team and other employees by unilaterally closing down the LTIP and risk destabilising the current performance of the business? Or on the other hand does it retain the structure which is driving exceptional corporate results but which is unacceptable to some of our shareholders?

Whilst I know this is not ideal for those shareholders who want us to close the LTIP down or fundamentally restructure it, the Committee does believe that the structure is driving corporate performance and delivering long-term value to all our stakeholders.

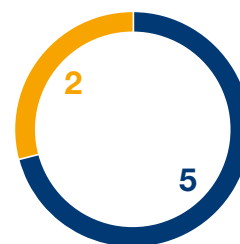
The Executive Directors have already made concessions by agreeing to changes to both the LTIP and annual bonus following on from the views received from shareholders which are reflected further in this report in order to address those shareholder concerns with our current remuneration framework and build relationships back with all our shareholders.

I hope that these changes demonstrate that I and the rest of the Committee are listening to the feedback, and also reinforced in the public statement we have made in our letter to shareholders stating we will revert back to a conventional LTIP for our policy in 2020. I hope that this will help you understand the journey we are on to build relationships back with our shareholders.

## Board gender composition

As at date of publication

■ Male  
■ Female



## Shareholder engagement addressing the significant vote against our remuneration report and re-election of Non-Executive Directors post the 2018 AGM

Since the 2018 AGM, Alan Lewis, the Chairman of the Board, and I have spent a significant amount of time engaging with our shareholders and investor bodies around our current policy to better understand shareholder views and concerns around our policy and its operation as well as what actions we could take in this area to alleviate concerns and ensure that the Company was better aligned with our shareholder views. What we heard was that a high proportion of shareholders raised concerns around the operation of the annual bonus rather than the LTIP itself. However, we absolutely understand that for some shareholders the main issue remains the one off nature of LTIP and potential pay out opportunity and felt that we should replace it with a more conventional structure.

## Changes to operation of our Directors' remuneration policy (the "policy")

The Committee debated at length whether the current LTIP is still the right incentive for our business; we also took further advice from both our remuneration consultants and lawyers to understand what options it could take. The Committee has concluded that closing the LTIP down or fundamentally restructuring it at this stage would not be the right course of action primarily because it entered into contractual arrangements through the LTIP awards with over 50 of our employees across many grades and we have already entered the third financial year of the measured performance period. To make unilateral changes to these arrangements would not be in the best interests of the Company, be hugely demotivating and would amount to a breach of contract between the Company and its employees and, in the opinion of the Board, would be detrimental to the momentum we have built in successfully cascading our strategic plan throughout the business. In addition, the LTIP:

- Supports our three strategic remuneration principles: below market rates for base pay, significant payment for outstanding performance only and a five-year time horizon which is aligned with our business model and strategy; and
- The Committee believes achieving the required EPS and relative total shareholder return metrics for full vesting over a five-year period represents exceptional performance and that potential levels of pay out are not disproportionate to the value created for shareholders over this period.



Shareholder concern

Summary of Committee response

<p>The relationship between financial performance, overall bonus pay-outs and remuneration outcomes could be clearer</p>	<ul style="list-style-type: none"> <li>– A financial performance gateway has been placed on the annual bonus such that no strategic/operational measures can pay out unless threshold EBITDA has been met.</li> <li>– In light of the 2018 Code, the Committee will retain the discretion to adjust the formulaic annual bonus outcome if it is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the bonus payout resulting from the application of the performance measures. The Committee will only apply this discretion if the circumstances at the time are, in its opinion, sufficiently exceptional, and will provide a full explanation to shareholders where discretion is exercised.</li> <li>– The Committee will apply discretion to the formulaic outcome of all awards granted to the Executive Directors under any new long term incentive arrangement implemented under a future policy similar to the above provision being applied to that of the annual bonus.</li> </ul>
<p>The level of pay-out and vesting for threshold performance is too high relative to the maximum opportunity</p>	<ul style="list-style-type: none"> <li>– For 2019, the Committee will reduce the annual bonus payout at threshold and target financial performance to 30% and 60% of maximum respectively (from 40% and 70% of maximum). On the basis that the Committee approved these changes and the associated performance targets for 2019 in advance of the publication of the updated ISS guidelines on target bonus payouts, it was deemed inappropriate to revisit them subsequently. However, the Committee will review payout level again in relation to any future policy starting on 1 November 2019.</li> <li>– The Committee determined to reduce the threshold LTIP vesting level to nil for EPS performance below 7% p.a. and relative TSR performance below the 55th percentile, unless there are exceptional circumstances justifying some pay out for this level of performance.</li> </ul>
<p>The selection, balance and calibration of performance conditions could be reconsidered</p>	<ul style="list-style-type: none"> <li>– For 2018 and beyond, personal objectives have been removed from the bonus scorecard with a corresponding increase in the weighting of the EBITDA measure.</li> </ul>
<p>Disclosure of incentive arrangements and annual bonus outcomes</p>	<ul style="list-style-type: none"> <li>– Further improve the disclosure of the annual bonus strategic/operational measure outcomes in this and future reports.</li> </ul>
<p>The structure and one off nature of the LTIP</p>	<ul style="list-style-type: none"> <li>– There will be no replacement awards if the LTIP fails to pay out. This is fully understood by participants.</li> <li>– We intend to design our next LTIP, due for approval by shareholders in March 2020, around more conventional criteria being mindful of best practice at that time.</li> </ul>

In line with corporate governance best practice, the Committee issued a letter to shareholders on 28 September 2018 setting out these changes to the operation of policy, which can be found on our website at [www.safestore.co.uk](http://www.safestore.co.uk). We also released an additional public statement setting out these changes as required by the Investment Association. The statement is available on our website and it is also attached to our 2017 DRR entry into the Investment Association's public register.

We would like to thank all of the shareholders with whom we have met over the summer for giving their time in order to help us during this process. We trust that the changes will provide you with comfort that we have listened to the views of our shareholders and acted on them while remaining true to our underlying remuneration principles which we believe are supporting the impressive business performance to date. I sincerely hope these changes will encourage many of you to support our DRR at the upcoming 2019 AGM.

**Other 2018 activities**

Clearly, a significant amount of the Committee's time in 2018 was spent on shareholder engagement, but we also did the following:

- discussed the implications of the revised UK Corporate Governance Code, published in 2018, and new regulations for increased DRR disclosure, for the Company's pay policies, practices and engagement;
- formal Board training provided by Deloitte on the implications of the 2018 Code;
- agreed an action plan for implementation during 2019 to ensure compliance with the 2018 Code by 1 November 2019;
- reviewed the gender pay gap analysis results and signed off actions;
- determined Executive Director base salary levels from 1 May 2018;
- agreed annual bonus targets for 2018 and measured performance against them, including the new financial gateway;

- discussed and reviewed attainment against the performance measures of the 2016 PSP award which had substantially completed its performance cycle by the end of the year;
- approved a further 53,000 share awards under the LTIP to a small number of colleagues; and
- reviewed the terms of reference of the Committee.

**Planned activities for 2019**

- Overseeing the detailed implementation of our response to the 2018 Code.
- Our normal oversight of the annual remuneration cycle including agreeing the annual bonus targets for 2019 and measuring performance against them.
- Continuing to engage with shareholders on the operation of policy and looking ahead to our next policy in 2020 starting initial discussions. The new policy will take account of the 2018 Code and investor body guidelines to ensure it aligns with best practice. This will include a review of the key areas covered by the changes to the Code including pension provision, post-cessation shareholding requirements, long-term incentive vesting and release schedules, overriding discretion and malus and clawback trigger events.
- Develop DRR disclosures in line with the updated remuneration disclosure requirements to be presented in our 2019 report.



## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART A: ANNUAL STATEMENT *continued*

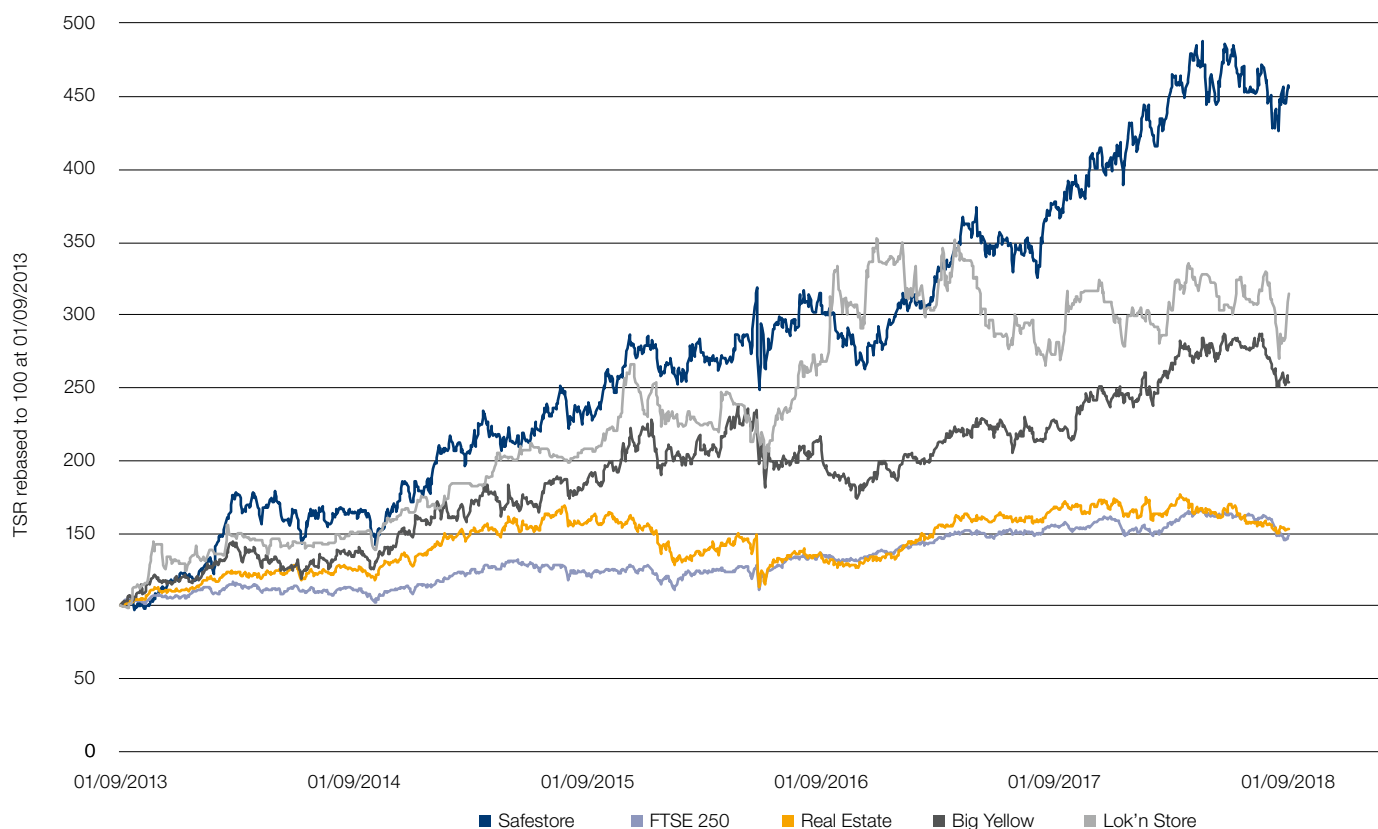
#### Remuneration in respect of 2018

##### How we have performed in 2018

You will have read earlier in this Annual Report that the Company delivered strong results for 2018. Highlights include:

- Group revenue up 10.8% for 2018;
- underlying EBITDA up 11.4% for 2018;
- Adjusted Diluted EPRA earnings per share up 15.5% for 2018;
- Investors In People Gold accreditation; and
- successful integration of the Alligator store portfolio.

The results for 2018 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. From September 2013 to the current date, £100 invested in Safestore would be worth over £450 taking account of share price growth and reinvested dividends and represents significant outperformance of key competitors and industry benchmarks as shown below.



##### Base salary increase

In line with policy, Executive Directors' salaries were increased by 2% on 1 May 2018 which was below the 3.6% average increase applied to the wider workforce.

##### Annual bonus outcomes

Targets for the 2018 annual bonus set by the Committee, as above, were based on EBITDA (67%) and strategic/operational (33%). In determining the payouts under the annual bonus plan for the Executive Directors, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the overall performance of the business and for the first time assessed whether the financial gateway to the strategic/operational measures was attained and whether any discretion should be used to adjust the formulaic bonus outcome. We are comfortable that the outcomes set out opposite are commensurate with the Company's underlying performance and that no overriding discretion should be applied:

- The EBITDA outcome of £82.1 million (stated at budgeted exchange rates) delivered well against the EBITDA targets and resulted in 79% of the maximum for this element paying out.
- On the basis that the financial gateway was met i.e. the EBITDA threshold target was attained, the Committee assessed that 84% of maximum for the strategic/operational measures would pay out (full details of this assessment are set out on page 57).
- In total, the overall bonus payout was 121% of salary for both Executives, versus a maximum opportunity of 150% of base salary. In line with policy, 100% of salary will be paid in cash and 21% of salary will be deferred into shares.

The Remuneration Committee in response to shareholder feedback provided more disclosure on the setting and achievement of the strategic and operational objectives for 2018.

## PSP outcomes

- As estimated in last year's report, the 2015 PSP awards vested in full during the year based on a performance cycle that was substantially completed in 2017.
- For the 2016 PSP awards, the PBT-EPS element is assessed based on growth over three years to the financial year end of 2018. Over this period we achieved 16% p.a. PBT-EPS growth which was well in excess of the maximum target of 8% + RPI p.a. which resulted in full vesting.
- The relative TSR element of the 2016 PSP will be measured over the three years from grant ending on 14 March 2019. As at 29 January 2019 (being the latest practicable date prior to the publication of this report), the expected vesting level is 100% as our TSR is currently outperforming the FTSE Small Cap upper quartile.
- The 2016 award is the final award to be granted under the PSP and as a result there will be no long-term incentive awards vesting for the next two years.

## Remuneration in respect of 2019

- Executive Directors' salaries will be reviewed on 1 May 2019 and will not exceed the increases awarded to the wider workforce.
- The annual bonus will continue to operate in line with 2018, with the exception that the payout at threshold EBITDA performance reduces to 30% of maximum (from 40%) and pay out for on-target performance falls to 60% of maximum (from 70%).
- No LTIP awards will be granted to the Executive Directors in 2019.

## Sharing our success

The strong performance of the Company since 2013 could not have been possible without developing all our people which includes significant formal training, fully supported and incentivised to perform to the best of their ability. We recognise that it is also critical for our colleagues to feel valued as well as to be paid fairly and as such we welcome the Code changes in the area of employee engagement.

Our current focus in relation to employee engagement has centred on the Investors in People ("IIP") survey in which Safestore has retained an accreditation since 2002. The Committee was pleased that our colleagues described a fundamental shift over the last few years in how they are managed and how they, in turn, manage others allowing more time to build meaningful relationships with colleagues and customers. Over the last few years we have progressed through the IIP award levels, whereby, we achieved the "Gold" award for 2018 which means that we are ranked as one of the top employers out of 14,000 organisations, across 75 countries worldwide. In addition, we were shortlisted as a top ten finalist for the "Gold Employer of the year" award within our category.

We published our gender pay gap report on 22 March 2018. We were encouraged to see that our median gender pay gap of 4.1% is significantly less than the UK average of 18.4%. Our median bonus gap was higher at 12.9% which is driven by there being fewer women in senior leadership positions. However, in line with our remuneration principles, we are proud that our bonus schemes are open to all job levels and colleagues at the same level have the same bonus opportunity. Our gender pay gap report can be found on our corporate website at [www.safestore.co.uk](http://www.safestore.co.uk), where we detail the initiatives that are ongoing to reduce these gaps further.



Widespread share ownership also aligns with our remuneration principles by rewarding our colleagues for the successful execution of strategy over a multi-year horizon. We are delighted that 41% of our employees are enrolled in our SAYE plan, with the 2014 offering being exercised during 2017 and 2018. The Board is proud that a number of colleagues made gains in the region of £24,000 on their £500 per month savings into the 2014 plan and shared in the collective success of the Company. We also had a further SAYE offering in October 2017.

We have also included a new section in this report on pay fairness which discusses the issues above in more detail.

## Summary

The Company is committed to acting in line with UK corporate governance best practice and is watching developments in response to the 2018 Code with interest. Our new policy which will be developed and discussed with our major shareholders over the coming year will be fully compliant with the new Code and will be put to shareholders at the 2020 AGM.

We would welcome any feedback or comments on this report or our remuneration principles and policy in general. I can be contacted via our Interim Company Secretary, Helen Bramall, at [HBRamall@safestore.co.uk](mailto:HBRamall@safestore.co.uk).

I hope that shareholders will support the resolution on our 2018 annual statement and report on remuneration at our 2019 AGM and that we can move forward on remuneration at Safestore.

On behalf of the Committee and Board for release on 7 January 2019.

**Claire Balmforth**  
Chair of the Remuneration Committee

## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART B: OUR REMUNERATION AT A GLANCE

Ahead of the Annual report on remuneration, we have summarised below the key elements of our remuneration policy and how we intend to implement it in 2019 in line with the changes set out in the Remuneration Committee Chairman's annual statement on pages 50 and 51. We also summarise the key remuneration outcomes for 2018.

#### (i) Summary of our Directors' remuneration policy and implementation of remuneration policy for 2019

Element	Key features of policy	Implementation for 2019	
<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. No salary increases in excess of those awarded to the wider workforce.	Base salary of £408,000. A 2% increase was awarded in May 2018. The next salary review will take place in May 2019.	Base salary of £290,700. A 2% increase was awarded in May 2018. The next salary review will take place in May 2019.
Benefits and pension	Market-competitive benefits/pension package provided. Maximum contribution to personal pension scheme or cash in lieu is equal to 10% of salary.	10% of salary as Company pension contribution.	10% of salary as Company pension 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 for two years.	Maximum opportunity: 150% of salary. No change.	Maximum opportunity: 150% of salary. No change.
		<b>Performance measures</b>	
		<ul style="list-style-type: none"> <li>– Adjusted EBITDA (67% weighting).</li> <li>– Strategic/operational measures (33% weighting).</li> <li>– As for 2018, personal performance measures have been removed.</li> <li>– A financial gateway will apply to the strategic/operational measures such that if threshold EBITDA performance has not been achieved, there will be no payout under this element.</li> </ul>	
		<b>Pay out profile</b>	
		Pay out for threshold and target EBITDA performance will be reduced to 30% and 60% of the maximum (from 40% and 70% of maximum) respectively.	
LTIP	2 million and 1.34 million shares awarded in 2017 to CEO and CFO respectively. Awards vest after five years in 2022 subject to the achievement of stretching performance measures. The performance measures and weightings are as follows: <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> In addition, no award will vest unless a minimum level of cash on cash return ("CoCR") of 8% p.a. has been achieved. The Committee will determine the following changes to the vesting schedule of the LTIP awards granted in 2017 to reduce the vesting at threshold performance to zero as follows: As per the approved policy, the vesting under the EPS growth measure will increase on a straight line basis from 6% p.a. to 12% p.a. However, the Committee has determined that there will be zero vesting for growth between 6% p.a. and 7% p.a. unless there are exceptional circumstances justifying some pay out for this level of corporate performance. As per the approved policy, the vesting under both relative TSR measures will increase on a straight line basis from median to upper quartile performance. However the Committee has determined that there will be zero vesting for TSR performance between median (the 50th percentile) and the 55th percentile unless there are exceptional circumstances justifying some pay out for this level of corporate performance.	No LTIP awards to be granted.	No LTIP awards to be granted.
Shareholding requirements	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. There were no increases to Non-Executive Director fees in the year. The next salary review will take place in May 2019.	

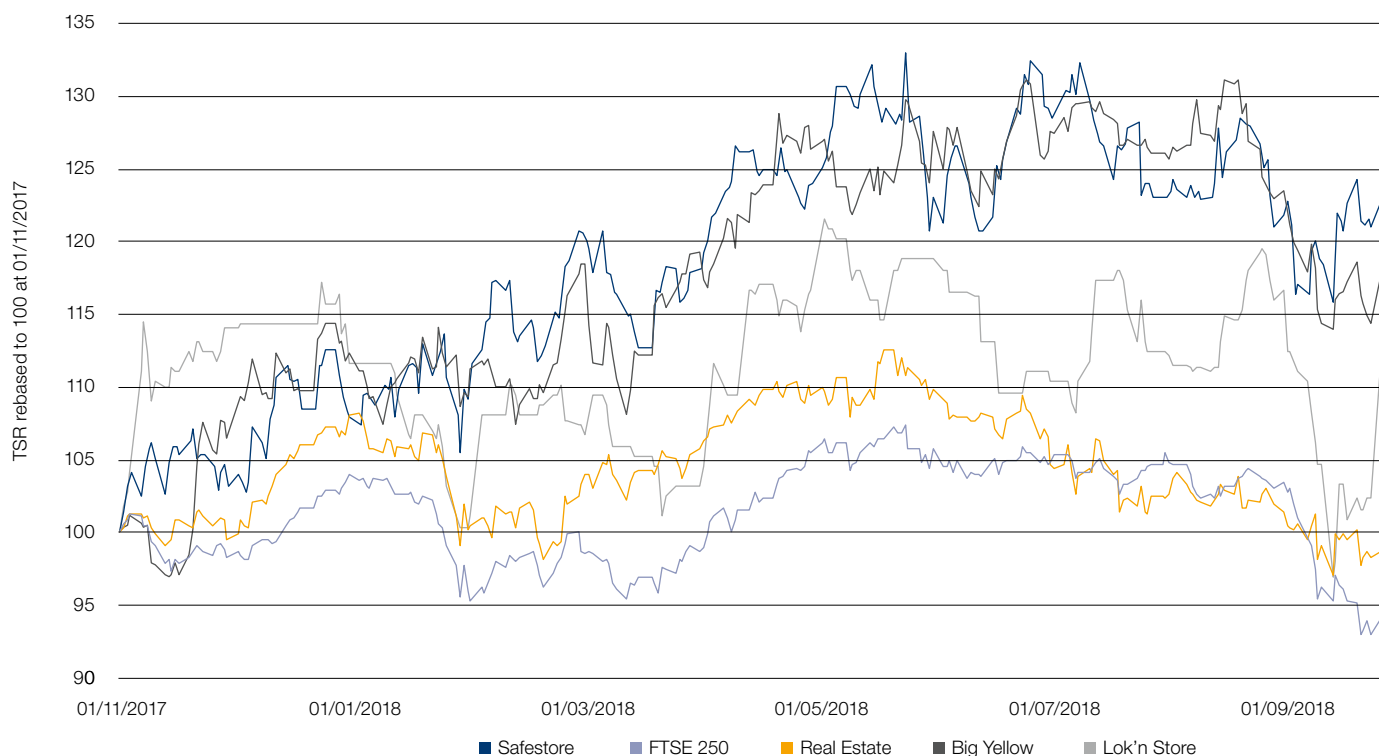
Our full remuneration policy is available on our website (<https://www.safestore.co.uk/corporate/governance/governance-documents/>) and details of all changes to the operation of our remuneration policy in 2019, including the changes set out in the Chairman's statement, can be found on our website in our public statement on the operation of Directors' remuneration policy at the same place on our website.

## (ii) How have we performed?

### Key 2018 business highlights

- Group revenue up 10.8% for 2018;
- underlying EBITDA up 11.4% for 2018;
- Adjusted Diluted EPRA earnings per share up 15.5% for 2018;
- Investors In People Gold Accreditation; and
- successful integration of the Alligator store portfolio.

Corporate performance has remained strong in 2018 and has driven total shareholder return growth of 23% with continued outperformance of the FTSE 250, industry benchmarks and key competitors as shown below:



## (iii) Remuneration outcomes for 2018

Below we summarise the performance targets and their outcomes for both Frederic Vecchioli and Andy Jones for the 2018 annual bonus and the 2016 PSP awards whose performance period was substantially completed by 31 October 2018.

### 2018 annual bonus assessment:

At the start of the 2018 financial year, we set stretching performance targets for the annual bonus plan and in line with the Remuneration Committee Chairman's annual statement, we removed personal performance measures and re-weighted the balance of measures to 67% adjusted EBITDA and 33% strategic/operational. The table below summarises the achievement of these targets (please see pages 57 and 58 for more detail). The achievement of the strategic/operational measures was assessed by the Remuneration Committee as the financial gateway of outperforming the threshold adjusted EBITDA target was met.

Measure (weighting)	Threshold	Target	Maximum	Actual	% of max achieved
Adjusted EBITDA before non-recurring items (67%)	£78.9m	£81.4m	£83.8m	£82.1m	53%
Strategic/operational measures (33%)	—	—	—	—	28%
<b>Overall</b>					<b>81%</b>

## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART B: OUR REMUNERATION AT A GLANCE *continued*

#### (iii) Remuneration outcomes for 2018 *continued*

##### 2018 annual bonus assessment: *continued*

The underlying EBITDA has been adjusted for the impact of foreign currency changes and therefore is stated at budgeted exchange rates. Based on an assessment against the 2018 bonus scorecard, the Committee determined that Frederic Vecchioli would receive a 2018 annual bonus of £493,680 (81% of maximum) and Andy Jones would receive £351,747 (81% of maximum). The Committee tested whether the annual bonus payouts were commensurate with the Company's underlying performance and shareholder value created in 2018 in addition to whether the new financial gateway to the strategic/operational bonus element was met. It determined that the EBITDA threshold financial gateway was met and that the formulaic outcomes were representative of overall performance and as a result did not apply any overriding discretion. The factors considered by the Committee in making this judgement are set out on page 58 in the Annual report on remuneration. In line with the approved Directors' remuneration policy, any bonus payment above 100% of salary will be deferred into shares for two years.

##### 2016 PSP award vesting

Measure (weighting)	Performance range	Actual	% of max achieved
PBT-EPS growth (67%)	3%+RPI p.a. to 8%+RPI p.a.	16% p.a.	67%
Relative TSR vs FTSE Small Cap (33%)	Median to upper quartile	Currently above upper quartile	33%
<b>Overall</b>			<b>100%</b>

Based on an assessment against the 2016 PSP award performance measures, the Committee envisages that the award will vest in full. Based on the average share price over the three months to 31 October 2018, this provides a value of £633,272 for Frederic Vecchioli and £497,061 for Andy Jones.

### PART C: DIRECTORS' REMUNERATION POLICY

The 2018 Annual report on remuneration contains the details of how the Company's policy for Directors was implemented during the financial year ended 31 October 2018. An advisory resolution to approve this report and the Remuneration Committee Chairman's annual statement will be put to shareholders at the AGM on 20 March 2019.

#### Executive Director remuneration for the year ended 31 October 2018

##### 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.

		Base salary £'000	Taxable benefits £'000	Annual bonus £'000	Long term incentives £'000	Pension £'000	Other £'000	Total £'000
Frederic Vecchioli	<b>2018</b>	<b>404</b>	<b>23</b>	<b>494</b>	<b>633</b>	<b>36</b>	<b>—</b>	<b>1,590</b>
(Chief Executive Officer)	2017	388	23	489	794	34	—	1,728
Andy Jones	<b>2018</b>	<b>288</b>	<b>18</b>	<b>352</b>	<b>497</b>	<b>25</b>	<b>—</b>	<b>1,180</b>
(Chief Financial Officer)	2017	279	18	349	623	25	—	1,294

##### Notes

- Taxable benefits comprise a car allowance, private medical and dental insurance.
- The 2017 and 2018 annual bonus figures include the portion subject to deferral for two years.
- The Executive Directors were provided pension payments in the form of a cash allowance, after a deduction for employer's National Insurance cost.
- Frederic Vecchioli and Andy Jones received 9,164 and 7,190 shares respectively as dividend equivalents in 2017 on the vesting of the 2015 PSP awards granted on 28 January 2015. This is in addition to 149,219 and 117,080 PSP awards vesting during the year for Frederic Vecchioli and Andy Jones respectively. The 2016 PSP awards included in 2018 figures exclude the dividend equivalents and the total amount in 2018 will be restated in the 2019 Directors' remuneration report to reflect the share price at the vesting date of 14 March 2019 and dividend equivalents.
- The share price of 533.7 pence was used to value the 2018 long term incentives, being the average share price for the three months to 31 October 2018.
- In the 2017 Directors' remuneration report, we used the average share price for three months to 31 October 2017 of 425.1 pence to value 2017 long term incentives. In this year's report this value has been restated using the share price on date of vesting of 28 January 2018 of 501.5 pence.
- In respect of the 2018 long term incentive value for Frederic Vecchioli of £633,272, £217,024 was as a result of share price appreciation from the date of grant. In respect of the 2018 long term incentive value for Andy Jones of £497,061, £170,344 was as a result of share price appreciation from the date of grant.



## Annual bonus outcomes for the financial year ended 31 October 2018 (audited)

For 2018, the Executive Directors had a maximum annual bonus opportunity of 150% of salary. For each Executive Director, the 2018 annual bonus determination measures, in line with the Remuneration Committee Chairman's statement, were re-weighted to 67% for adjusted EBITDA and 33% for strategic/operational. The achievement of the strategic/operational measures was assessed by the Remuneration Committee as the financial gateway of outperforming the threshold adjusted EBITDA target was met. 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% payout)	On target (70% payout)	Maximum (100% payout)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items	67%	£78.9m	£81.4m	£83.8m	£82.1m	79%	79%	322	79%	230
Strategic/operational measures	33%	Objectives based on strategic and operational			See below	84%	42%	172	42%	122
<b>Total bonus achieved in 2018</b>							<b>121%</b>	<b>494</b>	<b>121%</b>	<b>352</b>

### 2018 annual bonus outcomes: strategic objectives

The Group's proven strategy remains unchanged. 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. Therefore, the Executive Directors' strategic/operational objectives reflect the Company's priorities in these areas for 2018.

In line with our commitment to improved disclosure of remuneration outcomes, the Executive Directors' strategic/operational objectives and their achievement are fully disclosed in detail below. The maximum opportunity under this element of the annual bonus is 50% of salary.

Objective	Achievement	Outcome	Committee assessment
<b>Optimisation of performance of existing portfolio (20% of salary)</b>			
Optimise performance through:			
– Enhancing people performance through engagement; and improved capabilities to increase conversion of enquiries into new lets.	– Significant investment in our people has led to us attaining Investors in People ("IIP") Gold accreditation in March 2018 improving from Bronze in 2015.	✓✓✓	The Committee assessed that all targets had been exceeded and noted the flow through to an above target EBITDA for 2018. (17 out of 20% of salary)
– Maintaining the customer experience at our sites in order to achieve higher satisfaction.	– Shortlisted as a finalist for the 2018 IIP "Gold" Employer of the year award.		
– Being a leading storage provider from an online perspective which will enhance enquiry generation.	– Provided on average 40 hours of training and development across all our colleagues.		
	– Improved customer service levels – Feefo "Gold Trusted Merchant" for fifth consecutive year in the UK. 93% positive ratings on Trustpilot in France, rated in the top category of "Excellent" overall.		
	– Completed detailed review and optimisation of paid marketing activity (Google ppc, Bing ppc, affiliates) to improve reach and efficiency in the UK and Paris.		
	– Strengthened our online presence through recruitment and successfully on-boarding a new Digital Marketing Director.		
	– Improved our search engine visibility (organic and maps) to deliver free or "earned" enquiry volume growth stronger than paid channels.		
	– Integrated Alligator portfolio into Safestore marketing platform improving search visibility and combined ppc performance as well as cost synergies.		

## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART C: DIRECTORS' REMUNERATION POLICY *continued*

#### 2018 annual bonus outcomes: strategic objectives *continued*

Objective	Achievement	Outcome	Committee assessment
<b>Strong and flexible capital structure (12% of salary)</b>			
<ul style="list-style-type: none"> <li>Provide flexibility around selective development and acquisition opportunities and strongly grow dividends.</li> <li>Ensure business is protected against short term impact of macro-economic events.</li> </ul>	<ul style="list-style-type: none"> <li>Group's free cash flow improved by 10.1% from £50.3 million to £55.4 million for the year ended 31 October 2018.</li> <li>The full year dividend for the year ended 31 October 2018 increased by 16.1% to 16.25 pence per share.</li> <li>Group leverage maintained at the Group's strategic targeted level of an LTV ratio between 30–40%.</li> </ul>	✓✓✓	The Committee noted that the free cash flow target had been exceeded and that Group LTV was at the bottom of the targeted range as at 31 October 2018 which enabled the Company to pay an above target dividend of £31.3 million. (11 out of 12% of salary)
<b>Take advantage of selective portfolio management and expansion opportunities (12% of salary)</b>			
<ul style="list-style-type: none"> <li>Grow store portfolio through development or acquisition by at least one store per year within the Board-approved ROI guidelines.</li> <li>Improve revenue achieved in business centres by at least 5% through refurbishing and updating stores.</li> <li>Improve the existing property valuation by 10% through active portfolio management, store extensions, lease regears, unit reconfigurations and facilitating higher future revenue growth.</li> <li>Complete the rebranding and integration of the Alligator business within the Board-agreed timeline.</li> </ul>	<ul style="list-style-type: none"> <li>Mitcham and Marble Arch stores opened in London; Poissy store opened in Paris.</li> <li>Pipeline for opening in 2019 grown to four stores totalling 250,000 sq ft.</li> <li>Development pipeline build out delivered below budget and on time.</li> <li>Business centres refurbishment process on track. Already delivering 8% YoY revenue growth.</li> <li>UK property value increased by 13.9% (excluding new stores).</li> <li>France property value increased by 10.2% (excluding new stores).</li> <li>Rebranding ahead of plan with nine out of the twelve Alligator stores complete within 2018.</li> </ul>	✓✓	Overall, the Committee determined the objectives were met and recognised that revenue generated from both refurbished and acquired businesses was above expectations. (9 out of 12% of salary)
<b>CSR (6% of salary)</b>			
<ul style="list-style-type: none"> <li>Enhance the Group's CSR activities that deliver the multi-year carbon footprint reduction plan.</li> </ul>	<ul style="list-style-type: none"> <li>Established a cross-functional leadership team to maintain momentum in driving forward the Group's CSR agenda.</li> <li>LED lighting project completed as per plan.</li> <li>Estate electricity consumption reduced by 22%.</li> <li>Awarded Charity Initiative of the Year at the 2018 FEDESSA annual awards.</li> </ul>	✓✓✓	The Committee determined that targets were exceeded. (5 out of 6% of salary)
<b>Overall strategic objective performance</b>		<b>42% of salary (out of 50% of salary)</b>	

✓✓✓ indicates that the objective was exceeded, ✓✓ indicates that it was met, ✓ indicates that it was partially achieved and ✗ shows that the objective was not achieved.

The Committee assessed that 42% of base salary (or 84% of maximum) of the strategic/operational objectives had been achieved for 2018. Therefore the formulaic outcome for 2018 Executive Director overall bonus was 121% of base salary (81% of maximum). The Committee considered not only the achievement against the pre-determined objectives set out above, but also the wider Company performance to ensure that any achievement was representative of overall performance. In particular the Remuneration Committee took account of the following:

- Adjusted EBITDA increased to £82.1 million and significantly exceeded the newly implemented EBITDA threshold performance financial gateway to allow payment of the strategic/operational objectives.
- The full year 2018 dividend payment increased £5.7 million from 2017.
- Total shareholder return increased by 23% over 2018 equating to £218 million of value created for shareholders.

On the basis that the formulaic outcome for Executive Director bonuses suggests an unchanged payout from 2017 (when they were 122% of salary) after a year of significant growth for the Company, the Committee was comfortable that they were representative of wider Company performance. As a result, the Committee did not apply any overriding discretion. The 2018 bonuses for Executive Directors will be 121% of salary and paid 100% of salary in cash, with the remainder of 21% of salary deferred into shares for two years. The deferred shares are subject to a continued service condition.

### PSP awards included in single figure for the year ended 31 October 2018 (audited)

Awards were granted on 14 March 2016 and are due to vest on 14 March 2019. 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 as at 31 October 2018. The Committee will consider the vesting under the TSR element after the vesting date, in line with the performance condition which states that 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.

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	Share price used in single figure table	Value of awards shown in the single figure table for 2018 <sup>1</sup>
F Vecchioli	14/03/2016	14/03/2019	118,657	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI p.a. Maximum (100% vesting): 8%+RPI p.a.	PBT-EPS growth of 16% p.a. (100% shares are not vested)	118,657 (dividend equivalent included as the number vested has not been determined as at 31 October 2018)	—	533.7 pence (average share price for the three months to 31 October 2018)	£633,272
A Jones	14/03/2016	14/03/2019	93,135	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Expected above upper quartile (100% shares are not vested)	93,135 (dividend equivalent included as the number vested has not been determined as at 31 October 2018)	—	533.7 pence (average share price for the three months to 31 October 2018)	£497,061

### PSP awards included in single figure for the year ended 31 October 2017 (audited)

Awards were granted on 28 January 2015 and vested on 28 January 2018. 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/ dividend equivalent awarded	Number of awards lapsed in the year	Value of awards shown in the single figure table for 2017 <sup>1</sup>
F Vecchioli	28/01/2015	28/01/2018	149,219	PBT-EPS growth (67% weighting)	Threshold (25% vesting): 3%+RPI p.a. Maximum (100% vesting): 8%+RPI p.a.	PBT-EPS growth of 21% p.a. (100% vesting)	158,383	Nil	794,291
A Jones	28/01/2015	28/01/2018	117,080	Relative TSR vs FTSE Small Cap (33% weighting)	Threshold (25% vesting): equal to median Maximum (100% vesting): upper quartile and above	Above upper quartile (100% vesting)	124,270	Nil	623,214

#### Notes

- In the 2017 Directors' remuneration report, we used the average share price for three months to 31 October 2017 of 425.1 pence to value long term incentives for 2017. In this year's report this value has been restated using the share price on date of vesting of 28 January 2018 of 501.5 pence.
- The number of shares that vested during the year for Frederic Vecchioli and Andy Jones were 149,219 and 117,080 respectively. The number of dividend equivalents awarded to Frederic Vecchioli and Andy Jones were 9,164 and 7,190 shares respectively.

## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART C: DIRECTORS' REMUNERATION POLICY *continued*

#### 2018 annual bonus outcomes: strategic objectives *continued*

##### LTIP awards granted in the year ended 31 October 2018 (audited)

In line with policy, no long term incentive awards were granted to Executive Directors in the year ending 31 October 2018. However, the Committee has changed a number of aspects in relation to the operation of the LTIP that affect the existing awards, details of which are set out in the our remuneration at a glance section of this report and the implementation of policy for 2019 section on pages 60 and 61.

##### 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 2019

#### Base salary

Base salary is determined by reference to the individual's experience, performance, responsibility and pay levels across the Group more generally. Current base salary levels for Executive Directors are presented below:

	Base salary
F Vecchioli	£408,000
A Jones	£290,700

The next salary review will be effective from 1 May 2019. The increases in Executive Director salaries will not exceed the raises awarded to the wider workforce for the remaining years of the current remuneration policy.

#### 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 10% of basic salary for the pension arrangements of the Executive Directors.

#### Annual bonus

The maximum bonus opportunity for each Executive Director will be 150% of salary. 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 2019 financial year, the bonus will be based on the following performance measures:

Performance measures	Provisional weighting
Adjusted EBITDA	67%
Operational/strategic	33%
<b>Total</b>	<b>100%</b>

A financial gateway will apply to the strategic/operational measures such that if threshold EBITDA performance has not been achieved, there will be no payout under this element. As set out in the Remuneration Committee Chairman's annual statement, personal performance measures have been removed from the bonus scorecard. 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 payouts.

Payout for threshold and target EBITDA performance will be 30% of maximum and 60% of maximum respectively (reduced from 40% of maximum and 70% of maximum).

In line with the new Code, the Committee will retain the discretion to adjust the formulaic outcomes to the 2019 annual bonus if they are not a fair and accurate reflection of business performance.

#### Long term incentives

In line with policy, no LTIP awards will be granted to the Executive Directors in 2019. However, as set out in the Remuneration Committee Chairman's annual statement, the Committee has changed a number of aspects in relation to the operation of the LTIP. The overall structure remains unchanged such that awards continue to vest after five years in 2022 subject to the achievement of stretching performance measures. The performance measures and weightings are as follows:

- Adjusted Diluted EPRA EPS growth (2/3 weighting);
- Relative TSR versus FTSE 250 (1/6 weighting); and
- Relative TSR versus FTSE Real Estate Index (1/6 weighting).

In addition, no award will vest unless a minimum level of cash on cash return ("CoCR") of 8% p.a. has been achieved.

The Committee has made the following changes to the vesting schedule of the in-flight LTIP awards to reduce the vesting at threshold performance to zero as follows:

- As per the approved policy, the vesting under the EPS growth measure will increase on a straight line basis from 6% p.a. to 12% p.a. However, the Committee has determined that there will be zero vesting for growth between 6% p.a. and 7% p.a. unless there are exceptional circumstances justifying some pay out for this level of corporate performance.
- As per the approved policy, the vesting under both relative TSR measures will increase on a straight line basis from median to upper quartile performance. However, the Committee has determined that there will be zero vesting for TSR performance between median (the 50th percentile) and the 55th percentile unless there are exceptional circumstances justifying some pay out for this level of corporate performance.

## 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.

Director		Fees £'000	Other £'000	Total £'000
A S Lewis	<b>2018</b>	<b>135</b>	<b>—</b>	<b>135</b>
	2017	135	—	135
I S Krieger	<b>2018</b>	<b>53</b>	<b>—</b>	<b>53</b>
	2017	53	—	53
K G Edelman <sup>1</sup>	<b>2018</b>	<b>—</b>	<b>—</b>	<b>—</b>
	2017	9	—	9
J L Kenrick	<b>2018</b>	<b>43</b>	<b>—</b>	<b>43</b>
	2017	43	—	43
C Balmforth	<b>2018</b>	<b>53</b>	<b>—</b>	<b>53</b>
	2017	53	—	53
B Oliver	<b>2018</b>	<b>43</b>	<b>—</b>	<b>43</b>
	2017	43	—	43

#### Notes

<sup>1</sup> Keith Edelman stepped down from the Board on 31 December 2016.

### Fees to be provided in 2019 to the Non-Executive Directors

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

Fee component	2019
Chairman fee	£135,000
Non-Executive Director base fee	£42,500
Committee Chair fee (Audit and Remuneration Committees)	£10,000

Any increases in the annual fee rates for the Non-Executive Directors will be made on 1 May 2019.

## Statement of Directors' shareholding and share interests

### Shareholding and other interests at 31 October 2018 (audited)

Directors' share interests are set out below. As per the remuneration policy, 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. At 31 October 2018, both Executive Directors met the shareholding requirement.

Director	Number of beneficially owned shares <sup>1</sup>	% of salary held <sup>2</sup>	Total interests subject to conditions (LTIP/PSP awards)	Total interests subject to continued service conditions only (deferred bonus shares)	Outstanding SAYE awards	Total interests at 31 October 2018
F Vecchioli	1,830,652	2396	2,118,657	19,660	18,475	3,987,444
A Jones	348,369	640	1,433,135	14,008	18,475	1,813,987
A S Lewis	400,000	n/a	n/a	n/a	n/a	400,000
I S Krieger	20,000	n/a	n/a	n/a	n/a	20,000
B Oliver	10,000	n/a	n/a	n/a	n/a	10,000
J L Kenrick	—	n/a	n/a	n/a	n/a	—
C Balmforth	—	n/a	n/a	n/a	n/a	—

#### Notes

<sup>1</sup> Beneficial interests include shares held directly or indirectly by connected persons.

<sup>2</sup> Based on the 31 October 2018 share price of 534.0 pence per share.



## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART C: DIRECTORS' REMUNERATION POLICY *continued*

#### Statement of Directors' shareholding and share interests *continued*

##### Shareholding and other interests at 31 October 2018 (audited) *continued*

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

	Type of award	Vested/exercised during the year (including dividend equivalents)	Share price on date of exercise	Gain on exercise (£'000)
F Vecchioli	2015 PSP (nil-cost option)	158,383	501.5	794
A Jones	2015 PSP (nil-cost option)	124,270	501.5	623

The options exercised during the year as noted above include the dividend equivalents. These are included within the long term incentives figure in the single figure remuneration table on page 56.

Between 31 October 2018 and 29 January 2019 (being the latest practicable date prior to the publication of this report), no share options were exercised and there were no changes to the beneficial interests shown above.

##### Outstanding awards at 31 October 2018

The following PSP and LTIP awards remain outstanding at 31 October 2018:

Director	Awards granted	Maximum award	Awards vested	Awards lapsed	Maximum outstanding awards <sup>1</sup> at 31 October 2018	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	14/03/2016 PSP	118,657	—	—	<b>118,657</b>	—	14/03/2019
	29/09/2017 LTIP	2,000,000	—	—	<b>2,000,000</b>	—	29/09/2022
A Jones	14/03/2016 PSP	93,135	—	—	<b>93,135</b>	—	14/03/2019
	29/09/2017 LTIP	1,340,000	—	—	<b>1,340,000</b>	—	29/09/2022

##### Notes

<sup>1</sup> These exclude dividend equivalents.

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

	EPS (two-thirds)	TSR (one-third)
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.

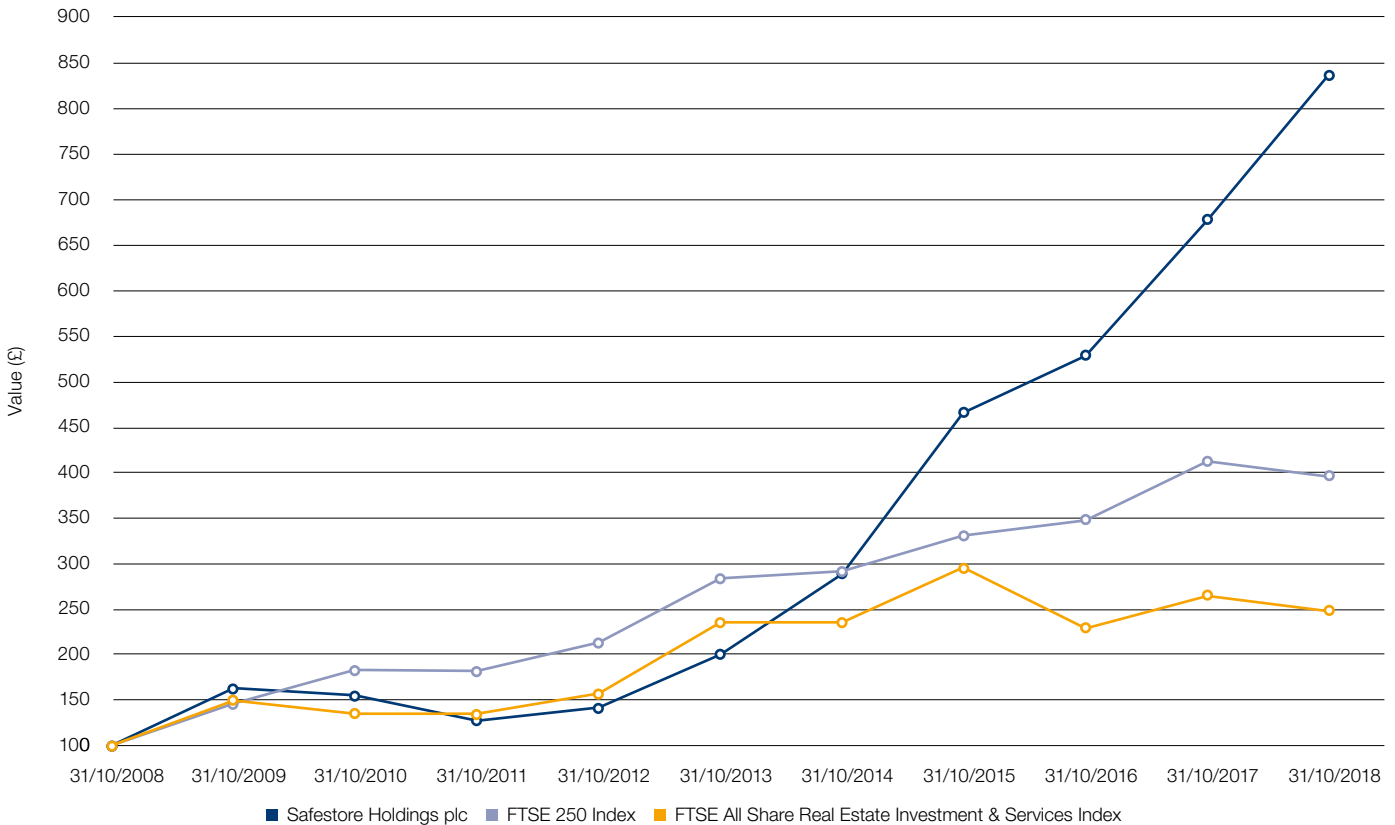
The five-year performance measures and targets for the 2017 LTIP awards are set out in the implementation of the remuneration policy for the year ending 31 October 2019 on pages 60 and 61 of this report.

## Chief Executive Officer and employee pay

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

The graph below shows the value of £100 invested in Safestore Holdings plc over the past ten 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.

#### Total shareholder return



	Oct 2009	Oct 2010	Oct 2011	Oct 2011	Oct 2012	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017	Oct 2018
Role	S Williams CEO £'000	S Williams CEO £'000	S Williams <sup>1</sup> CEO £'000	P D Gowers <sup>2</sup> CEO £'000	P D Gowers CEO £'000	P D Gowers CEO £'000	F Vecchioli <sup>3</sup> CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000	F Vecchioli CEO £'000
Single figure of total remuneration	485	607	597	425	390	910	359	973	1,224	1,481	1,728	1,590
Annual bonus payout (% of max)	—	75%	—	59%	—	70%	70%	76%	100%	100%	82%	81%
LTIP vesting (% of max)	—	—	—	—	—	—	—	96%	100%	100%	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 2017 to 2018	Base salary	Benefits	Annual bonus
Chief Executive Officer	2%	—	1%
Employee pay	3.6%	—	23%

## Directors' remuneration report *continued*

for the year ended 31 October 2018

### PART C: DIRECTORS' REMUNERATION POLICY *continued*

#### Chief Executive Officer and employee pay *continued*

##### 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	2018	2017	% change
Staff costs (£'m)	27.8	22.0	26%
Distributions to shareholders (£'m)	31.3	25.6	22%

##### Note

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

#### Pay fairness throughout the Group

##### (i) Employee engagement

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 and fairness of approach throughout the Company.

Formal consultation on the remuneration of Executive Directors is not undertaken with employees. However, a survey on employee engagement was undertaken as part of the recent Investors in People ("IIP") accreditation and this included a section on recognition and reward. 75% of colleagues in the survey felt appreciated for the work they do at Safestore, and 73% agreed that they are consistently recognised for exceeding expectations. During 2018 we continued to communicate regularly with our colleagues through a variety of mechanisms including our internal newsletter, Safestore News, published every two weeks, and our extensive intranet platform. Our bi-annual performance update has continued, at which Directors and department leaders engage with colleagues regarding progress against departmental objectives, plans for the next six to twelve months and performance of the Company including any social or economic factors which may be impacting our performance. Over 90% of colleagues surveyed agreed that Safestore's management communicates the organisation's ambition.

During 2019 we plan to explore improvements in how we listen to the employee voice. We will implement an employee forum to aid participation and collaboration. This will include discussion on the Company's remuneration approach.

##### (ii) The employee value proposition

In 2015 we set out our pay principles policy, which is reviewed annually. This policy sets out a framework for making decisions on colleagues' pay. The aim is to:

- support the recruitment and retention of a high quality colleagues;
- enable us to recognise and reward colleagues appropriately for their contribution;
- help to ensure that decisions on pay are managed in a fair, just and transparent way; and
- create a direct alignment between our Company culture and incentivisation.

As part of our commitment to fairness, we have set out further information on our employee offering. The various factors which make up our employee value proposition are below:

#### Pay and benefits

- In order to attract and retain the highest calibre individuals, we must aspire to become the employer of choice within our sector, maintaining a competitive reward package that balances fairness to the employee as well as responsible use of shareholders' funds.
- All of our sales colleagues are eligible for our performance-based monthly bonus scheme and can earn up to 50% of their monthly salary. Our Head Office colleagues are eligible to receive a discretionary annual bonus which is calculated against business targets and objectives.
- Colleagues have the opportunity to join our SAYE scheme for a fixed three or five-year term. Membership to the scheme is at 41% for the 2017 scheme compared to 18% for the 2014 scheme.
- All eligible colleagues are auto-enrolled into the Safestore Group Personal Pension Plan provided through Scottish Widows.
- Additional benefits include private healthcare cover, life assurance from day one of employment, paid holiday allocation, payroll giving opportunities and a cycle to work scheme.

#### Working environment

- Our leadership teams have created an environment and provided other managers and leaders the skills, tools, and crucially, time, to dedicate to their teams. This has been achieved through maintaining good staff–manager ratios; for example no regional manager has more than ten stores, which is very unusual in retail.
- We have a comprehensive Employee Assistance Programme where our teams will find guidance on coping strategies. They can speak to a team which is ready to support and guide them through any concerns they have. And for those who need it, they can access up to five counselling sessions.
- We support a healthy work–life balance through offering a Company sick pay scheme, encouraging all team members to take their rest breaks and considering all requests for flexible working and home working.

#### Development opportunities

- Every year, we invest over 25,000 hours developing our people. From online learning modules to face-to-face sales training, every one of our team members has the opportunity to take part in structured learning.
- Our Store Manager Development Programme is recognised by the Institute of Leadership and Management ("ILM").
- We offer health and safety training including first aid, forklift and fire safety.

## Recognition

- We recognise great performance and behaviours through our annual appraisal process.
- Our values, created by our store teams, are at the heart of everything the organisation does. The values are accompanied by a set of behaviours and everyone is assessed against the values and behaviours every six months.
- Our annual pay review/bonus schemes are based on individual performance ratings.
- We also reward our sales consultants for completion of training modules through a pay for skills approach.

### (iii) Gender pay gap reporting and diversity

Gender pay reporting legislation which came into force in April 2017 requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. We published our gender pay gap report in 2018 and it is available online at [www.safestore.co.uk](http://www.safestore.co.uk). Our median gender pay gap is just 4.1% compared to the UK average of 18.4%, and our mean gender pay gap is also below UK average. We are proud that our bonus schemes are open to all job levels across Safestore and colleagues at the same level have the same bonus opportunity. 95% of women received a bonus for their performance in the year under consideration compared with 92% of men, demonstrating that there is insignificant gender differentiation in bonuses awarded at Safestore.

Safestore is committed to the principle of equal opportunities and equal treatment for all employees, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. We have a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above). Safestore is therefore confident that its gender pay gap does not stem from paying men and women differently for the same or equivalent work. Rather, our gender pay gap is the result of the roles in which men and women work within the organisation and the salaries that these roles attract. We have a higher proportion of women in part time roles and there are more men in senior roles.

Safestore's gender pay gap compares favourably with that of organisations across the UK economy. However, this is not a subject about which Safestore is complacent, and we are committed to doing everything that we can to reduce the gap. We have already provided a range of initiatives that celebrate the cultural diversity of our colleagues and support a healthy work-life balance, including creating and delivering diversity awareness training through our e-learning platform. Throughout 2018, we have maintained an active succession planning strategy, which considers the ability of internal colleagues before recruiting externally. When we do need to recruit externally, we have continued to build our employment brand, "Our People Make the Difference", to support attraction.

Moving forward, we really want to understand more about how we can improve the demographic gap in our workforce. We plan to complete a detailed analysis of our attraction and recruitment data to gain a clear understanding of our average applicant and how we can broaden our applicant diversity. Alongside this, we plan to provide unconscious bias awareness training to all of our recruiting managers.

### 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	Twelve months
A Jones	29 January 2013	Twelve 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.

### Fees for external non-executive directorships

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. The Executive Directors hold no external directorships.

### 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	Date of appointment	Notice period by Company and Director
A S Lewis	30 June 2009	Six months
I S Krieger	3 October 2013	Three months
J L Kenrick	8 October 2014	Three months
C Balmforth	1 August 2016	Three months
B Oliver	1 November 2016	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 2018

### PART C: DIRECTORS' REMUNERATION POLICY *continued*

#### Considerations by the Committee of matters relating to Directors' remuneration for 2018

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 2018	Independent	Number of meetings held during tenure during the year	Number of meetings attended
C Balmforth (Chairman)	Yes	6	6
I S Krieger	Yes	6	6
J L Kenrick	Yes	6	6
B Oliver	Yes	6	6

During the year, there were six Committee meetings. A large portion of the Committee's time during the year was spent in relation to the shareholder engagement process and the development of the operation of the Directors' remuneration policy. Other matters covered at each meeting included reviewing the gender pay gap analysis results and signing off the actions to address the issues identified, reviewing the terms of reference of the Committee, salary and fee decisions for 2018, the determination of annual bonus and PSP outturns for 2018 and developing our approach to the relevant changes set out in the new UK Code.

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

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

The Committee received external advice in 2018 from PricewaterhouseCoopers ("PwC") in connection with remuneration matters including the provision of general guidance on market and best practice. PwC was appointed by the Committee after 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 which included corporate tax and restructuring advice 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 £95,000. 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
2017 GM vote on remuneration policy	77,550,007	50.83%	75,030,203	49.17%	17,087,197
2018 AGM vote on Annual report on remuneration	91,521,500	51.74%	85,351,738	48.26%	178,923

#### Committee response to the significant votes against remuneration

At the 2018 AGM, the Committee was disappointed that our shareholders voted in significant numbers against our Annual report on remuneration. In line with best practice, Alan Lewis made a statement in the AGM voting results that the Board as a priority would be listening to and engaging with shareholders. On this basis, the Board was determined to engage with shareholders in a meaningful way in order to understand their views and concerns on our remuneration policy as well as what actions we could take in order to rebuild trust in relation to remuneration. Therefore during 2018, Claire Balmforth and Alan Lewis met 17 of our largest shareholders representing a broad section of our register and the major shareholder representative bodies.

The Committee debated the issues raised at length and issued a letter to shareholders on 28 September 2018 setting out the changes to the operation of the remuneration policy it was making to address these concerns. In line with the Investment Association's requirements, we also released an additional public statement setting out these changes. The statement is available on our website and it is also attached to our 2017 Annual report on remuneration's entry into the Investment Association's Public Register.

The Board also acknowledges the significant vote against the re-election of all Committee members at our 2018 AGM. Furthermore, the Board was unanimous in support of Claire Balmforth continuing as Chair of the Remuneration Committee given her determination to engage further with shareholders to find a balanced position that would be supported by a large number of our investors.

Finally, throughout this report we have provided a detailed account of the changes to the operation of our remuneration policy we have made. As a Committee we feel that we have listened to shareholder concerns where possible and taken decisive action to address them. The Committee sincerely hopes these changes will encourage many of you to support our Annual report on remuneration at the upcoming 2019 AGM.



## Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 04726380. 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 Brittan House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

The principal activity of the Group is to provide storage solutions and related goods and services to commercial and domestic customers. The principal activity of the Company is that of a holding company.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2018. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

### Disclosures incorporated by reference

The following disclosures required to be included in the Directors' report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- corporate governance report on pages 40 to 71;
- strategy and relevant future developments – refer to pages 1 to 11 of the strategic report;
- financial risk management, policies and objectives of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 12 to 15 and in note 19 to the financial statements;
- details of the Group's going concern assessment on pages 82 and 83; and
- employee matters and carbon emission disclosures are set out in the corporate social responsibility report on pages 26 to 29 and pages 35 to 38 respectively.

### Results for the year and dividends

The results for the year ended 31 October 2018 are set out in the consolidated statement of comprehensive income on page 78 and a review of the Group's results are explained further on pages 1 to 24.

An interim dividend of 5.10 pence (FY2017: 4.20 pence) was paid on 17 August 2018 and this included a property income dividend ("PID") of 2.55 pence (FY2017: 2.10 pence). The Directors recommend a final dividend in respect of the year ended 31 October 2018 of 11.15 pence per ordinary share (FY2017: 9.80 pence). The PID element of the final dividend will be 11.15 pence (FY2017: 9.80 pence). If authorised at the 2019 AGM, the dividend will be paid on 10 April 2019 to members on the register on 8 March 2019.

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 at [www.safestore.co.uk](http://www.safestore.co.uk). The ordinary dividend is not subject to withholding tax.

### Going concern and viability statement

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 2021. 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 15.

### 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 12 to 15 and in note 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	104 and 105
(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	104
(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 Guidance 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 2018 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 Governance report on pages 40 and 41 and Directors' remuneration report on page 61.

## Directors' report *continued*

### Appointment and removal of Directors

The Company's rules governing the appointment and removal 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 42 to 45.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by a special resolution of the Company's shareholders.

### Vacation of office

The office of a director shall be vacated if (amongst other circumstances) a director: (i) resigns; (ii) has been appointed for a fixed term and the term expires; (iii) ceases to be a director by virtue of the Companies Acts, is removed from office pursuant to the Articles of Association or becomes prohibited by law from being a director; (iv) becomes bankrupt; (v) has been suffering from mental or physical ill health and may remain so for more than three months; (vi) by reason of that person's mental health, a court order makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (vii) both a director and his or her alternate director (if any) are absent, without the permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his office is vacated; or (viii) is removed from office by notice addressed to the director at their last-known address and signed by all co-directors.

### Directors' powers

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, the Company's Articles of Association and to directions given by special resolution of the Company. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buyback of shares.

### Annual re-election of Directors

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. In accordance with the Code, all Directors will retire at the Annual General Meeting ("AGM") to be held on Wednesday 20 March 2019 and will offer themselves for re-election.

### Directors' indemnities

The Directors have (and during the year ended 31 October 2018 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 2018, the Company's issued share capital comprised 210,011,217 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 and note 22 of the Company's financial statements. 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 527,998 ordinary shares during the year by fully paid issues as follows:

		Number of ordinary shares of 1 pence
14 November 2017 to 27 March 2018	On exercise of options under the Sharesave scheme	17,998
27 February 2018 to 23 March 2018	On vesting of shares under the Performance Share Plan	510,000

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 2,316 ordinary shares (FY2017: 16,263 ordinary shares) with a cost of £23 (FY2017: £163) in satisfaction of awards under the Group's Long Term Incentive Plan. This represents less than 0.01% (FY2017: 0.01%) of the total issued share capital of the Company.

### Purchase of own shares

The Company was granted authority at the 2018 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2019 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 2018 to 29 January 2019.

## Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from the matters described below, there are no restrictions on the transfer of the Company's ordinary shares and/or voting rights:

- Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (such as the Market Abuse Regulation). The Company's Securities Dealing Code provides that all Directors and employees are required to seek the Company's approval to deal in its shares.
- Some share-based employee incentive plans include restrictions on the transfer of shares, while the shares are subject to the plan concerned.
- The Directors' remuneration policy provides that annual bonus awards in excess of 100% of salary be deferred into shares ("Deferred Bonus Awards"); the recipient of a Deferred Bonus Award holds no voting rights in relation to such shares.
- The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register of shareholders. The Board can refuse to register any transfer of any share which is not a fully paid share. The Company does not currently have any partly paid shares.
- Unless the Directors determine otherwise, members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings, in respect of any share for which any call or other sum payable to the Company remains unpaid.
- Unless the Directors determine otherwise, no transfer of shares shall be registered and members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings, if the member fails to provide the Company with the required information concerning interests in those shares, within the prescribed period after being served with a notice under Section 793 of the Companies Act 2006.
- The Directors' remuneration policy provides that 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 until they have acquired the necessary shares to meet their shareholding requirements.

Details of deadlines in respect of voting for the 2019 AGM are contained in the notice of meeting that has been circulated to shareholders and which can be viewed on the Company's website at [www.safestore.co.uk](http://www.safestore.co.uk).

## Significant agreements and 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 rules governing the Group's share scheme arrangements also contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## Employment and environmental matters

Information in respect of the Group's environmental and employment policies and greenhouse gas reporting is summarised in the corporate social responsibility section on pages 25 to 29 and is also available on the Group's website at [www.safestore.co.uk](http://www.safestore.co.uk).

## 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

The table below sets out the names of those persons who, insofar as the Company is aware, as at 9 November 2018 (being the nearest date of the Company's internal analysis to 31 October 2018), are interested directly or indirectly in 3% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares as at 31.10.18	Percentage of issued share capital
Standard Life Aberdeen plc	12,003,152	5.72%
BlackRock Investment Management (London)	8,295,220	3.95%
Legal & General Investment Management	7,968,575	3.79%
Norges Bank Investment Management	7,242,438	3.45%
BlackRock Investment Management (San Francisco)	7,147,165	3.40%
Vanguard Group	6,553,308	3.12%

Information provided to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules ("DTR") is published on a Regulatory Information Service and on the Company's website.

## Directors' report *continued*

### Substantial shareholdings *continued*

During the current financial year and as at 31 October 2018, the Company has received the following notifications in accordance with DTR 5 disclosing changes to voting interests in its issued share capital:

Name of shareholder	At 31 October 2018			
	Date of notification	Number of ordinary shares	Percentage of issued share capital	Nature of holding (direct/indirect)
Standard Life Aberdeen plc*	19 July 2018	10,550,607	5.02%	Indirect
Norges Bank	12 July 2018	8,339,500	3.97%	Direct
Kempen Capital Management N.V.	17 October 2018	6,395,670	3.05%	Indirect

\* Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios.

No further notifications have been received since 31 October 2018 and 29 January 2019, being the latest practicable date prior to the publication of this report.

All interests disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR 5) that have occurred since 29 January 2019 can be found on the Company's website at [www.safestore.co.uk](http://www.safestore.co.uk).

### Political donations

The Company made no political donations and incurred no political expenditure during the year (FY17: £nil). It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Company does not inadvertently breach these provisions as a result of the breadth of its business activities. It is not the policy of the Company or its subsidiaries to make political donations.

### 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
- each Director has taken all the steps a Director might reasonably 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

Deloitte LLP has indicated its willingness to continue in office and the Audit Committee has recommended resolutions at the 2019 AGM 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 ("AGM")

The AGM will be held at the Company's registered office at Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, on Wednesday 20 March 2019 at 12.00 noon.

The 2019 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, and authority to call a general meeting on not less than 14 days' notice. The Notice of AGM 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 the Company's website at [www.safestore.co.uk](http://www.safestore.co.uk).

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 7 January 2019 and signed on its behalf by:

**Helen Bramall**  
**Interim Company Secretary**  
 7 January 2019

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 parent company and of the profit or loss of the Group for that period.

In preparing the parent company 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website at [www.safestore.co.uk](http://www.safestore.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 7 January 2019 and is signed on its behalf by:

**Frederic Vecchioli**  
Chief Executive Officer

**Andy Jones**  
Chief Financial Officer



## Independent auditor's report

to the members of Safestore Holdings plc

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- the financial statements of Safestore Holdings plc (the “parent company”) and its subsidiaries (the “Group”) give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 October 2018 and of the Group’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 Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the Group related notes 1 to 30 and parent related 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, including FRS 101 ‘Reduced Disclosure Framework’.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (“FRC’s”) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

<b>Key audit matters</b>	The key audit matter that we identified in the current year was the valuation of the investment properties, which is consistent with the key audit matter identified in the prior year.
<b>Materiality</b>	The materiality that we used for the Group financial statements was £14.1 million which was determined as 2% of net assets. For testing items affecting profit before tax we have applied a lower threshold amounting to £3.9 million which was determined as 5% of profit before income tax adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives.
<b>Scoping</b>	As in the prior year, we determined that there were two components within the Group: the United Kingdom and France operations. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £2.9 million to £10.6 million.
<b>Significant changes in our approach</b>	There have been no changes in the approach in the current year.

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## Report on the audit of the financial statements *continued*

### Conclusions relating to going concern, principal risks and viability statement

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#### Going concern

We have reviewed 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 and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

#### Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 12 to 15 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 12 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; or
- the Directors' explanation on page 15 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 are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of investment properties

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##### Key audit matter description

Investment properties are held at a fair value of £1,277 million at 31 October 2018. This is the most quantitatively material balance in the financial statements.

Property valuation, which is performed by an independent valuer, is by its nature subjective with significant judgements 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. We therefore identified a risk of fraud relating to valuation of investment properties.

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 notes 2 and 11 of the financial statements. The valuation of property is also discussed in the Audit Committee report on page 48.

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## Independent auditor's report *continued*

to the members of Safestore Holdings plc

### Report on the audit of the financial statements *continued*

#### Valuation of investment properties *continued*

##### How the scope of our audit responded to the key audit matter

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.

We obtained the source information provided by management to the valuer (e.g. historical revenue, occupancy, average rental rates and lettable area on a store by store basis) and tested the integrity of a sample of such information.

We have also identified individual properties, which had significant change in market value to be investigated further and challenged the change in the market value with management and the valuer by identifying the cause of the change and assessing if it is appropriate and in line with market and our expectation.

We provided the valuations to our own internal real estate experts, who are members of the Royal Institution of Chartered Surveyors. Our experts 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.

We confirmed with the valuer and with our internal real estate experts whether the Group's valuation methodology remains appropriate, and noting that the number of transactions in the self-storage market has continued to increase year-on-year, assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations.

##### Key observations

We found the assumptions adopted by the valuers in the valuation were reasonable and the methodology applied was appropriate in all material aspects.

##### 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£14.1 million (FY2017: £12.4 million)	£2.9 million (FY2017: £2.2 million)
<b>Basis for determining materiality</b>	2% (FY2017: 2%) of net assets.	Parent company materiality represents 1.7% (FY2017: 2%) of net assets, as capped at the UK lower component threshold.
<b>Rationale for the benchmark applied</b>	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.	We consider net assets to be a critical financial performance measure for the Company 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 £3.9 million (FY2017: £3.4 million) for testing of balances impacting that measure, which has been determined as 5% (FY2017: 5%) of profit before income tax adjusted to exclude the gain on revaluation of investment properties and movements in the fair value of derivatives.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.7 million (2017: £0.6 million), 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. We instructed component auditors to perform the audit of the France component and 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 £2.9 million to £10.6 million (2017: £2.2 million to £8.7 million). In addition, for the lower threshold described above, our component thresholds ranged from £1.5 million to £2.1 million (FY2017: £1.2 million to £1.7 million).

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## Report on the audit of the financial statements *continued*

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider 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 Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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### Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team, including significant component audit teams and involving relevant internal specialists, including tax and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the significant judgements and assumptions which are used for the valuation of investment properties; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, London Stock Exchange Listing Rules, and tax legislations.

## Independent auditor's report *continued*

to the members of Safestore Holdings plc

### Report on the audit of the financial statements *continued*

#### Extent to which the audit was considered capable of detecting irregularities, including fraud *continued*

##### Audit response to risks identified

As a result of performing the above, we identified valuation of investment properties as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### Report on other legal and regulatory requirements

#### Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

#### 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 in respect of these matters.

#### Other matters

##### Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Directors on 12 October 2014 to audit the financial statements for the year ending 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is five years, covering the years ending 31 October 2014 to 31 October 2018.

##### Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

##### Use of our report

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.

#### Darren Longley FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

7 January 2019



## Consolidated income statement

for the year ended 31 October 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Revenue</b>	3	<b>143.9</b>	129.9
Cost of sales		<b>(51.7)</b>	(45.7)
Gross profit		<b>92.2</b>	84.2
Administrative expenses		<b>(16.7)</b>	(13.8)
Underlying EBITDA		<b>82.9</b>	74.4
Exceptional items	4	–	(1.4)
Share-based payments		<b>(5.3)</b>	(1.5)
Depreciation and contingent rent		<b>(2.1)</b>	(1.1)
<b>Operating profit before gains on investment properties</b>		<b>75.5</b>	70.4
Gain on investment properties	11	<b>122.1</b>	39.2
<b>Operating profit</b>	3,5	<b>197.6</b>	109.6
Finance income	7	<b>0.7</b>	6.1
Finance expense	7	<b>(13.0)</b>	(36.8)
<b>Profit before income tax</b>		<b>185.3</b>	78.9
Income tax charge	8	<b>(8.1)</b>	(0.6)
Profit for the year		<b>177.2</b>	78.3
<b>Earnings per share for profit attributable to the equity holders</b>			
– basic (pence)	10	<b>84.4</b>	37.4
– diluted (pence)	10	<b>84.2</b>	37.3

The financial results for both years relate to continuing operations.

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

The notes on pages 82 to 107 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

for the year ended 31 October 2018

	Group	
	2018 £'m	2017 £'m
<b>Profit for the year</b>	<b>177.2</b>	78.3
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>2.0</b>	(3.0)
Net investment hedge	<b>(1.2)</b>	(0.9)
<b>Other comprehensive income/(expense), net of tax</b>	<b>0.8</b>	(3.9)
<b>Total comprehensive income for the year</b>	<b>178.0</b>	74.4

# Consolidated balance sheet

as at 31 October 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	11	1,216.2	999.2
Interests in leasehold properties	11	56.1	56.2
Investment properties under construction	11	4.7	7.8
Property, plant and equipment	12	2.2	2.0
Derivative financial instruments	19	1.4	0.9
Deferred income tax assets	21	0.2	0.1
Other receivables	15	0.5	1.1
		<b>1,281.3</b>	1,067.3
<b>Current assets</b>			
Inventories	14	0.2	0.2
Trade and other receivables	15	22.5	23.5
Cash and cash equivalents	16	10.5	65.6
		<b>33.2</b>	89.3
<b>Total assets</b>		<b>1,314.5</b>	1,156.6
<b>Current liabilities</b>			
Trade and other payables	17	(40.3)	(42.1)
Current income tax liabilities		(3.0)	(4.5)
Obligations under finance leases	20	(8.9)	(9.0)
		<b>(52.2)</b>	(55.6)
<b>Non-current liabilities</b>			
Financial liabilities			
– bank borrowings	18	(369.9)	(363.6)
– derivative financial instruments	19	(0.2)	(0.2)
Deferred income tax liabilities	21	(56.4)	(52.3)
Obligations under finance leases	20	(47.2)	(47.2)
		<b>(473.7)</b>	(463.3)
<b>Total liabilities</b>		<b>(525.9)</b>	(518.9)
<b>Net assets</b>		<b>788.6</b>	637.7
<b>Equity</b>			
Ordinary shares	22	2.1	2.1
Share premium		60.5	60.4
Translation reserve		13.5	12.7
Retained earnings		712.5	562.5
<b>Total equity</b>		<b>788.6</b>	637.7

These financial statements were authorised for issue by the Board of Directors on 7 January 2019 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 2018

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
<b>Balance at 1 November 2016</b>	2.1	60.1	16.6	508.6	587.4
<b>Comprehensive income</b>					
Profit for the year	—	—	—	78.3	78.3
<b>Other comprehensive expense</b>					
Currency translation differences	—	—	(3.0)	—	(3.0)
Net investment hedge	—	—	(0.9)	—	(0.9)
Total other comprehensive expense	—	—	(3.9)	—	(3.9)
<b>Total comprehensive (expense)/income</b>	—	—	(3.9)	78.3	74.4
<b>Transactions with owners</b>					
Dividends (note 9)	—	—	—	(25.6)	(25.6)
Increase in share capital	—	0.3	—	—	0.3
Employee share options	—	—	—	1.2	1.2
<b>Transactions with owners</b>	—	0.3	—	(24.4)	(24.1)
<b>Balance at 1 November 2017</b>	2.1	60.4	12.7	562.5	637.7
<b>Comprehensive income</b>					
Profit for the year	—	—	—	177.2	177.2
<b>Other comprehensive income</b>					
Currency translation differences	—	—	2.0	—	2.0
Net investment hedge	—	—	(1.2)	—	(1.2)
Total other comprehensive income	—	—	0.8	—	0.8
<b>Total comprehensive income</b>	—	—	0.8	177.2	178.0
<b>Transactions with owners</b>					
Dividends (note 9)	—	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	4.1	4.1
<b>Transactions with owners</b>	—	0.1	—	(27.2)	(27.1)
<b>Balance at 31 October 2018</b>	<b>2.1</b>	<b>60.5</b>	<b>13.5</b>	<b>712.5</b>	<b>788.6</b>

The translation reserve balance of £13.5 million (FY2017: £12.7 million) 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 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	80.2	73.0
Interest paid		(13.2)	(14.8)
Tax paid		(6.4)	(2.6)
Net cash inflow from operating activities		60.6	55.6
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	30	(55.9)	—
Expenditure on investment properties and development properties		(27.7)	(21.7)
Proceeds in respect of Capital Goods Scheme		1.1	1.4
Purchase of property, plant and equipment		(0.8)	(0.6)
Proceeds from disposal of investment properties		—	8.1
Net cash outflow from investing activities		(83.3)	(12.8)
<b>Cash flows from financing activities</b>			
Issue of share capital		0.1	0.3
Equity dividends paid	9	(31.3)	(25.6)
Proceeds from borrowings		24.0	238.0
Repayment of borrowings		(19.0)	(199.1)
Debt issuance costs		(1.1)	(2.0)
Hedge breakage receipts		—	13.9
Hedge breakage costs		—	(2.6)
Finance lease principal payments		(5.2)	(5.3)
Net cash (outflow)/inflow from financing activities		(32.5)	17.6
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Exchange gain/(loss) on cash and cash equivalents		0.1	(0.2)
Cash and cash equivalents at 1 November		65.6	5.4
<b>Cash and cash equivalents at 31 October</b>	16, 24	<b>10.5</b>	65.6



## Notes to the financial statements

for the year ended 31 October 2018

### 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 15. In preparing the viability statement, the Directors of Safestore have assessed the viability of the Group over a three-year period to October 2021 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

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2018:

- IAS 7 Amendments to cash flows relating to the Disclosure Initiative;
- IAS 12 Amendments relating to recognition of deferred tax assets for unrealised losses; and
- Annual improvements to IFRSs 2014–2016 Cycle.

Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements.

#### New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. Except as set out below, none of these standards is expected to have a significant impact on the financial statements of the Group or Company.

The new standards which could be expected to have an impact on the financial statements of the Group are discussed in further detail below:

#### IFRS 9 – Financial Instruments

The new standard addresses the classification, measurement and de-recognition of financial assets and liabilities and replaces IAS 39. The standard is applicable for financial years commencing on or after 1 January 2018 and therefore it will be effective for the year ending 31 October 2019 for the Safestore Group.

IFRS 9 will have no impact on the Group’s financial liabilities. With the exception of derivative financial instruments, all trade and other payables are currently carried at amortised cost using the effective interest rate method, and will continue to be so under IFRS 9. Derivative financial instruments are measured at fair value, and changes in fair value will continue to be recognised in profit or loss under IFRS 9.

The new standard requires impairment provisions for receivables to be recognised using the expected credit losses (“ECL”) model rather than the incurred loss basis, as currently under IAS 39. The significant financial assets held by the Group that will be impacted by the impairment losses recognised under IFRS 9 are trade receivables.

The balance sheet as at 31 October 2018 has £15.5 million of trade receivables with an impairment provision of £2.0 million recognised under IAS 39. As described in note 19 (Financial instruments), the Group’s exposure to credit risk is considered low, given the large number of customers. The Directors have carried out an assessment of the impact of impairment losses recognised for trade receivables under IFRS 9. Following this assessment, the impact on impairment losses recognised under IFRS 9 is estimated to be up to £0.1 million higher and therefore not material to the Group. However, some presentational changes will be required.

#### IFRS 15 – Revenue Recognition

This standard replaces IAS 18 and governs revenue recognition. The standard is based on the principle that revenue is recognised on the fulfilment of performance obligations and hence when control of a good or service is transferred to the customer. This standard is applicable to companies for financial years commencing on or after 1 January 2018, and hence the year ending 31 October 2019 will be the first applicable year for the Group.

As per the Group’s assessment of the implications of the new standard, IFRS 15 will apply to all of its revenue streams. However, the financial impact will be immaterial on the amounts and timing of revenue recognised following transition to the new standard. Each customer contract contains discrete performance obligations and revenue is recognised over the period of the contract. The opening discount offers provided were also assessed under IFRS 15 and the Group has concluded that the accounting for this will be unchanged, that is to spread it evenly over the period of the opening offer discount. Some enhanced presentational changes will be required, for both the Annual Report and interim statements.

## 2. Summary of significant accounting policies *continued*

### Going concern *continued*

### New and revised IFRSs in issue but not yet effective *continued*

#### IFRS 16 – Leases

IFRS 16 is the new standard which will replace IAS 17 and is applicable for financial years commencing on or after 1 January 2019, and hence this will first apply to the Group for its financial year ending 31 October 2020.

The standard requires substantially all leases to be recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. The exceptions are for short term and low value leases. For the Group, substantially all leases are already recognised on the balance sheet.

The impact on the income statement charge for the leases in the year and the estimated impact on the rent charge in the first year of adoption will be considered in the October 2019 Annual Report.

#### Basis of consolidation and business combinations

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 acquisition 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 Paris in 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.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 2. Summary of significant accounting policies *continued*

#### 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.

##### 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.

## 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 de-recognition 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 refinancing are offset against the carrying value of borrowings.

### 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.

The effective part of any gain or loss on borrowings that are designated as a hedge of a net investment in a foreign operation is recognised in other comprehensive income and presented in the translation reserve in equity, and is subsequently recognised in the Group income statement as part of the profit or loss on disposal of the net investment. The ineffective portion of the gain or loss is recognised immediately within trading profit in the Group income statement.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 2. Summary of significant accounting policies *continued*

#### Financial instruments *continued*

##### (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 de-recognised 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 include 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 de-recognised 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 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.

#### 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, Long Term Incentive 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.



## 2. Summary of significant accounting policies *continued*

### 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.

#### 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 properties under construction

The Group values its investment properties 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, methodology and judgements made by management is adopted in the valuation of the investment properties is set out in note 11 to the financial statements.

### Non-GAAP financial information

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by the Group:

- 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.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to underlying EBITDA can be found in the financial review on page 17.
- 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 disclose earnings both on a statutory, 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. A reconciliation of statutory basic earnings per share to Adjusted Diluted EPRA EPS can be found in note 10.
- EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 13.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 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 Paris in 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, share-based payments, 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 2018	UK £'m	Paris £'m	Group £'m
<b>Continuing operations</b>			
Revenue	109.0	34.9	143.9
Underlying EBITDA	61.1	21.8	82.9
Exceptional items	(0.5)	0.5	—
Share-based payments	(4.8)	(0.5)	(5.3)
Contingent rent and depreciation	(1.6)	(0.5)	(2.1)
<b>Operating profit before gain on investment properties</b>	<b>54.2</b>	<b>21.3</b>	<b>75.5</b>
Gain on investment properties	99.3	22.8	122.1
<b>Operating profit</b>	<b>153.5</b>	<b>44.1</b>	<b>197.6</b>
Net finance expense	(10.8)	(1.5)	(12.3)
<b>Profit before tax</b>	<b>142.7</b>	<b>42.6</b>	<b>185.3</b>
<b>Total assets</b>	<b>991.5</b>	<b>323.0</b>	<b>1,314.5</b>

Year ended 31 October 2017	UK £'m	Paris £'m	Group £'m
<b>Continuing operations</b>			
Revenue	97.5	32.4	129.9
Underlying EBITDA	54.3	20.1	74.4
Exceptional items	(1.4)	—	(1.4)
Share-based payments	(1.5)	—	(1.5)
Contingent rent and depreciation	(1.0)	(0.1)	(1.1)
<b>Operating profit before gain on investment properties</b>	<b>50.4</b>	<b>20.0</b>	<b>70.4</b>
Gain on investment properties	26.3	12.9	39.2
<b>Operating profit</b>	<b>76.7</b>	<b>32.9</b>	<b>109.6</b>
Net finance expense	(28.1)	(2.6)	(30.7)
<b>Profit before tax</b>	<b>48.6</b>	<b>30.3</b>	<b>78.9</b>
<b>Total assets</b>	<b>869.8</b>	<b>286.8</b>	<b>1,156.6</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.

The prior year underlying EBITDA figures have been restated to exclude share-based payments, consistent with its definition in the 2018 Annual Report.

## 4. Exceptional items

	2018 £'m	2017 £'m
Costs relating to corporate transactions	—	(1.4)
<b>Net exceptional cost</b>	<b>—</b>	<b>(1.4)</b>

A net exceptional cost of £nil was incurred in the year. However, in France, exceptional income of £0.5 million relating to compensation was received from a landlord in respect of water damage and was offset by £0.5 million of legal and employment related costs in the UK. In the prior year, costs relating to corporate transactions of £1.4 million were incurred in relation to the acquisition of Stork Self Storage (Holdings) Limited (trading as Alligator Self Storage).

## 5. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Notes	2018 £'m	2017 £'m
Staff costs	25	<b>27.8</b>	22.0
Inventories: cost of inventories recognised as an expense (included in cost of sales)	14	<b>1.0</b>	0.9
Depreciation on property, plant and equipment	12	<b>0.6</b>	0.5
Gain on investment properties	11	<b>(122.1)</b>	(39.2)
Contingent rent payable under finance leases		<b>1.5</b>	0.6

## 6. 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:

	2018 £'m	2017 £'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	<b>0.2</b>	0.2
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	<b>0.1</b>	0.1
<b>Total audit fees</b>	<b>0.3</b>	0.3
<b>Fees for other services</b>		
Transaction services	<b>—</b>	0.1
<b>Total</b>	<b>0.3</b>	0.4

In the prior year, the non-audit fees paid to the Company's auditor, Deloitte, principally related to multi-year projects which commenced before Deloitte's appointment as auditor in 2014.

## 7. Finance income and costs

	2018 £'m	2017 £'m
<b>Finance income</b>		
Fair value movement of derivatives	<b>0.6</b>	1.5
Unwinding of discount on Capital Goods Scheme ("CGS") receivable	<b>0.1</b>	0.1
Net exchange gains	<b>—</b>	4.5
<b>Total finance income</b>	<b>0.7</b>	6.1
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	<b>(8.3)</b>	(9.1)
Amortisation of debt issuance costs on bank loan	<b>(0.1)</b>	(0.3)
Underlying finance charges	<b>(8.4)</b>	(9.4)
Interest on obligations under finance leases	<b>(4.5)</b>	(4.4)
Fair value movement of derivatives	<b>(0.1)</b>	(6.7)
Exceptional finance expense	<b>—</b>	(16.3)
<b>Total finance costs</b>	<b>(13.0)</b>	(36.8)
<b>Net finance costs</b>	<b>(12.3)</b>	(30.7)

Included within interest payable of £8.3 million (FY2017: £9.1 million) is £0.4 million (FY2017: £1.0 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 £0.5 million net gain (FY2017: £5.2 million net loss).

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 7. Finance income and costs *continued*

No exceptional finance costs were incurred in FY2018. In FY2017, £16.3 million was incurred as a result of the May 2017 refinancing and comprised a £12.4 million "make-whole" payment to holders of the cancelled US Dollar loan notes, with the balance relating to fees and the write off of previous unamortised issue costs.

### 8. Income tax charge

Analysis of tax charge in the year:

	Note	2018 £'m	2017 £'m
Current tax:			
– tax in respect of overseas subsidiaries		4.7	4.0
		4.7	4.0
Deferred tax:			
– current year		7.6	5.4
– prior year		(0.2)	–
– impact of tax rate change		(4.0)	(8.8)
	21	3.4	(3.4)
<b>Tax charge</b>		<b>8.1</b>	0.6

#### Reconciliation of income tax charge

The tax for the period is lower (FY2017: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2018 of 19.0% (FY2017: 19.4%). The differences are explained below:

	2018 £'m	2017 £'m
Profit before tax	185.3	78.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2017: 19.4%)	35.2	15.3
Effect of:		
– permanent differences	–	0.1
– profits from the tax exempt business	(27.0)	(9.4)
– difference from overseas tax rates	3.9	3.4
– impact of tax rate change in France	(4.0)	(8.8)
<b>Tax charge</b>	<b>8.1</b>	0.6

The Group is a real estate investment trust ("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 is 19.0%. Accordingly the Group's results for this accounting period are taxed at an effective rate of 19.0% (FY2017: 19.4%). Finance (No.2) Act 2015 provides that the rate of corporation tax from 1 April 2020 will be 17%. There will be no deferred taxation impact in respect of the changes in taxation rates.

In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result, the deferred tax charge includes a non-recurring deferred tax credit of £4.0 million (FY2017: £8.8 million) relating to this change.

### 9. Dividends per share

The dividend paid in 2018 was £31.3 million (14.9 pence per share) (FY2017: £25.6 million (12.25 pence per share)). A final dividend in respect of the year ended 31 October 2018 of 11.15 pence (FY2017: 9.8 pence) per share, amounting to a total final dividend of £23.4 million (FY2017: £20.5 million), is to be proposed at the AGM on 20 March 2019. The ex-dividend date will be 7 March 2019 and the record date will be 8 March 2019 with an intended payment date of 10 April 2019. The final dividend has not been included as a liability at 31 October 2018.

The property income distribution ("PID") element of the final dividend is 11.15 pence (FY2017: 9.8 pence), making the PID payable for the year 13.7 pence (FY2017: 11.9 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 2018			Year ended 31 October 2017		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	177.2	209.9	84.4	78.3	209.2	37.4
Dilutive securities	—	0.6	(0.2)	—	1.0	(0.1)
Diluted	177.2	210.5	84.2	78.3	210.2	37.3

### Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information on page 87. Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable 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 2018			Year ended 31 October 2017		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	177.2	209.9	84.4	78.3	209.2	37.4
Adjustments:						
Gain on investment properties	(122.1)	—	(58.2)	(39.2)	—	(18.8)
Exceptional items	—	—	—	1.4	—	0.7
Exceptional finance costs	—	—	—	16.3	—	7.8
Unwinding of discount on CGS receivable	(0.1)	—	—	(0.1)	—	—
Net exchange gain	—	—	—	(4.5)	—	(2.2)
Change in fair value of derivatives	(0.5)	—	(0.2)	5.2	—	2.5
Tax on adjustments	2.4	—	1.1	(4.4)	—	(2.1)
Adjusted	56.9	209.9	27.1	53.0	209.2	25.3
EPRA adjusted:						
Depreciation of leasehold properties	(5.2)	—	(2.5)	(5.3)	—	(2.5)
Tax on leasehold depreciation adjustment	1.0	—	0.5	1.0	—	0.5
EPRA basic EPS	52.7	209.9	25.1	48.7	209.2	23.3
Share-based payments charge	5.3	—	2.5	1.5	—	0.7
Dilutive shares	—	6.8	(0.8)	—	7.5	(0.8)
Adjusted Diluted EPRA EPS <sup>1</sup>	58.0	216.7	26.8	50.2	216.7	23.2

#### Note

1 Adjusted Diluted EPRA EPS is defined in note 2 under Non-GAAP financial information on page 87.



## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 10. Earnings per share *continued*

#### Adjusted earnings per share *continued*

Gain on investment properties includes depreciation on leasehold properties of £5.2 million (FY2017: £5.3 million) and the related tax thereon of £1.0 million (FY2017: £1.0 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £52.7 million (FY2017: £48.7 million) and EPRA earnings per share of 25.1 pence (FY2017: 23.3 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	2018 £'m	2017 £'m	Movement %
<b>Revenue</b>	<b>143.9</b>	129.9	10.8
Underlying operating expenses (excluding depreciation and contingent rent)	<b>(61.0)</b>	(55.5)	9.9
<b>Underlying EBITDA before contingent rent</b>	<b>82.9</b>	74.4	11.4
Share-based payments charge	<b>(5.3)</b>	(1.5)	253.3
Depreciation and contingent rent	<b>(2.1)</b>	(1.1)	90.9
<b>Operating profit before depreciation on leasehold properties</b>	<b>75.5</b>	71.8	5.2
Depreciation on leasehold properties	<b>(5.2)</b>	(5.3)	(1.9)
<b>Operating profit</b>	<b>70.3</b>	66.5	5.7
Net financing costs	<b>(12.9)</b>	(13.8)	(6.5)
<b>Profit before income tax</b>	<b>57.4</b>	52.7	8.9
Income tax	<b>(4.7)</b>	(4.0)	17.5
<b>Profit for the year ("EPRA earnings")</b>	<b>52.7</b>	48.7	8.2
<b>EPRA basic earnings per share</b>	<b>25.1 pence</b>	23.3 pence	7.7
<b>Final dividend per share</b>	<b>11.15 pence</b>	9.8 pence	13.8

### 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
At 1 November 2017	999.2	56.2	7.8	1,063.2
Additions	18.1	3.5	8.8	30.4
Acquisition of subsidiary	56.6	1.4	—	58.0
Reclassifications	14.4	—	(14.4)	—
Revaluations	124.8	—	2.5	127.3
Depreciation	—	(5.2)	—	(5.2)
Exchange movements	3.1	0.2	—	3.3
<b>At 31 October 2018</b>	<b>1,216.2</b>	<b>56.1</b>	<b>4.7</b>	<b>1,277.0</b>

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2016	943.3	58.9	10.9	1,013.1
Additions	9.1	5.0	12.4	26.5
Disposals	(8.1)	(2.0)	—	(10.1)
Reclassifications	16.4	—	(16.4)	—
Revaluations	43.6	—	0.9	44.5
Depreciation	—	(5.3)	—	(5.3)
Exchange movements	(5.1)	(0.4)	—	(5.5)
<b>At 31 October 2017</b>	<b>999.2</b>	<b>56.2</b>	<b>7.8</b>	<b>1,063.2</b>

## 11. Investment properties, investment properties under construction and interests in leasehold properties *continued*

The gain on investment properties comprises:

	2018 £'m	2017 £'m
Revaluations	127.3	44.5
Depreciation	(5.2)	(5.3)
	122.1	39.2

	Cost £'m	Revaluation on cost £'m	Valuation £'m
<b>Freehold stores</b>			
At 1 November 2017	451.7	358.8	810.5
Movement in year	77.5	114.2	191.7
<b>At 31 October 2018</b>	<b>529.2</b>	<b>473.0</b>	<b>1,002.2</b>
<b>Leasehold stores</b>			
At 1 November 2017	90.8	97.9	188.7
Movement in year	8.4	16.9	25.3
<b>At 31 October 2018</b>	<b>99.2</b>	<b>114.8</b>	<b>214.0</b>
<b>All stores</b>			
At 1 November 2017	542.5	456.7	999.2
Movement in year	85.9	131.1	217.0
<b>At 31 October 2018</b>	<b>628.4</b>	<b>587.8</b>	<b>1,216.2</b>

The valuation of £1,216.2 million (FY2017: £999.2 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 2018 was £118.9 million (FY2017: £107.4 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 2018 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards (the "RICS 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. Two non-trading properties were 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:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since October 2006. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- 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.

### 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 2014 there have only been 17 transactions involving multiple assets and 15 single asset transactions, and C&W is aware of only one comparable transaction 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.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 11. Investment properties, investment properties under construction and interests in leasehold properties *continued*

#### 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 Paris)

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 2018 averages 85.31% (31 October 2017: 80.91%). 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 27.23 months (31 October 2017: 23.10 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 mature stores (i.e. excluding those stores categorised as “developing”) is 7.54% (31 October 2017: 7.84%), rising to a stabilised net yield pre-administration expenses of 8.47% (31 October 2017: 8.80%).
- 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 10.17% (31 October 2017: 10.55%).
- Purchaser’s costs in the range of approximately 3.3% to 6.8% for the UK and 7.5% for Paris (see page 95) have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser’s costs totalling approximately 5.3% to 8.8% (UK) and 9.5% (Paris) 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 12.5 years (31 October 2017: 13.3 years). The average unexpired term excludes the commercial leases in Paris.

#### Short leaseholds (Paris)

In relation to the commercial leases in Paris, 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.

#### Investment properties under construction

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, six 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 six 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.

## 11. Investment properties, investment properties under construction and interests in leasehold properties *continued*

### Valuation method and assumptions *continued*

#### 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 3.3% to 6.8% (UK) and 7.5% (Paris), 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 circa 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.

There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

## 12. Property, plant and equipment

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
<b>Cost</b>				
At 1 November 2017	0.8	0.5	3.8	5.1
Additions	—	0.2	0.7	0.9
Disposals	—	(0.1)	—	(0.1)
<b>At 31 October 2018</b>	<b>0.8</b>	<b>0.6</b>	<b>4.5</b>	<b>5.9</b>
<b>Accumulated depreciation</b>				
At 1 November 2017	0.2	0.2	2.7	3.1
Charge for the year	—	0.1	0.5	0.6
<b>At 31 October 2018</b>	<b>0.2</b>	<b>0.3</b>	<b>3.2</b>	<b>3.7</b>
<b>Net book value</b>				
<b>At 31 October 2018</b>	<b>0.6</b>	<b>0.3</b>	<b>1.3</b>	<b>2.2</b>
At 31 October 2017	0.6	0.3	1.1	2.0

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	Total £'m
<b>Cost</b>				
At 1 November 2016	0.8	0.4	3.5	4.7
Additions	—	0.2	0.3	0.5
Disposals	—	(0.1)	—	(0.1)
<b>At 31 October 2017</b>	<b>0.8</b>	<b>0.5</b>	<b>3.8</b>	<b>5.1</b>
<b>Accumulated depreciation</b>				
At 1 November 2016	0.2	0.2	2.3	2.7
Charge for the year	—	0.1	0.4	0.5
Disposals	—	(0.1)	—	(0.1)
<b>At 31 October 2017</b>	<b>0.2</b>	<b>0.2</b>	<b>2.7</b>	<b>3.1</b>
<b>Net book value</b>				
<b>At 31 October 2017</b>	<b>0.6</b>	<b>0.3</b>	<b>1.1</b>	<b>2.0</b>
At 31 October 2016	0.6	0.2	1.2	2.0

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 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:

	2018 £'m	2017 £'m
Analysis of net asset value:		
Net assets	788.6	637.7
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	(1.2)	(0.8)
Deferred tax liabilities on the revaluation of investment properties	56.0	51.8
Adjusted net asset value	843.4	688.7
Basic net assets per share (pence)	376	304
EPRA basic net assets per share (pence)	402	329
Diluted net assets per share (pence)	374	303
EPRA diluted net assets per share (pence)	400	327
	<b>Number</b>	Number
Shares in issue	210,008,901	209,466,956

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 630,784 shares (FY2017: 1,049,438 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 £843.4 million (FY2017: £688.7 million), giving EPRA net assets per share of 402 pence (FY2017: 329 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

#### EPRA adjusted balance sheet (non-statutory)

	2018 £'m	2017 £'m
<b>Assets</b>		
Non-current assets	1,279.9	1,066.3
Current assets	33.2	89.3
<b>Total assets</b>	1,313.1	1,155.6
<b>Liabilities</b>		
Current liabilities	(52.2)	(55.6)
Non-current liabilities	(417.5)	(411.3)
<b>Total liabilities</b>	(469.7)	(466.9)
<b>EPRA net asset value</b>	843.4	688.7
<b>EPRA net asset value per share</b>	402 pence	329 pence

### 14. Inventories

	2018 £'m	2017 £'m
Finished goods and goods held for resale	0.3	0.3
Less: provision for impairment of inventories	(0.1)	(0.1)
	0.2	0.2

The Group consumed £1.0 million (FY2017: £0.9 million) of inventories during the year. Inventory write downs were £nil for the financial year ended 31 October 2018 (FY2017: £nil). Inventories of £0.1 million (FY2017: £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

	2018 £'m	2017 £'m
<b>Current:</b>		
Trade receivables	15.5	13.4
Less: provision for impairment of receivables	(2.0)	(1.6)
Trade receivables – net	13.5	11.8
Other receivables	2.9	5.5
Prepayments	6.1	6.2
	22.5	23.5

Movements on the Group provision for impairment of trade receivables are as follows:

	2018 £'m	2017 £'m
<b>Provisions for doubtful debts against trade receivables:</b>		
At 1 November	1.6	1.5
Acquisition of subsidiary	0.1	—
Provision for receivables impairment	0.8	0.9
Receivables written off during the year as uncollectable	(0.5)	(0.8)
<b>At 31 October</b>	<b>2.0</b>	<b>1.6</b>

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 2018, trade receivables of £4.4 million (FY2017: £3.5 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 2018, trade receivables of £4.6 million (FY2017: £4.0 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:

	2018 £'m	2017 £'m
Up to 28 days overdue	4.0	3.5
Up to 60 days overdue	0.6	0.5

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.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018 £'m	2017 £'m
Sterling	15.4	17.2
Euros	7.1	6.3
	22.5	23.5

Other receivables includes amounts in relation to VAT recoverable on qualifying expenditure in respect of the Capital Goods Scheme. As at 31 October 2018 the Group had a total discounted other receivable of £1.1 million (FY2017: £2.2 million). This is split £0.5 million as non-current assets and £0.6 million as current assets (FY2017: £1.1 million and £1.1 million respectively).



## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 16. Cash and cash equivalents

	2018 £'m	2017 £'m
Cash at bank and in hand	10.5	65.6

As at 31 October 2017, the Group retained the beneficial interest of £56.0 million of cash which was held in a solicitor client account in advance of completion of the acquisition of Stork Self Storage (Holdings) Limited (trading as Alligator Self Storage) on 1 November 2017.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2018 £'m	2017 £'m
Sterling	4.7	61.3
Euros	5.8	4.3
	10.5	65.6

### 17. Trade and other payables

	2018 £'m	2017 £'m
<b>Current:</b>		
Trade payables	6.7	8.2
Other taxes and social security payable	3.7	3.6
Other payables	2.5	2.4
Accruals	13.4	14.9
Deferred income	14.0	13.0
	40.3	42.1

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2018 £'m	2017 £'m
Sterling	30.1	33.3
Euros	10.2	8.8
	40.3	42.1

### 18. Financial liabilities – bank borrowings and secured notes

	2018 £'m	2017 £'m
Non-current		
<b>Bank loans and secured notes:</b>		
Secured	370.9	364.2
Debt issue costs	(1.0)	(0.6)
	369.9	363.6

The Group's borrowings consist of bank facilities of £250 million and €70 million. Following a loan extension exercise whereby the majority of our facilities were extended by one year, £26 million of the £250 million facility still runs to June 2022 with £224 million now running to June 2023 and €13.3 million of the €70 million facility still runs to June 2022 with €56.7 million now running to June 2023. The US private placement notes of €125 million, with maturities extending to 2024 and 2027, and £50.5 million, maturing in 2029. The blended cost of interest on the overall debt is 2.28% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 87% of the drawn bank facilities have been hedged at an effective rate of 0.9382% (LIBOR) or 0.1635% (EURIBOR).

The Company also has in issue €50.9 million (FY2017: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2017: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2017: £50.5 million) 2.91% Series C Senior Secured Notes due 2029. The €125.0 million of Euro-denominated borrowings provide a natural hedge against the Group's investment in the Paris business, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.

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 has 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 £1.0 million (FY2017: £0.6 million).

## 18. Financial liabilities – bank borrowings and secured notes *continued*

Bank loans and secured notes are repayable as follows:

	Group	
	2018 £'m	2017 £'m
Between two and five years	209.2	203.8
After more than five years	161.7	160.4
Bank loans and secured notes	370.9	364.2
Unamortised debt issue costs	(1.0)	(0.6)
	369.9	363.6

The effective interest rates at the balance sheet date were as follows:

	2018	2017
Bank loans (UK term loan)	Quarterly or monthly LIBOR plus 1.25%	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro term loan)	Quarterly EURIBOR plus 1.25%	Quarterly EURIBOR plus 1.25%
Private placement notes (Euro)	Weighted average rate of 1.83%	Weighted average rate of 1.83%
Private placement notes (Sterling)	2.92%	2.92%

### 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	
	2018 £'m	2017 £'m
Expiring beyond one year	103.0	107.7

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018 £'m	2017 £'m
Sterling	221.5	216.5
Euro	149.4	147.7
	370.9	364.2

## 19. Financial instruments

### 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 and Euros at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates 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 £0.5 million (FY2017: £0.8 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.

#### 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.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 19. Financial instruments *continued*

#### Financial risk management *continued*

##### 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 £14.3 million (FY2017: £11.7 million).

##### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in respect of the Euro. 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.

The Group holds Euro-denominated loan notes totalling €125 million and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes provides a natural hedge against the Euro-denominated assets of its operations in France. As a result, the Group applies net investment hedging in respect of these loan notes, so the Group income statement is not exposed to exchange risk.

At 31 October 2018, 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 (FY2017: unchanged). Equity would have been £10.3 million higher (FY2017: £6.6 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.

##### 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 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 2018 and 2017 were as follows:

	2018 £'m	2017 £'m
Total borrowings (excluding derivatives)	426.0	419.8
Less: cash and cash equivalents (note 16)	(10.5)	(65.6)
Net debt	415.5	354.2
Total equity	788.6	637.7
Total capital	1,204.1	991.9
Gearing ratio	35%	36%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding finance leases) 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 30% at 31 October 2018 (FY2017: 36%).

The Group has complied with all of the covenants on its banking facilities during the year.

#### Financial instruments

Financial instruments disclosures are set out below:

	2018		2017	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	1.4	(0.2)	0.9	(0.2)

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.

## 19. Financial instruments *continued*

### Financial instruments *continued*

The fair value of bank loans is calculated as:

	2018		2017	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	369.9	376.5	363.6	364.7

#### 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:

Assets per the balance sheet	2018 £'m	2017 £'m
Derivative financial instruments – Level 2	1.4	0.9

Liabilities per the balance sheet	2018 £'m	2017 £'m
Derivative financial instruments – Level 2	0.2	0.2

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 2018 were £135 million and €30 million (FY2017: £100 million and €30 million). At 31 October 2018 the weighted average fixed interest rates were Sterling at 0.9382% and Euro at 0.1635% (FY2017: Sterling at 0.8145% and Euro at 0.1635%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2022. The movement in fair value recognised in the income statement was a net gain of £0.5 million (FY2017: £1.3 million net gain).

In addition, in the prior year, the Group held cross currency swaps, which were also not designated as part of a hedging arrangement, in respect of which the movement in fair value recognised in the income statement was a net loss of £6.5 million.

#### 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	16.4	—	16.4
Derivative financial instruments	—	1.4	1.4
Cash and cash equivalents	10.5	—	10.5
<b>At 31 October 2018</b>	<b>26.9</b>	<b>1.4</b>	<b>28.3</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)	—	369.9	369.9
Finance lease liabilities	—	56.1	56.1
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	26.3	26.3
<b>At 31 October 2018</b>	<b>0.2</b>	<b>452.3</b>	<b>452.5</b>

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 19. Financial instruments *continued*

#### Financial instruments *continued*

#### Financial instruments by category *continued*

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
<b>Assets per the balance sheet</b>			
Trade receivables and other receivables excluding prepayments	17.3	—	17.3
Derivative financial instruments	—	0.9	0.9
Cash and cash equivalents	65.6	—	65.6
At 31 October 2017	82.9	0.9	83.8

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
<b>Liabilities per the balance sheet</b>			
Borrowings (excluding finance lease liabilities)	—	363.6	363.6
Finance lease liabilities	—	56.2	56.2
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	29.1	29.1
At 31 October 2017	0.2	448.9	449.1

The interest rate risk profile, after taking account of derivative financial instruments, was as follows:

	2018			2017		
	Floating rate £'m	Fixed rate £'m	Total £'m	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	46.5	323.4	369.9	76.8	286.8	363.6

The weighted average interest rate of the fixed rate financial borrowing was 2.12% (FY2017: 1.90%) and the weighted average remaining period for which the rate is fixed was six years (FY2017: seven years).

#### 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>2018</b>				
Borrowings	7.9	7.9	231.6	176.5
Derivative financial instruments	1.6	1.6	2.6	—
Contractual interest payments and finance lease charges	9.4	8.3	23.5	48.2
Payables and accruals	26.3	—	—	—
	45.2	17.8	257.7	224.7
<b>2017</b>				
Borrowings	7.2	7.2	225.3	179.6
Derivative financial instruments	1.2	1.2	3.2	—
Contractual interest payments and finance lease charges	9.5	8.7	23.1	48.8
Payables and accruals	29.1	—	—	—
	47.0	17.1	251.6	228.4

## 20. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 10.4 years (FY2017: 11.1 years).

	Minimum lease payments		Present value of minimum lease payments	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Within one year	9.4	9.5	8.9	9.0
Within two to five years	31.8	31.8	25.3	25.3
Greater than five years	48.2	48.8	21.9	21.9
	89.4	90.1	56.1	56.2
Less: future finance charges on finance leases	(33.3)	(33.9)	—	—
Present value of finance lease obligations	56.1	56.2	56.1	56.2
			2018 £'m	2017 £'m
Current			8.9	9.0
Non-current			47.2	47.2
			56.1	56.2

## 21. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (FY2017: 18%) for the UK and 25.83% (FY2017: 28.0%) for France. The movement on the deferred tax account was as shown below.

	Note	2018 £'m	2017 £'m
At 1 November		52.2	56.9
Charge/(credit) to income statement	8	3.4	(3.4)
Exchange differences		0.6	(1.3)
<b>At 31 October</b>		<b>56.2</b>	<b>52.2</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 2016	56.3	0.8	57.1
Credit to income statement	(3.2)	(0.3)	(3.5)
Exchange differences	(1.3)	—	(1.3)
<b>At 31 October 2017</b>	<b>51.8</b>	<b>0.5</b>	<b>52.3</b>
At 1 November 2017	51.8	0.5	52.3
Charge/(credit) to income statement	3.6	(0.1)	3.5
Exchange differences	0.6	—	0.6
<b>At 31 October 2018</b>	<b>56.0</b>	<b>0.4</b>	<b>56.4</b>



## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 21. Deferred income tax *continued*

	Other timing differences £'m	Interest swap £'m	Total £'m
<b>Deferred tax asset</b>			
At 1 November 2016	—	0.2	0.2
Charge to income statement	—	(0.1)	(0.1)
<b>At 31 October 2017</b>	—	0.1	0.1
At 1 November 2017	—	0.1	0.1
Credit/(charge) to income statement	0.2	(0.1)	0.1
<b>At 31 October 2018</b>	<b>0.2</b>	<b>—</b>	<b>0.2</b>

The deferred tax liability due after more than one year is £56.4 million (FY2017: £52.3 million).

As at 31 October 2018, the Group had trading losses of £29.7 million (FY2017: £28.9 million) and capital losses of £36.4 million (FY2017: £36.4 million) in respect of its UK operations. All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses.

### 22. Called up share capital

	2018 £'m	2017 £'m
<b>Called up, allotted and fully paid</b>		
210,011,217 (FY2017: 209,483,219) ordinary shares of 1 pence each	<b>2.1</b>	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 527,998 ordinary shares (FY2017: 793,591 ordinary shares).

#### Safestore Holdings plc Sharesave scheme

No new options were granted during the year under the Sharesave scheme. The fair values of the options granted in previous years, and still outstanding during 2018, were assessed by an independent actuary using a Black-Scholes model.

#### Safestore Long Term Incentive Plan

Awards over 53,000 shares were granted during the year. The aggregate fair value of these awards is immaterial.

Details of the awards outstanding under all of the Group's share schemes are set out below:

Date of grant	At 31 October 2017	Granted	Exercised	Lapsed	At 31 October 2018	Exercise price	Expiry date
<b>Safestore Holdings plc Sharesave scheme</b>							
26/08/2014	17,998	—	(17,998)	—	—	164.0p	01/03/2018
26/08/2014	62,075	—	—	—	<b>62,075</b>	164.0p	01/03/2020
24/10/2017	281,437	—	—	(41,192)	<b>240,245</b>	352.8p	01/05/2021
24/10/2017	63,496	—	—	(3,911)	<b>59,585</b>	352.8p	01/05/2023
<b>Total</b>	<b>425,006</b>	—	(17,998)	(45,103)	<b>361,905</b>		
<b>Safestore 2009 Performance Share Plan</b>							
04/02/2014	1,483	—	(1,483)	—	—	0.0p	04/02/2018
28/01/2015	480,901	—	(480,901)	—	—	0.0p	28/01/2019
14/03/2016	366,881	—	—	(25,135)	<b>341,746</b>	0.0p	14/03/2020
<b>Total</b>	<b>849,265</b>	—	(482,384)	(25,135)	<b>341,746</b>		
<b>Safestore Long Term Incentive Plan</b>							
29/09/2017	6,148,000	—	—	(235,000)	<b>5,913,000</b>	0.0p	28/09/2027
09/10/2017	150,000	—	—	—	<b>150,000</b>	0.0p	28/09/2027
15/06/2018	—	53,000	—	—	<b>53,000</b>	0.0p	28/09/2027
<b>Total</b>	<b>6,298,000</b>	<b>53,000</b>	—	(235,000)	<b>6,116,000</b>		

In addition, amounts totalling £147,000 (FY2017: £153,000) in respect of bonuses awarded to Executive Directors for the year ended 31 October 2018 will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. The grant date is the start of the financial year in which the performance stage is assessed, which is one year before the shares are awarded. The shares are expected to be awarded in January 2019.

## 22. Called up share capital *continued*

During the year, the Long Term Incentive Plan ("LTIP") options granted in 2017 to Frederic Vecchioli and Andy Jones were modified, such that the LTIP vesting level was reduced to nil for EPS performance below 7% per annum and relative TSR performance below the 55th percentile, unless there are exceptional circumstances justifying some pay out for this level of performance. No options have been modified for all other participants of the LTIP scheme. There is no accounting impact arising from this modification. No options have been modified since grant under any other awards.

The weighted average exercise price of outstanding options under the Sharesave scheme is 322 pence (FY2017: 317 pence).

Participants exercising Performance Share Plan awards during the year also received a further 29,626 shares in respect of dividends accrued during the vesting period.

### Own shares

Included within retained earnings are ordinary shares with a nominal value of £23 (FY2017: £163) 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.

## 23. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from continuing operations	Notes	2018 £'m	2017 £'m
Profit before income tax		<b>185.3</b>	78.9
Gain on investment properties	11	<b>(122.1)</b>	(39.2)
Depreciation	12	<b>0.6</b>	0.5
Net finance expense	7	<b>12.3</b>	30.7
Employee share options		<b>4.1</b>	1.2
Changes in working capital:			
Decrease/(increase) in trade and other receivables		<b>1.5</b>	(1.0)
(Decrease)/increase in trade and other payables		<b>(1.5)</b>	1.9
<b>Cash generated from continuing operations</b>		<b>80.2</b>	73.0

## 24. Analysis of movement in net debt

	2017 £'m	Cash flows £'m	Non-cash movements £'m	2018 £'m
<b>Cash in hand</b>	65.6	(55.2)	0.1	<b>10.5</b>
Debt due after one year	(363.6)	(3.9)	(2.4)	<b>(369.9)</b>
<b>Total net debt excluding finance leases</b>	(298.0)	(59.1)	(2.3)	<b>(359.4)</b>
Finance leases due within one year	(9.0)	5.2	(5.1)	<b>(8.9)</b>
Finance leases due after one year	(47.2)	—	—	<b>(47.2)</b>
<b>Total finance leases</b>	(56.2)	5.2	(5.1)	<b>(56.1)</b>
<b>Total net debt</b>	(354.2)	(53.9)	(7.4)	<b>(415.5)</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.

## Notes to the financial statements *continued*

for the year ended 31 October 2018

### 25. Employees and Directors

<b>Staff costs (including Directors) for the Group during the year</b>	<b>2018 £'m</b>	2017 £'m
Wages and salaries	<b>19.3</b>	17.7
Social security costs	<b>4.0</b>	2.8
Other pension costs	<b>0.4</b>	0.3
Share-based payments	<b>4.1</b>	1.2
	<b>27.8</b>	22.0

During the period ended 31 October 2018 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme, the Safestore 2009 Performance Share Plan and the Safestore Long Term Incentive 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.

<b>Average monthly number of people (including Executive Directors) employed</b>	<b>2018 Number</b>	2017 Number
Sales	<b>554</b>	512
Administration	<b>80</b>	75
	<b>634</b>	587

<b>Key management compensation</b>	<b>2018 £'m</b>	2017 £'m
Wages and salaries	<b>3.1</b>	3.0
Social security costs	<b>1.5</b>	1.4
Post-employment benefits	<b>0.2</b>	0.2
Share-based payments	<b>3.2</b>	1.2
	<b>8.0</b>	5.8

The key management figures given above include Directors.

<b>Directors</b>	<b>2018 £'m</b>	2017 £'m
Aggregate emoluments	<b>5.0</b>	3.1
Company contributions paid to money purchase pension schemes	<b>0.1</b>	0.1
	<b>5.1</b>	3.2

There were two Directors (FY2017: 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 £370.9 million (FY2017: £364.2 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 Paris, 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. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.4 million have been put in place as at 31 October 2018.

## 27. Capital commitments

The Group had £11.1 million of capital commitments as at 31 October 2018 (FY2017: £61.6 million).

## 28. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2017: £nil) transactions were carried out with related parties.

## 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 1 November 2017, the Group completed the acquisition of Stork Self Storage (Holdings) Limited ("SSSHL"), trading as Alligator Self Storage, a company controlled by funds managed or advised by York Capital Management, for cash consideration of £55.9 million, net of cash acquired. The acquisition has complemented the Group's strategy of strengthening its market-leading portfolio. Following a provisional fair value exercise, final fair values of assets and liabilities have been determined following finalisation of working capital balances, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £1.4 million of transaction related costs were reported as an exceptional item within administrative expenses for the year ended 31 October 2017.

The fair value of the assets and liabilities of SSSHL recognised at the date of acquisition is set out in the table below:

	£'m
<b>Assets</b>	
Investment properties	56.6
Interests in leasehold properties	1.4
Trade and other receivables	0.8
Cash	2.2
<b>Total assets</b>	<b>61.0</b>
<b>Liabilities</b>	
Trade and other payables	(1.5)
Obligations under finance leases	(1.4)
<b>Total liabilities</b>	<b>(2.9)</b>
<b>Net assets</b>	<b>58.1</b>
<b>Gross consideration</b>	58.1
<b>Less cash acquired</b>	(2.2)
<b>Net consideration paid</b>	<b>55.9</b>

Since the date of the acquisition, SSSHL has contributed £7.9 million to the revenue of the Group and £4.5 million to the profit after tax for the Group.

## Company balance sheet

as at 31 October 2018

	Notes	Company	
		2018 £'m	2017 £'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 after more than one year	7	321.8	302.1
<b>Total current assets</b>		<b>321.8</b>	302.1
<b>Total assets</b>		<b>322.8</b>	303.1
Creditors: amounts falling due within one year	8	(20.3)	(18.2)
<b>Total assets less current liabilities</b>		<b>302.5</b>	284.9
Creditors: amounts falling due after more than one year	9	(161.7)	(160.4)
<b>Net assets</b>		<b>140.8</b>	124.5
<b>Capital and reserves</b>			
Called up share capital	10	2.1	2.1
Share premium account		60.5	60.4
Profit and loss account		78.2	62.0
<b>Total shareholders' funds</b>		<b>140.8</b>	124.5

The Company's profit for the financial year amounted to £43.4 million (FY2017: £21.1 million).

The Company financial statements on pages 110 to 112 were approved by the Board of Directors on 7 January 2019 and signed on its behalf by:

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

Company registration number: 04726380

## Company statement of changes in equity

for the year ended 31 October 2018

	Company			
	Share capital £'m	Share premium £'m	Retained earnings £'m	Total £'m
<b>Balance at 1 November 2016</b>	2.1	60.1	65.3	127.5
<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	—	—	(25.6)	(25.6)
Increase in share capital	—	0.3	—	0.3
Employee share options	—	—	1.2	1.2
<b>Transactions with owners</b>	—	0.3	(24.4)	(24.1)
<b>Balance at 1 November 2017</b>	2.1	60.4	62.0	124.5
<b>Comprehensive income</b>				
Profit for the year	—	—	43.4	43.4
<b>Total comprehensive income</b>	—	—	43.4	43.4
<b>Transactions with owners</b>				
Dividends	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	0.1
Employee share options	—	—	4.1	4.1
<b>Transactions with owners</b>	—	0.1	(27.2)	(27.1)
<b>Balance at 31 October 2018</b>	<b>2.1</b>	<b>60.5</b>	<b>78.2</b>	<b>140.8</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 2018

### 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.

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 income statement as part of these financial statements. The Company's profit for the financial year amounted to £43.4 million (FY2017: £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 (FY2017: 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 2018 was £12,000 (FY2017: £10,000). There were no non-audit services (FY2017: none) provided by the auditor.

### 5. Tangible assets – fixtures and fittings

	£'m
<b>Cost</b>	
At 1 November 2017 and at 31 October 2018	0.2
<b>Accumulated depreciation</b>	
At 1 November 2017	0.2
Charge for the year	—
<b>At 31 October 2018</b>	<b>0.2</b>
<b>Net book value</b>	
<b>At 31 October 2018</b>	<b>—</b>
At 31 October 2017	—

### 6. Investments in subsidiaries

	£'m
<b>Cost and net book value</b>	
At 1 November 2017	1.0
Addition	1.0
Disposal	(1.0)
<b>At 31 October 2018</b>	<b>1.0</b>

## 6. Investments in subsidiaries *continued*

During the year, the Company acquired the share capital of Safestore Investments 2018 Limited and sold its investment in Safestore Investments Limited to Safestore Investments 2018 Limited.

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. The registered address of each subsidiary is Brittanica House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, except where indicated below by a footnote.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments 2018 Limited <sup>1</sup>	England and Wales	Holding company
Access Storage Holdings (France) S.à r.l.	Luxembourg <sup>2</sup>	Holding company
Alligator Management Services Limited <sup>8</sup>	Scotland <sup>3</sup>	Provision of self-storage
Alligator Self Storage Limited <sup>7</sup>	Scotland <sup>3</sup>	Provision of self-storage
Alligator Storage Birmingham Limited <sup>7</sup>	Scotland <sup>3</sup>	Provision of self-storage
Alligator Storage Bolton Limited <sup>7</sup>	Scotland <sup>3</sup>	Provision of self-storage
Alligator Storage Centres Limited <sup>7</sup>	Scotland <sup>3</sup>	Provision of self-storage
Alligator Storage Limited <sup>7</sup>	England and Wales	Provision of self-storage
Alligator Storage Wednesbury Limited <sup>7</sup>	Scotland <sup>3</sup>	Provision of self-storage
Assay Insurance Services Limited	Guernsey <sup>4</sup>	Insurance services
Compagnie de Libre Entreposage France SAS	France <sup>5</sup>	Holding company
Crown Self Storage (Exeter) Limited <sup>7</sup>	England and Wales	Provision of self-storage
Crown Self Storage (Plymouth) Limited <sup>7</sup>	England and Wales	Provision of self-storage
Fareham Self Storage Limited <sup>8</sup>	Scotland <sup>3</sup>	Provision of self-storage
Keepsafe Bristol Trading Limited <sup>8</sup>	England and Wales	Provision of self-storage
Keepsafe Camden Limited <sup>8</sup>	Scotland <sup>3</sup>	Provision of self-storage
Keepsafe Farnham Trading Limited <sup>8</sup>	England and Wales	Provision of self-storage
Mentmore Limited	England and Wales	Holding company
R & M Hampson Limited <sup>7</sup>	England and Wales	Provision of self-storage
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Investments 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
Spaces Personal Storage Limited	England and Wales	Provision of self-storage
Space Maker Properties Limited <sup>7</sup>	Cayman Islands <sup>6</sup>	Provision of self-storage
Space Maker Stores Limited <sup>7</sup>	England and Wales	Holding company
Space Maker Trading Limited <sup>7</sup>	England and Wales	Provision of self-storage
Spaces Personal Storage Limited	England and Wales	Provision of self-storage
Storage UK SPV1 Limited <sup>7</sup>	England and Wales	Provision of self-storage
Storage UK SPV2 Limited <sup>7</sup>	England and Wales	Provision of self-storage
Stork Self Storage (Holdings) Limited <sup>7</sup>	England and Wales	Holding company
Stork Self Storage (Jumbo) Limited <sup>8</sup>	England and Wales	Provision of self-storage
Stork Self Storage (Aylesbury) Limited <sup>8</sup>	England and Wales	Provision of self-storage
Stork Self Storage (UK) Limited <sup>7</sup>	England and Wales	Provision of self-storage
Une Pièce en Plus SAS	France <sup>5</sup>	Provision of self-storage

### Notes

1 Held directly by the Company.

2 Registered address: 412F, route d'Esch, L-2086 Luxembourg.

3 Registered address: Safestore Centre, 9 Canal Street, Glasgow G4 0AD.

4 UK tax resident; registered address: St Martin's House, Le Bordage, St Peter Port, Guernsey.

5 Registered address: 1, rue François Jacob, 92500 Rueil Malmaison, France.

6 Registered address: 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, Grand Cayman KY1-1003, Cayman Islands.

7 Companies that are being liquidated.

8 Companies that are being struck off.

## Notes to the Company financial statements *continued*

for the year ended 31 October 2018

### 7. Debtors

	2018 £'m	2017 £'m
Amounts owed by Group undertakings	321.8	302.1
Debtors due after more than one year	321.8	302.1

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 £161.7 million (FY2017: £160.4 million). The remaining amounts owed by Group undertakings are interest free.

### 8. Creditors: amounts falling due within one year

	2018 £'m	2017 £'m
Trade creditors	—	0.1
Amounts owed to Group undertakings	16.7	15.4
Accruals and deferred income	3.6	2.7
Creditors due within one year	20.3	18.2

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

### 9. Creditors: amounts falling due after more than one year

	2018 £'m	2017 £'m
Secured loan notes	161.7	160.4
Creditors due after more than one year	161.7	160.4

The secured loan notes are €50.9 million (FY2017: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2017: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2017: £50.5 million) 2.91% Series C Senior Secured Notes due 2029.

### 10. Called up share capital

	2018 £'m	2017 £'m
<b>Called up, allotted and fully paid</b>		
210,011,217 (FY2017: 209,483,219) ordinary shares of 1 pence	2.1	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)

### Interim Company Secretary

Helen Bramall

### Registered office

Brittanic House  
Stirling Way  
Borehamwood  
Hertfordshire WD6 2BT

### Registered company number

04726380

### 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

### Independent auditor

#### Deloitte LLP

Statutory Auditor  
Hill House  
1 Little New Street  
London EC4A 3TR

### Legal advisers

#### Travers Smith LLP

10 Snow Hill  
London EC1A 2AL

#### Eversheds LLP

115 Colmore Row  
Birmingham B3 3AL

### Brokers and financial advisers

#### Investec Bank Plc

30 Gresham Street  
London EC2V 7QP

#### Citigroup Global Markets Limited

Citigroup Centre  
33 Canada Square  
London E14 5LB

### Financial PR advisers

#### Instinctif Partners

65 Gresham Street  
London EC2V 7NQ

### Shareholder information

#### Registrar

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Telephone (in UK): 0871 664 0300  
(Calls cost 12 pence per minute plus your phone company's access charge.)

Telephone (from overseas): +44 (0)371 664 0300  
(Calls outside the United Kingdom will be charged at the applicable international rate.)

Lines are open between 9.00am and 5.30pm Monday to Friday, excluding public holidays in England and Wales.

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Share Portal Enquiries: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
Share Portal: [www.signalshares.com](http://www.signalshares.com)

Through the website of our Registrar, Link 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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