LOK'nSTORE

Business & Household Self Storage

Lok'nStore Group Plc
Annual Report & Accounts 2007

A Year of Achievement

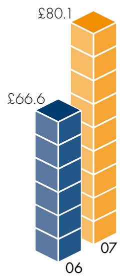
Highlights

Store
EBITDA
£4.48M

Adjusted net asset value
per share
£2.70

Property valuation
at 31 July 2007
£80.1M

Turnover
£10.67M



Financial Highlights

- Adjusted NAV £2.70 – up 26.5% (based on 31 July 2007 valuations) (2006: £2.13)
- Turnover £10.67 million – up 19.2% (2006: £8.95 million) (+22% excluding Kingston and Woking)
- Group EBITDA before exceptional items £2.63 million – up 65.7% (2006: £1.59 million)
- Operating profit £1.55 million – up 125.4% (2006: £686,031)
- Exceptional profit – £10.23 million from sale of Kingston and Woking stores
- New banking facility of £40 million
- Maiden dividend proposed

Operational Highlights

- Store EBITDA £4.48 million – up 45.6% (2006: £3.1 million)
- Sales growth 10.1% for established stores (>250 weeks) (2006: 9.2%)
- Overall store EBITDA margin up to 41.8% from 34.6%
- Prices for self-storage up 5.4% year-on-year
- Overall yield up 7.2% over the year

Property Highlights

- Property valuation £80.1 million – up 20.3% (2006: £66.6 million)
- Total estate 1.1 million sq ft* of which 63% held freehold
- Embedded value of estate £3.57 per share
- Three new sites acquired

*Including North Harbour, Portsmouth site acquired after year-end.

A Year of Record Achievement

- UK self-storage market continues to grow rapidly

- Over 1 million sq ft of space*

* Once all existing projects are built-out

£4.48m

Store EBITDA

£80.1m

Property value

- **Continuing efforts to drive storage revenues up by strengthening our branding, filling space and increasing pricing**

Chairman's Review

A Year of Record Achievement

Overview

This has been a year of record achievement for Lok'nStore.

We have bought three new sites, expanded two existing stores, sold two stores and continued to grow the business. The adjusted net asset value per share has increased from £2.13 last year to £2.70 this year (see Financial Review). When all of our existing stores trade as fully established stores this translates into £3.57 per share embedded value (see Property Review).

The Company recently passed a significant milestone. It has more than 1 million sq ft of space once all existing projects are built-out.

We are also very pleased to be proposing our first dividend which demonstrates the Board's confidence in the growth of Lok'nStore.

During the year we strengthened the Board with the appointment of two new non-executive directors, Edward Luker and Charles Peal who bring a wealth of property and financial experience with them.

Sales and Earnings Growth

Total turnover for the year was £10.67 million (2006: £8.95 million), an increase of 22.2 %, (excluding the Kingston and Woking stores). The Group made an operating profit for the year before exceptional items of £1.55 million up 125.4% compared with £686,031 in 2006, and an operating profit after exceptional items of £11.78 million. (There were no exceptional items in 2006.) The Group made a pre-tax profit for the year of £10.82 million (2006: loss of £41,019). The cash flow of the operating business has continued to grow with earnings before interest, tax, depreciation and amortisation (EBITDA) from the stores up 45.6% at £4.48 million (2006: £3.1 million), reflecting the effects of both the efficient operational management and the increasingly established nature of the existing portfolio. Overall store EBITDA margins improved from 34.6% to 41.8%.

Growing Property Assets and Net Asset Value

Lok'nStore's freehold and operating leasehold properties have been independently valued by Cushman & Wakefield ('C&W') at £75.7 million as of 31 July 2007 (July 2006: £66.6 million) compared to a net book value of £27.9 million (2006: NBV £25.2 million). This is referred to further in the Financial Review and is detailed in note 10 of the notes to the financial statements. Adding our stores under development at cost, our total property valuation of £80.1 million (NBV £32.3 million) translates into a net asset value of 270 pence per share, an increase of 26.8% over last year. The value of the properties which were also valued in July 2006 and therefore on a comparable basis showed an uplift of 22.8%. This represents 11.9% capital growth (yield contraction) and 10.9% from operational performance.

41.8%

store EBITDA

Actively managing our existing portfolio in order to maximise the growth of asset values for our shareholders

Successful Sale of Kingston and Woking stores
In June 2007, we completed the sale of our Kingston store for £10 million. This compared to its previous valuation as a storage centre in 2005 of £2.75 million and its July 2006 valuation of £9.15 million as a residential site. The property has been sold to a residential developer and many of the existing self-storage customers have been transferred to Lok'nStore's other locations close by. This represents an extremely successful outcome in obtaining an alternative planning permission to realise the full value of this asset.

In July 2007 we completed the sale of our Woking store at its 2006 valuation of £2.4 million to a private investor. The Woking store was the smallest in Lok'nStore's portfolio providing 19,000 sq ft and while trading extremely well, offered limited opportunity to further increase the value of the business.

The sale of the Kingston and Woking stores which generated a profit of £10.23 million is in line with our strategy of actively managing our existing portfolio in order to maximise the growth of asset values for our shareholders. This includes increasing the size of our stores, buying-in freeholds and occasionally selling stores if appropriate. This is in addition to our continuing efforts to drive revenues up by strengthening our branding, filling space and increasing pricing.

The proceeds of these sales will be reinvested in Lok'nStore's ongoing programme of acquiring and building new larger stores.

New Bank Facility
Lok'nStore is well positioned to take advantage of the opportunity presented by the rapidly growing UK self-storage market, and during the year a new £40 million bank facility has been put in place which will provide the external funding required for the next phase of our growth. This facility replaces the previous £20 million facility and underscores the Board's commitment to continuing investment in new sites.

The Self-storage Market in the UK
The self-storage market in the UK continues to grow rapidly and offers a great opportunity, particularly to the major operators such as Lok'nStore. The UK Self-Storage Association estimates that the market is growing at around 15% per annum.

The more mature US market grew from 2.9 sq ft per member of the population in 1994 to 6.8 sq ft in 2006. This compares with only 0.42 sq ft in the UK whereas the population density of the US is only 32 per sq km against 246 in the UK. This creates far more pressure to use property resources efficiently in the UK, which is a main driver of demand for self-storage. We believe the UK self-storage market will continue to grow rapidly for many years to come offering Lok'nStore a great opportunity.

With Safestore joining the stock market this year, Lok'nStore is now one of three quoted storage operators in the UK, with around a 5% market share in the UK.

Lok'nStore People
Our personnel are committed and motivated and help maintain the exemplary levels of friendly service that Lok'nStore provides to its customers. I would like to thank all of our staff for their commitment to our business and for their hard work.

Outlook
The UK self-storage market continues to grow rapidly and Lok'nStore is well placed to benefit from this. To underline our confidence in the business the Board is proposing a maiden dividend in respect of the full year.

Simon G Thomas
Chairman
26 October 2007

0.67

Maiden Dividend Pence per Share

Chief Executive's Operating Review

Sales and Margin Performance

During the year we have benefited from the continued efforts to raise operational standards, and to focus store personnel on taking personal responsibility for increasing turnover. This work has continued to improve the consistency of performance across the stores.

During the year Lok'nStore had 16 established stores (over 250 weeks old) including one freehold store which joined this category during the year. These 16 stores made EBITDA margins of 43.8% this year compared to 39.8% last year demonstrating the improvement in the underlying margin of the business.

Our established stores have continued to grow alongside the more rapid sales increases at our newest stores. On a like-for-like basis, our 16 stores trading for more than 250 weeks grew revenue by 10.1%. We believe there is room for further increases in these older stores with new space still to be fitted out in addition to improving income from existing space.

Our three stores with 100 to 250 weeks' trading grew revenue by 21.7% and our stores less than 100 weeks grew revenue by 290%. We are delighted both by the continued rapid growth of the more established stores as well by the early success of the newer units.

Overall EBITDA margins across all stores improved from 34.6% to 41.8% as the portfolio became more established.

Our central sales team are running frequent and improved sales training courses using the facilities in our flagship store in Farnborough. In addition, we regularly review the bonus scheme to link performance and reward more directly to turnover growth and consistently high quality customer service. We believe the robust rate of turnover growth is a result of this attention to detail.

Lok'nStore is taking an active approach to yield management with average prices achieved for self-storage units increasing 5.4% over the year, comfortably beating our target of 4% which we achieved last year. Average prices for all rented space increased 7.2% over the year reflecting both the increase in self-storage prices as well as the conversion from lower value uses into self-storage space. The success of our yield management system underlies our confidence that we will be able to increase prices by more than inflation over the medium term.

Our average price for self-storage was £17.29 per sq ft per annum at 31 July 2007 which compares favourably with the average of £20.63 for the UK industry (source: Self-Storage Association Survey 2007). We believe that there is room to continue to increase prices while

Sales up year-on-year...

22.2%

*Excluding Kingston and Woking stores

5.4%

Average prices up

Our personnel are committed and motivated and help to maintain the exemplary levels of friendly service that Lok'nStore provides to its customers

retaining our strong price competitive position in the market. Packing materials, insurance and other sales increased 18% over the year accounting for 7.8% of turnover (2006: 7.9%).

Marketing

The Company spent approximately 5.5% of turnover on advertising and marketing (including postage, printing and stationery) down from 6.5% in 2006. Marketing resources and efforts have been upgraded, and this contributed to fitted unit occupancy. This increased by 47,265 sq ft up 9.7% on the previous year (after taking account of the sales of the Kingston and Woking stores).

We continually review new and better opportunities in the media and through local marketing efforts and each of these shows progress. New stores benefit from the marketing and promotion effort already applied to our existing stores.

Work on the visibility of our stores is also improving response to our marketing. Our Farnborough store with its prominent design, distinctive orange elevations and position adjacent to the M3 motorway has raised the profile of the whole Lok'nStore brand, as well as work on the external branding of other stores further improving the appearance of the overall portfolio. We are prominent in our directory advertising, which also produces a significant proportion of our enquiries. In recent years Internet enquiries have increased dramatically and we have allocated a higher proportion of the marketing budget to this media.

Our store personnel are closely involved with these decisions and work with our Head Office to ensure our marketing expenditure remains targeted and effective.

Systems

The centralisation of our store management computer system continues to yield marketing and other management information benefits and we remain committed to continuing systems centralisation, greater audit capability and the delivery of efficient and timely data. We continue to increase the penetration of direct debit facilities which reduces administrative effort and saves on stationery and postage costs at the stores. As well as being a positive service to our customers it also reduces the time committed to credit management. The store audit system has been effective in terms of improved security, credit control and store presentation and is continually monitored and upgraded to ensure its utility.

Security

The safety and security of our customers and their goods remains our highest priority. With today's heightened terrorist concerns this is of particular importance. We already invest in CCTV systems, intruder and fire alarm systems and the remote monitoring of our stores out of hours. We have rigorous security procedures in relation to customers. Furthermore, we continually review our security resources and are upgrading our security with up-to-date equipment, for example, colour CCTV monitors of greater capability and detail, and improved lighting. The importance of security and the need for vigilance is communicated to all personnel and reinforced through our various training procedures.

Corporate Social Responsibility

Lok'nStore believes in conducting its business in a manner that reflects honesty, integrity and ethical conduct. As a responsible company, Lok'nStore believes that the long-term success of the business is best served by respecting the interests of all our stakeholders. Management of social, environmental and ethical issues is of prime importance to Lok'nStore. These issues are dealt with on a day-to-day basis by the Company's managers with principal accountability lying with the Board of Directors. We look actively for opportunities to address our responsibility to the environment, and a full assessment of the company's environmental impact is included elsewhere in the report. This year has seen a significant reduction in our carbon dioxide emissions, water use and waste production. Below are other areas of corporate responsibility we take very seriously.

Dealing Responsibly with Our Customers

At the end of July 2007, 37.6% of our turnover was from business customers (24.2% by number) and 62.4% was from household customers

Operational Performance of Stores

	July 2007				
Store analysis Weeks old	Over 250	100 to 250	Under 100	Pre- opening	Total
Year ended 31 July 2007					
Sales (£'000)	8,403	1,288	1,018**	–	10,709**
Stores EBITDA (£'000)	3,681	322	475	–	4,478
EBITDA margin (%)	43.8	25.1	46.7	–	41.8
As at 31 July 2007					
Maximum Net Area ('000 sq ft)	721	81	167	129	1,098
Freehold	6	1	2	2	11
Leasehold	8	2	0	0	10
Total stores	14*	3	2	2	21

* The Kingston and Woking stores were sold during the year.

** Total store revenue includes, in respect of the Farnborough store (under 100 weeks), a contribution receivable from Group Head Office in respect of the space and facilities the store provides for the Head Office function. This income to the Store and the corresponding charge to Head Office is netted down in the Group turnover figures.

Chief Executive's Operating Review

(75.8% by number). At 31 July 2007, the number of customer contracts had risen to 7,602.

Brochures and literature are written in plain English, explaining clearly our terms of business without hiding anything in the 'small print'. We are open and honest about our products and services. We do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If something is wrong we acknowledge the problem and deal with it as soon as possible. We continually review all aspects of our business, never accepting that things cannot be improved. We listen to our customers to help us improve our service. In return for our responsible dealings with our customers we have been rewarded with customer loyalty. 12% of our business comes from previous customers and existing customers taking additional units.

Dealing Responsibly with Our Suppliers

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, operating in accordance with the terms and conditions agreed upon. We expect our suppliers to operate to these same principles.

Our people

At 31 July 2007, we had 111 employees (2006: 104).

We treat our employees with dignity and respect and are committed to providing a positive attitude in the business and an enjoyable working environment. We have developed a professional open culture where staff can exchange ideas and offer suggestions for work and business improvement. This encourages our staff to build on their skills, through appropriate training and regular performance review. Regular weekly training courses at our Farnborough Head Office support these objectives where we have a large conference room which can accommodate all our training requirements for the foreseeable future. This has reduced outgoings, increased the regularity of training and improved contact between Head Office and the stores by bringing staff into Head Office for regular training. This in turn contributes to attracting and retaining the right people which is key to the success of Lok'nStore.

During the year members of our staff successfully completed the National General Certificate in Occupational Safety and Health and embarked on the CIPD Certificate in Personnel Practice. Additionally the Company supports employees undertaking National Vocational Qualifications.

All employees are eligible to participate in share ownership plans and 40% of our employees have an employee benefit trust shares or options. 28% of the personnel are members of the contributory pension scheme. Immediately after the year end Lok'nStore was successful in achieving HM Revenue & Customs approval for a new Share Incentive Plan which was subsequently launched to all employees. Initial take-up is encouraging with 42% of employees participating in the Scheme.

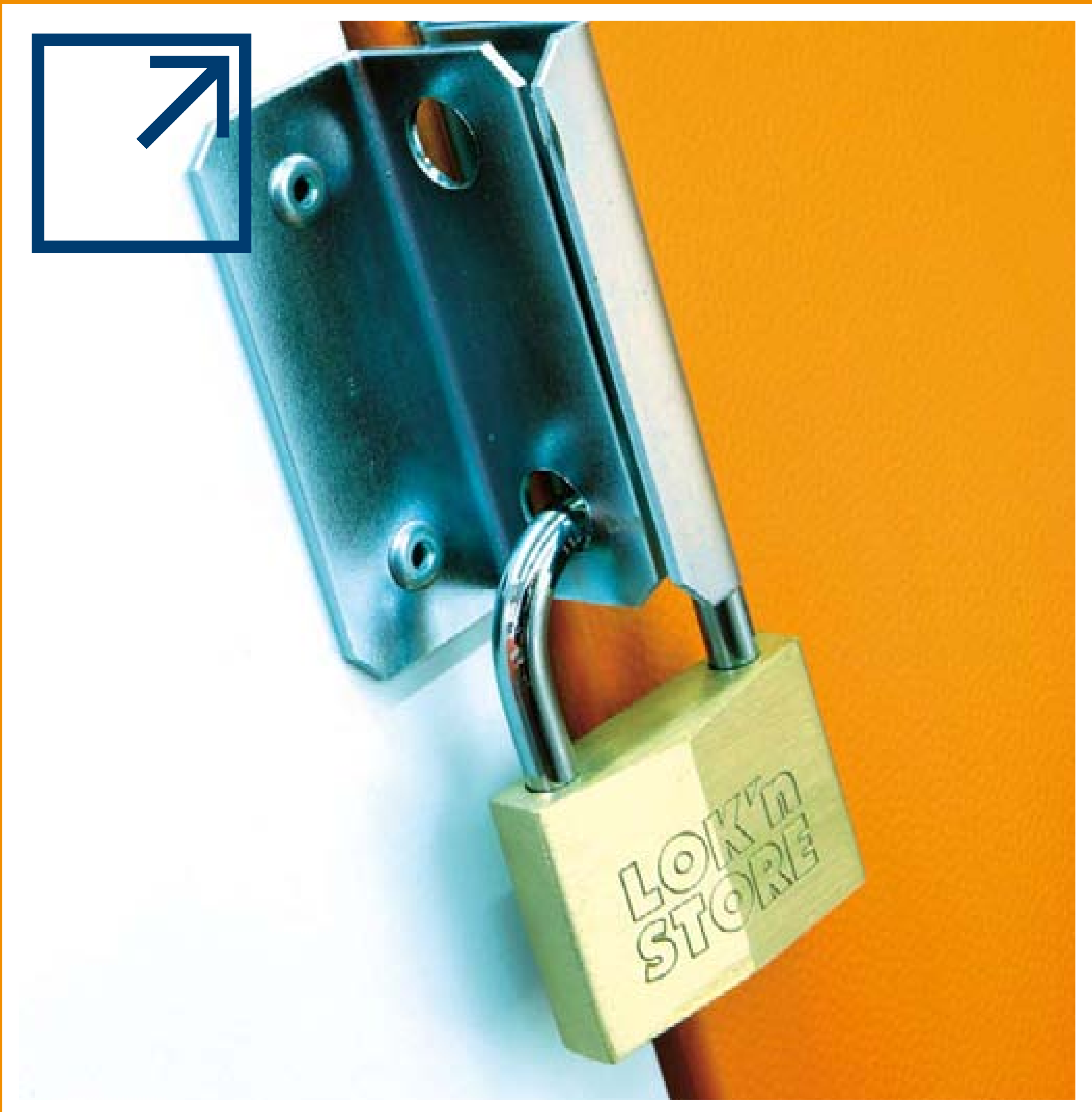
I would like to thank all our hard working people for their contribution to another very successful year. The continuing progress of the Group is being achieved as a result of their efforts.

Andrew Jacobs
Chief Executive Officer
26 October 2007

41.8%
EBITDA Margins up

111
Employees

The UK self-storage market continues to grow rapidly. Lok'nStore is well placed to benefit from this



Property Review

Property Sales

In June 2007, we completed the sale of our Kingston store for £10 million. This compared to its previous valuation in 2005 of £2.75 million as a storage centre and its July 2006 valuation of £9.15 million as a residential site. The property has been sold to a residential developer and many of the existing self-storage customers have been transferred to Lok'nStore's other locations close by. This represents an extremely successful outcome to this project rewarding our focused approach to adding value.

In July 2007, we completed the sale of our Woking store at its 2006 valuation for £2.4 million to a private investor. The Woking store was the smallest in Lok'nStore's portfolio providing 19,000 sq ft. While trading extremely well, the store offered limited opportunity to further increase the value of the business. Following its sale, we continue to manage the Woking store for the new owner on a turnover-based fee.

New Stores

We will open our new purpose-built store in Harlow in April 2008. This is located in an attractive market and will be highly branded and prominent. This high specification freehold store will cost approximately £5 million once fully constructed and fitted-out. It will provide 69,000 sq ft of space, and increases the Company's total area when fully fitted to 1,023,000 sq ft, breaking the 1 million sq ft barrier for the first time.

Our objective is to increase the number of Lok'nStore centres trading, and we have sites in the pipeline which we expect to complete during the coming financial year. We continuously review opportunities to buy, to build, and to lease new stores. We strongly believe that there is an opportunity to further increase the value of the business by accelerating our growth rate.

Expansion of Existing Stores

During the year we commenced four exciting projects to increase the value of our existing stores. The Company recently purchased a new freehold site for the existing leasehold business in Portsmouth. This new store will increase the space available by 62% to around 65,000 sq ft, and will replace the existing leasehold store. The increase in size and the elimination of rent payable will both substantially increase the EBITDA of the store once established.

We have also acquired a freehold site on Third Avenue, Millbrook, Southampton. The site of 2.16 acres fronts the main access road to Southampton city centre and will provide around 100,000 sq ft of self-storage space. It will replace the existing Southampton Lok'nStore, which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property.

The purpose-built store will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful flagship Farnborough store. The

3 New Sites Acquired

increased prominence and modern look of the building will allow the business to leverage off the existing business which is trading well, increasing both the volume of space rented and the rates achieved on those rentals. The store fronts the busy main access road to the city centre, and will carry the distinctive orange livery and neon lighting which is proving an effective generator of business at our other stores. The total investment in the new store will be up to £8 million.

A new lease has been signed at the Company's Fareham store. By expanding into the adjacent building, the new lease doubles the size of the store to around 62,000 sq ft.

A new lease has been signed at the Company's Northampton store on an additional adjacent unit. The new lease increases the size of the store from 55,000 sq ft to around 70,000 sq ft.

These acquisitions are a key part of the Company's strategy to actively manage its existing portfolio to maximise its value by increasing the average size of the stores, increasing profit margins as well as increasing the number of stores and square footage. This in turn positively impacts on the potential margins of the Group overall.

Portfolio

With the sale of the Kingston and Woking stores we currently have 19 stores open with capacity of around 930,000 sq ft of storage space when fully fitted. Nine stores are held freehold and 10 are leasehold. With the new freehold sites at Portsmouth, Harlow and Southampton this net new space takes capacity to 1,038,000 sq ft. Adding the North Harbour Site acquired after the year-end total capacity rises to around 1.1 million sq ft. Of this, 63% will be held freehold and 37% leasehold. We prefer to acquire freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold stores. However, our overriding objective is to increase the number of stores we operate and we are comfortable to take leases on appropriate terms.

Lok'nStore continues to focus on the efficiency of our fitting-out programme in order to bring forward the revenue stream and maximise our rate of return. We optimise the available space in new stores by fitting mezzanine floors and storage units as customer demand dictates. This allows revenue to be generated by opening storage space, and keeping tight control on capital expenditure by fitting-out when it is required. Over the year under review we fitted-out a further 123,543 sq ft of self-storage units, an 18% increase in fitted space.

Subject to market conditions, it is our current aim to acquire between two and four stores per annum. Our current average store size is around 51,900 sq ft up from 43,800 sq ft last year. The exact timing of store openings will largely depend on market availability of sites, and we will retain our disciplined and flexible approach to site acquisition. We view the current slowing of the property investment market as a potential opportunity to increase the rate of growth of new stores.

Embedded Value

The Cushman and Wakefield valuation includes a calculation of the value of the estate once fully established, which together with stores under development at cost represents the embedded value of the estate. This translates into a value of £3.57 per share.

Andrew Jacobs
Chief Executive Officer
26 October 2007

£3.57
Embedded Value per Share

Financial Review

Generating cash, and increasing asset value and property assets

£10.67m
Total Turnover

Trading
Total turnover for the year was £10.67 million (2006: £8.95 million), an increase of 19.2%, which increases to 22.2%, on a pro forma basis adjusting for the sale of our Kingston and Woking stores.

Total store EBITDA, the cash flow engine of the operating business, has continued to grow this year to £4.48 million, up 45.6% from last year (2006: £3.1 million).

Group EBITDA, before exceptional items, was up 65.7% to £2.63 million (2006: £1.59 million). The Group made an operating profit for the year before exceptional items of £1,546,342, up 125.4% compared with £686,031 in 2006, and an operating profit after exceptional items of £11,780,925. (There were no exceptional items in 2006.) The exceptional profit of £10.3 million was generated by selling the Kingston and Woking stores.

The Group made a pre-tax profit for the year of £10,815,185 compared with a loss of £41,019 in 2006.

Lok'nStore's self-storage business model is a robust one with security deposits taken from customers when they first store with us. Customers also pay four weekly in advance. Therefore credit control remains tight with only £45,000 of bad debts written off during the year representing around 0.4% of turnover (2006: 0.5%). There was £8,072 of additional costs associated with recovery.

The net interest charge increased from £727,050 to £965,740. This is a consequence of the Group utilising its bank facilities to acquire the freehold sites at Portsmouth, Southampton and Harlow, and the continuing fit-out programme at our existing stores. Year-end borrowings were £15.65 million. Net debt was £10.46 million following receipts from the sale of the Woking site and the first instalment from the Kingston sale. A second and final instalment of £4 million plus interest since completion is due on the Kingston sale in December 2007.

The Group made a profit on ordinary activities before tax of £10,815,185 including the exceptional profit on the sale of the Kingston and Woking stores of £10,234,583. The Group made a profit on ordinary activities before tax and exceptional items of £580,602 (2006: restated loss £41,019).

There is no current year corporation tax charge arising for the year as a result of the Group's tax loss in the year. Tax losses available to carry forward for offset against future profits amount to some £5.4 million. In addition the business had capital losses available to carry forward of £362,636. The Company intends to make a claim for rollover relief in respect of the gains arising on the disposal of the stores during the financial year.

Basic earnings per share was 43.3 pence per share (2006: (0.30) pence per share). On a

£10.23m
Profit: Sale of Kingston and Woking Stores

£80.1m

Property valuation

diluted basis earnings per share was 42.2 pence per share (2006: (0.30) pence per share). Earnings per share after adjusting for the exceptional profits arising from the disposal of properties was 2.41 pence per share (2006: (0.30) pence per share).

Borrowings and Cash Flow

Cash flows from the Group have grown strongly, with turnover growth having a geared impact on cash flow. The Group had cash balances at the year-end of £5.19 million (2006: £0.92 million).

Cash inflow from operating activities before interest and capital expenditure was £5 million (2006: £1.6 million). Capital expenditure totalling some £10.3 million during the year reflects the Group's commitment to growing its business through a combination of new site acquisition and related works (£7.43 million) and investing in our existing stores (£2.87 million). At 31 July 2007, the Group had £15.65 million of borrowings representing gearing on an NBV basis of 46% on net debt of £10.46 million. When adjusted for the Group's revalued property gearing drops to 15%.

Buy-back Authority

At the Company's AGM on 7 December 2006 shareholders gave approval to renew the existing share buy-back authority. This authority will be sought at the Company's Annual General Meeting each year. The authority is restricted to a maximum of 5,845,299 Ordinary Shares, which is equivalent to 21.9% of the Company's issued share capital and is equal to the number of shares available for purchase under the previous authority. The buy-back authority will only be exercised in circumstances where the Directors regard such purchases to be in the best interests of shareholders as a whole and is subject to the waiver of Rule 9 by the Panel of Takeovers and Mergers being approved by the Shareholders.

The total number of shares in issue is 26,731,365 Ordinary Shares (2006: 25,091,144).

Balance Sheet

Net assets at the year-end increased to £22.55 million (2006: £10.81 million) from the profitable sale of the two stores as well as operational surpluses. This does not reflect the significant uplift in valuation as a result of the property valuation of £75.72 million which increases net assets to £70.37 million on a revalued basis. This valuation translates into a net asset value per share of £2.70 (2006:£2.13) as reported below.

The Employee Benefit Trust owns 627,500 (2006: 627,500) shares, the costs of which are shown as a deduction from shareholders' funds in accordance with Urgent Issues Task Force Abstract 38.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2007, professional valuations were prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and six operating leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards. The valuation has been provided for accounts purposes and as such, is a Regulated Purpose Valuation as defined in the Red Book. The external valuation methodology provides for a Purchaser acquiring a centre incurring purchase costs of 5.75% initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the tenth year in relation to the freehold stores. In practice we believe that it is unlikely that the bulk of Lok'nStore's properties would be acquired other than in a corporate structure (see note 10 in the notes to the accounts for a more detailed description of the valuation methodology).

The valuation report indicates a total for properties valued of £75.7 million (NBV £27.9 million) (July 2006: £66.6 million: NBV £25.2 million). The 2007 valuation includes and reflects the uplift in value which has resulted from the operational performance of the stores. In relation to the existing store at Reading, there is a prospect of redevelopment for residential use and the valuation reflects this. Accordingly, the Lok'nStore Reading site across the road which has a planning permission for a store has been valued as an operating self-storage site including an additional uplift to reflect the import of customers from the existing Reading store in due course. The valuations do not account for any further investment in existing stores since 31 July 2007. The sites at Harlow and Southampton have not been valued and their asset value (stated at cost) of £4.4 million combined with the C&W valuation provides an aggregate property value of £80.1 million.

£2.63m

Group EBITDA

* Before exceptional profit

Financial Review

£40m

New Bank Facility

Over the years Lok'nStore has acquired the freehold interest in previously leased stores at Horsham, Reading and Poole. This tactical approach combines the early cash flow advantages of leasehold stores with the long-term income security and investment potential of freeholds. The six leaseholds valued by Cushman & Wakefield are all within the terms of the Landlord and Tenant Act (1954) giving a degree of security of tenure. The average length of the leases on the leasehold stores valued was 12.1 years at the date of the 2007 Valuation (source: C&W) (2006 valuation: 11.2 years).

Financing and Liquidity

During the year the Company signed a new £40 million revolving five-year committed credit facility with The Royal Bank of Scotland Plc replacing the previous £20 million facility. This provides sufficient additional liquidity for the Group's immediate expansion plans. Interest payable on the loan is on similar terms, paying between 1.25% and 1.35% over LIBOR. Non-utilisation charges are 0.25% on the value of the undrawn facility. Undrawn committed facilities at the year-end amounted to £24.35 million. The facility is secured on the existing property portfolio.

During the year the Company complied with all corresponding debt covenants.

Treasury

All cash deposits are placed with The Royal Bank of Scotland Plc on treasury deposit utilising either one-day or two-day money funds. The Group's cash position is reviewed daily and cash is transferred daily between these accounts and the Company's operational current accounts as required. During the year the Company obtained improved terms on its treasury deposit rates.

International Financial Reporting Standards ('IFRS')

The first full financial statements that the Group will report under IFRS will be for the year ended 31 July 2008. Our interim results for the period to 31 January 2008 will be presented under IFRS. The move to IFRS will not change the underlying performance and cash flow of the business but will impact the way in which results are presented. Based on our review to date, we consider that the main considerations for Lok'nStore are as follows:

- We believe that all our operating leases will remain as operating leases under IFRS. Both historically and currently we value our freehold and our leasehold property assets. We report this as information but do not include in the balance sheet and we base our Net Asset Value calculation ('NAV') upon it. Under IFRS, the Revaluation of our property assets, if formally included in the Balance Sheet, shall not permit the inclusion of any valuation in respect of our leasehold properties to the extent that they are classified as operating leases. The value of our operating leases in the current £75.7 valuation totals £9.44 million. Instead, going forward, we will report by way of a note the underlying value of these leaseholds in future revaluations and adjust our Net Asset Value ('NAV') calculation accordingly to include their value. This will ensure comparable NAV calculations.
- The goodwill in our balance sheet will not be subject to amortisation, but instead will be subject to an annual impairment review.
- There are four main areas of deferred tax we have identified that may be impacted by the adoption of IFRS:

1) Deferred Tax on Rolled Over Gains

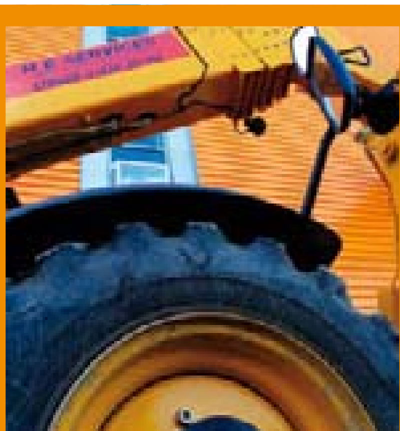
Lok'nStore has realised significant gains on the disposal of the Kingston and Woking stores and the proceeds will be reinvested in new operating properties. As such rollover relief will be claimed in respect of the entire gain. The tax liability deferred as a result of this is approximately £2.95 million. Under UK GAAP this need only be disclosed by way of a note in the accounts. However, under IFRS this balance may need to be provided for as a deferred tax liability.

2) Deferred Tax on Revaluation Gains

Should our property valuations be adopted under IFRS then a deferred tax liability will need to be recognised on the difference between cost and the revalued amount at 30%, using current rates. This will drop to 28% with effect from 1 April 2008 when the rate of corporation tax is revised.

3) Deferred Tax on Share-based Payments

Under UK GAAP deferred tax is recognised on



£2.70

Adjusted Net Asset Value per Share

share based payment charges to the extent that they give rise to a timing difference. Under IFRS, the potential tax relief should be calculated by reference to the share price at the balance sheet date, and then spread over the vesting period. Also under IFRS deferred tax should be recognised on all share based payments whereas under UK GAAP deferred tax on options issued prior to November 2002 or which vested prior to application of the standard is not recognised.

4) Deferred Tax on New Southampton Property

The property acquired through the purchase of Southern Engineering & Machinery Co Ltd ('SEMCO') is currently reflected in the consolidated accounts at approximately £3 million whereas the base cost within SEMCO is approximately £200,000. Under UK GAAP provision for the potential deferred tax liability on this gain is not required but is instead disclosed by way of note as an 'unprovided deferred tax liability'.

Under IFRS however, a deferred tax liability of approximately £840,000 (at current tax rates) must be provided for in respect of the unrealised gain.

Ray Davies
Finance Director
26 October 2007

	31 July 2007		31 July 2006	
	Valuation £m	NBV £m	Valuation £m	NBV £m
Stores valued by 'C&W'	75.7	27.9	66.6	25.2
Stores in development at cost	4.4	4.4	–	–
Total	80.1	32.3	66.6	25.2

Net Asset Value Per Share

Analysis of net asset value (NAV)	2007 £m	£m As restated
Net assets per balance sheet	22,551,039	10,806,011
Add: revalued stores	75,715,000	66,590,000
Deduct: tangible fixed assets at net book value (NBV)	(32,308,030)	(25,240,096)
Stores in development at NBV (not included in valuation)	4,416,224	–
Revalued net assets	70,374,233	52,155,915

Shares in issue	Number	Number
Opening shares	25,091,144	25,071,144
Shares issued for the exercise of options	1,640,221	20,000
Closing shares in issue	26,731,365	25,091,144
Shares held in EBT	(627,500)	(627,500)
Closing shares for NAV purposes	26,103,865	24,463,644
Basic net asset value per share	270 pence	213 pence

Net assets per share are net assets adjusted for the valuation of the freehold and operating leasehold stores divided by the number of shares at the year-end. The shares currently held in the Group's employee benefits trust (own shares held) are excluded from the number of shares.

Board of Directors and Advisers

Executive Directors

1. Andrew Jacobs (48)
Chief Executive
Andrew established Lok'nStore in February 1995 after eight years experience as a stockbroker, at Nomura International in London. He has an MPhil in Economics from Cambridge University and BSc in Economics from the London School of Economics.

Andrew is responsible for strategy, corporate finance and property.

1.

2.

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4.

2. Simon Thomas (47)
Chairman
Simon has been an executive director of Lok'nStore since 1997 after a successful career in the publishing and finance sectors. He co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. He has also worked at Swiss Bank Corporation, Nomura International and Reed International.

As Chairman Simon is responsible for the composition and performance of the Board.

3. Ray Davies (50)
Finance Director
Ray, a chartered accountant, has held a number of senior finance positions in the construction, and health and fitness sectors.

In 1992, he was appointed Group Finance Director and Company Secretary of Dragons Health Clubs Plc during a period of rapid and sustained growth. Following its acquisition by Crown Sports Plc in 2000, he was appointed Finance Director of Crown Sports Clubs Division and Company Secretary of Crown Sports Plc, a company listed on the Stock Exchange.

From 1984 to 1992 Ray was Group Finance Director and Company Secretary of Mark Scott Construction Group.

Ray is responsible for finance, administration and risk management.

4. Colin Jacobs (43)
Director
Prior to joining Lok'nStore Colin worked for the Courts Group of Companies in sales and marketing functions. Colin is responsible for identifying and negotiating new sites for Lok'nStore.

Non-Executive Directors

Robert Ward Jackson (51)

Non-Executive Director

Robert joined Lok'nStore during 2004 as a non-executive director. Robert is a qualified Chartered Accountant with extensive experience in investment banking in London, working with Messel and Charterhouse after qualifying at Coopers & Lybrand. Since 1994, Robert has had a wide range of experience in the quoted and unquoted arenas. More recently this included his role as Chief Executive of FII Group PLC.

Robert leads the Audit Committee.

Edward Luker (57)

Senior Non-Executive Director

Edward is a well known figure in the UK property industry, having worked for CB Richard Ellis for 33 years, where Edward has been a Director and Partner for 20 years. In 1997/8 Edward was Chairman of the Investment Property Forum, the industry body, and has acted for a number of pensions in the creation of property investment funds. Edward is a Fellow of the Royal Institute of Chartered Surveyors and is currently the discretionary portfolio manager of one of the UK's largest public sector pension funds investing in property.

Edward sits on the Remuneration Committee.

Richard Holmes (47)

Non-Executive Director

Richard recently took up the role of Marketing Director of Specsavers.

Previously Richard has had a number of senior positions within the Boots organisation, including Director of Offer Development at Boots e-commerce business, Marketing Director of Boots the Chemist and Director of Health & Beauty.

Previously Head of Strategy Development for Unilever's worldwide dental business. Richard holds an MSc in Economics from Warwick University and a BSc in Economics from the London School of Economics.

Richard heads the Remuneration Committee.

Charles Peal (52)

Non-Executive Director

Charles started his career in 1977 at 3i Group the leading UK quoted Venture Capital Company. He was the Chief Executive of Legal and General Ventures from 1988 to 2000 and was a director of various quoted private equity investment trusts and management buyouts. He is currently a Director of Warnborough Asset Management, an independent fund management business, and other private equity investments.

Charles sits on the Audit Committee.

Advisers

Directors

SG Thomas	Chairman
A Jacobs	Chief Executive
RA Davies	Finance Director
CM Jacobs	Director
RJ Holmes	Non-Executive Director
RW Jackson	Non-Executive Director
E Luker	Non-Executive Director
C Peal	Non-Executive Director

Secretary and Registered Office

Secretarial Solutions Limited
c/o Maclay Murray Spens LLP
One London Wall
London EC2Y 5AB

Registered in England and Wales No. 4007169

Nominated Adviser and Broker

Investec Bank (UK) Ltd
2 Gresham Street
London EC2V 7QP

Auditors

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Solicitors

Maclay Murray Spens LLP
One London Wall
London EC2Y 5AB

Registrars

Capita Registrars
Capita Group Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

The Royal Bank of Scotland Plc
Thames Valley Corporate Business Centre
Abbey Gardens
4 Abbey Street
Reading
Berkshire RG1 3BA

Directors' Report

The directors submit their report and the audited financial statements of the Company and of the Group for the year ended 31 July 2007.

Principal Activity

The principal activity of the Group during the year was that of providing self-storage and related services.

Review of the Business and Future Developments

A detailed account of the Group's progress during the year and its future prospects are set out in the Chairman's Review on pages 4 and 5.
A detailed Operating Review, Property Review and a Financial Review have been prepared and are set out on pages 6 and 8 and pages 10 to 15 respectively. The business objectives are set out within the Operating Review.

The key performance indicators are included within the Highlights (see page 1) and the Financial Review (see pages 10 to 15).

Principal Business and Operating Risks

Finance

Lok'nStore finances its current needs through a combination of strong operational cash flows and debt. Most recently it also has available the cash proceeds of the sale of two stores which will be reinvested in building out the existing portfolio and acquiring new sites.

The Company has a medium term £40 million facility in place to finance our committed and future development programme, secured against the property portfolio with debt serviced by our operational cash earnings. The level of bank debt in the business is monitored to ensure that the ratio of net debt to freehold property assets is no greater than 75% and interest cover not less than one times based on Group net operating EBITDA which are our principal banking covenants. At the year-end the Company is comfortably within these covenants.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board. No trading in financial instruments has been undertaken. Further information on our treasury arrangements are set out in Note 31.

Risk Management

Risk Management is a fundamental part of how we have controlled the development of Lok'nStore since its formation. We maintain a risk register which is reviewed regularly by management and the Board and underpins our structured approach to identifying, assessing and controlling risks that emerge during the course of operating the business. Its purpose is to support better decision-making through understanding the risks inherent in both the day-to-day operations and the strategic direction of the Company and their likely impact. This is a continuing and evolving process as we continually review and monitor the underlying risk elements relevant to the business.

Market Risk

Self-storage is a developing market but with further opportunities for significant growth. Awareness of self-storage and how it can be used by customers is well understood in the United States, but historically has been relatively low throughout the UK. Survey and anecdotal evidence suggest this is rising quickly in the UK now. The rate of growth in branded self-storage operations in good trading locations continues to be limited by the challenge of acquiring sites at appropriate prices and obtaining planning permission.

Lok'nStore invests in prime locations where its site criteria are met and which will enable it to develop high quality stores which are prominent with high visibility and strong branding. We believe this will place us in a strong trading position and may discourage competitors from entering that local market. However it is possible that Lok'nStore may be unable to execute this strategy which will inhibit its growth. Further it is possible that an increasing number of competitors in the industry may negatively impact Lok'nStore's existing operations.

We have a large customer base spread across our 19 stores including those who have used Lok'nStore regularly over the years. Many of these periodically return as their circumstances and their storage needs change. Our customers are a broad mix of both domestic and business, generating around 60%:40% respectively of our revenue.

Property Risk

The acquisition of new sites for development into self-storage centres is a key strategic objective of the business. We will continue to face significant competition for site locations from other uses such as hotel, car showroom and offices as well as from the other self-storage operators.

The planning process remains challenging. Lok'nStore may take on the risk of getting planning permission when acquiring sites in the face of competitive bids. In these cases we undertake the planning, environmental and other property due diligence under tight timescales.

Lok'nStore's management has gained significant experience in operating in this property environment acquiring sites on main roads in prominent locations and obtaining appropriate planning permissions.

We manage the construction of our properties carefully ensuring that the build-out of each site is handled through a design and build contract with established contractors. We employ our external team of professionals to monitor the progress of each development. The fit-out of mezzanine floors and steel units is generally project managed in-house using an established professional team of sub-contractors who move from site to site and understand Lok'nStore's specification.

Since the valuation date there has been an acknowledged weakening in the property market with a corresponding rise in yields. At this time it is unclear as to the future direction of market values.

Credit Risk

Our customers pay an initial security deposit when they rent a unit and are also required to pay in advance for their four-weekly storage charges. The Group is therefore not exposed to a significant customer credit risk and this is reflected in the low level of irrecoverable debt which is less than half of one per cent per year.

Tax Risk

We regularly monitor proposed and actual changes in legislation changes in the tax regime affecting principally corporation tax, capital gains tax, VAT and Stamp Duty Land Tax ('SDLT'). We work with our professional advisors and through trade bodies to understand and, if possible, mitigate or benefit from their effects.

Corporate Social Responsibility and Employee Risk

The Corporate Social Responsibility and Employee Risk within the business are discussed within the Operating Review on pages 7 and 8.

Reputational Risk

Lok'nStore's business reputation is very important to us. Our management and staff work hard to protect and develop it. We always try to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen and take account of their views.
The Lok'nStore website (www.loknstore.co.uk) is an important avenue of communication and a source of information for both employees, customers and investors. Employee communication is augmented by regular staff newsletters.

Dividend
In respect of the current year, the directors propose that a dividend of 0.67 pence per share will be paid to the shareholders on 11 December 2007 to shareholders on the register on 16 November 2007. The total estimated dividend to be paid is £179,100 based on the number of shares currently in issue. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Directors
The following directors have held office during the year and subsequently:

A Jacobs	
RA Davies	E Luker (appointed 18/01/2007)
RJ Holmes	RW Jackson
SG Thomas	C Peal (appointed 18/01/2007)
CM Jacobs	M J Stanton (resigned 31/08/2006)

In accordance with the Company's Articles of Association, Ray Davies and Robert Jackson retire by rotation and, both being eligible, offer themselves for re-election at the next Annual General Meeting. Edward Luker and Charles Peal as Board appointees during the year offer themselves for election at the next Annual General Meeting.

Directors' Interests in Shares
Directors' interests in the shares of the Company, including family interests, were as follows:

	Ordinary Shares of 1 pence each	
	31 July 2007	31 July 2006
A Jacobs	**5,314,000**	5,314,000
SG Thomas	**2,187,500**	2,187,500
RA Davies	**30,000**	30,000
RJ Holmes	**110,000**	110,000
CM Jacobs	**–**	–
RW Jackson	**–**	–
E Luker	**13,800**	–
C Peal	**75,000**	–

Additionally, Andrew Jacobs and Simon Thomas are two of the three beneficiaries of a pension fund that holds 460,425 Lok'nStore Ordinary Shares.

The Company was notified on 6 February 2007 that the Aylestone Pension Fund had sold 60,000 Ordinary Shares in the Company with a resultant holding of 20,000 (31 July 2006: 80,000) Ordinary Shares representing less than 0.1% of the issued share capital. Colin Jacobs, a director of Lok'nStore is interested in this transaction by being one of the beneficiaries of the Aylestone Pension Fund.

Details of directors' share options are disclosed in notes 24, 25, 26 and 27.

Policy on Payment of Creditors
The Company does not follow any formal code or standard on payment practice. The Company's policy, which is also applied by the Group, is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice, whereby all outstanding trade accounts are settled within the terms agreed with the supplier at the time of the supply or otherwise 30 days from invoice date.

At the year-end the credit taken from suppliers by the Group was 23 days (2006: 30 days).

Market Valuation of Freehold Land and Buildings
The changes in tangible assets during the year and details of property valuations at 31 July 2007 are shown in note 10 to the Financial Statements. Further commentary on property portfolio is contained in the Financial Review.

On 31 July 2007, professional valuations were prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and six leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards, 5th Edition published by The Royal Institution of Chartered Surveyors ('the Red Book'). The valuations were prepared on the basis of Market Value or Market Value as a fully equipped operational entity, having regard to trading potential, as appropriate. Existing Use Value was not adopted as a basis of valuation as the valuations are prepared for shareholder information only with all properties being held in the accounts at NBV and indicates a total for properties valued of £75.72 million (NBV £27.89 million) (July 2006: £66.6 million: NBV £25.2 million). These valuations have not been included in the Balance Sheet (see note 10).

Environment
Introduction
The Group is committed to minimising adverse environmental impacts where possible and having regard to commercial considerations. It is the Board's assessment that the Group is not exposed to any significant environmental risk. We believe, that by measuring, managing and communicating our environmental performance we are inherently well placed to understand how to improve our processes, reduce costs and comply with current and future regulatory requirements. In line with the reporting requirements under the EU Accounts Modernisation Directive, we continue to use quantifiable Key Performance Indicators (KPIs) to report on environmental matters.

Substantial Shareholdings
The directors have been notified or are aware that the following are interested in 3% or more of the issued Ordinary Share capital of the Company as at 12 October 2007:

	Current rank	Number of shares	% at 12/10/07	Total shares in issue
Andrew Jacobs	1	5,714,425	21.38	
Audley Capital	2	3,402,500	12.73	
Simon Thomas	3	2,187,500	8.18	
Charles Stanley, Stockbrokers	4	1,408,676	5.27	
Town Centre Securities	5	1,329,941	4.97	
BlackRock Investment Management	6	1,038,867	3.89	
Montanaro Investment Managers	7	1,000,000	3.74	
Gartmore Investment Management	8	938,531	3.51	
		17,020,440	63.67	26,731,365

Directors' Report

Environmental Policy

Our Environmental Policy, which is circulated to all our staff, is to manage our waste, control our polluting emissions and to encourage our suppliers to minimise their impact on the environment.

Environmental Management and Performance

With the assistance of Trucost Plc, we measure and report on our environmental key performance indicators (KPIs), which use carbon dioxide (CO_2) emissions, water use and waste. We have significantly reduced our impacts for each of these KPIs in 2007. Since we reported in 2006, the government has revised its conversion factors for calculating CO_2 emissions from energy use. We have therefore restated emission figures for last year in order to make them consistent and comparable with 2007 data.

Environmental Key Performance Indicators (for period covering Financial Year 2007)

Direct Impacts (Operational)

			Quantity			
			2006	2007	2006	2007
Greenhouse gases	Definition	Data source and calculation methods	Absolute	Absolute	Normalised*	Normalised*
Gas	Emissions from utility boilers.	Yearly consumption in kWh collected from fuel bills, converted according to Defra Guidelines.	105 tonnes CO_2	79 tonnes CO_2	12	7
Vehicle fuel	Petrol and diesel used by staff and van hire fleet.	Expense claims and MOT recorded mileage, converted according to Defra Guidelines.	101 tonnes CO_2	95 tonnes CO_2	11	9
Total			206 tonnes CO_2	174 tonnes2 CO_2	23	16

			Quantity			
			2006	2007	2006	2007
Waste	Definition	Data source and calculation methods	Absolute	Absolute	Normalised*	Normalised*
Landfill	General office waste, which includes a mixture of paper, card, wood, plastics and metals.	Volume of waste generated per annum, calculated by recording the number of bins and skips removed, converted to tonnes according to Defra Guidelines.	751 tonnes	576 tonnes	84	54
Recycled	General office waste recycled, primarily cardboard and fluorescent lights.	Volume of waste recycled per annum, calculated by recording the number of bins and skips removed for recycling, converted to tonnes according to Defra Guidelines.	325 tonnes	361 tonnes	36	34

Indirect impacts (supply chain)

			Quantity			
			2006	2007	2006	2007
Greenhouse gases	Definition	Data source and calculation methods	Absolute	Absolute	Normalised*	Normalised*
Energy use	Directly purchased electricity, which generates greenhouse gases including CO_2 emissions.	Yearly consumption of directly purchased electricity in kWh, converted according to Defra Guidelines.	1,150 tonnes CO_2	1,053 tonnes CO_2	128	99

			Quantity			
			2006	2007	2006	2007
Water	Definition	Data source and calculation methods	Absolute	Absolute	Normalised*	Normalised*
Supplied water	Consumption of piped water. No water directly abstracted by the Group.	Yearly consumption of purchased water.	5,048 m^3	3,915 m^3	564	367

* Normalised based on annual revenue for the respective years.
** 2006 CO_2 figures restated using Defra's June 2007 updated conversion factors.

Total absolute direct and indirect CO_2 emissions have decreased by 129 tonnes, which is a 10% reduction overall. We achieved a 24% reduction in CO_2 emissions normalised to turnover (tonnes per £1 million), indicating that the carbon intensity of the business has improved. Several factors have contributed to that improvement. New stores opened in previous years are now filling, generating revenues with minimal added consumption. During the year we have disposed of two older inefficient stores, in line with the Company's strategy to build new stores which provide higher efficiencies. Other existing stores are being fitted with energy-saving measures where appropriate. In addition, tighter control of billing techniques allows us to more accurately assess our indirect CO_2 emissions. Finally, we continue to use Green Energy plc which supplies 57% of our electricity. This means that 6% of our electricity is generated by renewable energy.

Our strategy to manage waste is proving to be very effective and we are also improving our waste management system. In 2007, over 38% of our waste was recycled, up from 30% in 2006. The Company is taking steps to reduce the quantity of waste consigned to landfill, including that contributed by our customers. We also monitor hazardous waste, but the amount is negligible so we have not reported on it.

Over the past year, we reduced our water consumption by 1,133 m^3, which amounts to a 35% reduction when normalised to turnover. The reduction has been achieved by identifying excessive consumption and repairing leaks.

Share Capital

Further details are given in the Financial Review and in note 17.

Statement of Disclosure of Information to Auditors

The directors who were in office at the date of approval of these financial statements have confirmed that as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Annual General Meeting

The Company's Annual General Meeting will be held on 7 December 2007 at 11.00 am at the offices of Maclay Murray Spens, One London Wall, London EC2Y 5AB.

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5).

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

A formal notice together with explanatory circular and Form of Proxy will be sent to shareholders.

On behalf of the Board

Simon G Thomas
Chairman
26 October 2007

Corporate Governance

Introduction

The Combined Code is intended to promote the principles of openness, integrity and accountability. The Company fully supports these principles.

The Board formally adopted the principles of good governance set out in the Code. However, in view of the size and nature of the Group, the directors have taken into consideration the recommendations of the Guidance for Smaller Quoted Companies on the Code produced by the Quoted Companies Alliance.

Narrative Statement

Directors

There is a Board of directors, which is set up to control the Company and consists of four executive and four non-executive directors. The Board considers all of the non-executive directors to be independent of the Group. SG Thomas is Chairman of the Board and it has a formal schedule of matters reserved for its consideration and decision. This schedule includes approval of financial strategy, major investments, review of performance, monitoring risk, ensuring adequate capital resources are available and reporting to shareholders. The full Board meets every three months to discuss a range of significant matters including strategic decisions, major acquisitions and Group performance. A procedure to enable directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all directors.

E Luker replaces RJ Holmes as the senior independent director.

Each Board meeting receives the latest financial information available, which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the executive directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires them to offer themselves for re-election at least once every three years. In the event of a proposal to appoint a new director, this would be discussed at a full Board meeting with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

Directors' Remuneration

The Remuneration Committee consists of RJ Holmes (Chairman of the Committee) and E Luker. The Committee meets and considers, within existing terms of reference, the remuneration policy and makes recommendations to the Board for each executive director. The Committee's remuneration policy aims to design a package that will align the interests of executive directors and those of shareholders. The executive directors' remuneration consists of a package of basic salary, bonuses and share options, which are linked to corporate achievements and these levels are determined by the Remuneration Committee. The details of each director's remuneration are set out in note 6 in the Notes to the Financial Statements.

The Committee meets once a year and considers proposals from the Chairman and Chief Executive.

Shareholders' Relations

The Board has always sought good relations with the Company's shareholders. The directors meet and discuss the performance of the Group with shareholders during the year. Queries raised by a shareholder, either verbally or in writing, are promptly answered by whoever is best placed on the Board to do so. All directors are individually introduced to shareholders at the Annual General Meeting.

Accountability and Audit

The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Chairman's Statement contains a detailed consideration of the Group's position and prospects.

Internal Control

The Board is responsible for ensuring that the Group has in place a system of internal control. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

The Group operates a strict system of internal financial control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group.

The Group continues to develop the internal audit function utilising operational management to make unannounced store visits as part of a process supported by audit control checklists and other procedures. This undertaking has contributed to sales by promoting efficient store management, but also addresses risk and credit control, cash and store banking, and space and customer management. The internal audit checks ensure any fraud or mismanagement is quickly identified.

The Group has a whistleblowing procedure within its staff handbook, which is issued to all staff. All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action.

Going Concern

The directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on a going concern basis.

Audit Committee

The Company has an established Audit Committee, to whom the external auditors, Baker Tilly Audit UK LLP, report. The Committee's terms of reference were reviewed and updated during the year. The Committee consists of RW Jackson (Chairman of the Committee) and C Peal. It is responsible for the relationship with the Group's external auditors and the review of the Group's financial reporting and the Group's internal controls.

The Committee meets a minimum of twice a year, prior to the announcement of interim and annual results and, should it be necessary, would convene at other times.

The Audit Committee also undertakes a formal assessment of the auditors' independence each year, which includes:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner every five years; and
- obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 5 to the financial statements.

The Company is satisfied that the external auditors remain independent in the discharge of their audit responsibilities.

The Board supports the highest standards in corporate governance, appropriate to its size, and continues to consider the Combined Code on Corporate Governance (July 2003) as well as the Company's procedures to maintain proper control and accountability. In common with many small companies, a nomination committee has not been established and appointments to the Board are decided on by the Board as a whole. The Chairman is not independent, as he is a substantial shareholder of the Company and was formerly the Chief Executive.

On behalf of the Board

Simon G Thomas
Chairman
26 October 2007

Directors' Responsibilities in the Preparation of Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements and other information in the Annual Report for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of 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 Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Lok'nStore Group Plc

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Operating Review and Financial Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Operating Review, the Property Review, the Financial Review and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Parent Company's affairs as at 31 July 2007 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
26 October 2007

Consolidated Profit and Loss Account

for the year ended 31 July 2007

	Notes	Before exceptional items	Exceptional items	2007 £	2006 £ As restated
Turnover					
Continuing operations	1	10,665,532		**10,665,532**	8,946,083
Operating expenses	2	(9,119,190)		**(9,119,190)**	(8,260,052)
Operating profit		1,546,342		**1,546,342**	686,031
Exceptional Item: Profit on sale of properties		–	10,234,583	**10,234,583**	–
Profit on ordinary activities before interest		1,546,342	10,234,583	**11,780,925**	686,031
Interest receivable	3	147,461	–	**147,461**	36,936
Profit on ordinary activities before interest payable		1,693,803	10,234,583	**11,928,386**	722,967
Interest payable	4	(1,113,201)	–	**(1,113,201)**	(763,986)
Profit/(loss) on ordinary activities before taxation	5	580,602	10,234,583	**10,815,185**	(41,019)
Taxation	7			**36,913**	(36,913)
Profit/(loss) on ordinary activities after taxation				**10,852,098**	(77,932)
Profit/(loss) for the year	19			**10,852,098**	(77,932)
Earnings per share					
Basic	8			**43.3p**	(0.30p)
Diluted	8			**42.2p**	(0.30p)

The operating profit for the year arises from the Group's continuing operations.

Statement of Total Recognised Gains and Losses

for the year ended 31 July 2007

	Notes	**2007** **£**	2006 £ As restated
Profit/(loss) for financial year		**10,852,098**	(77,932)
Prior year adjustments	18	**(148,331)**	–
Total recognised gains and losses since last annual report		**10,703,767**	–

Balance Sheets

31 July 2007

	Notes	Group 2007 £	Group 2006 £ As restated	Company 2007 £	Company 2006 £ As restated
Fixed assets					
Intangible assets	9	**310,559**	334,813	**–**	–
Tangible assets	10	**32,544,911**	25,430,037	**–**	–
Investments	11	**–**	–	**214,563**	214,563
		32,855,470	25,764,850	**214,563**	214,563
Current assets					
Stocks	12	**74,544**	77,668	**–**	–
Debtors	13	**5,924,750**	2,022,769	**6,657,689**	6,040,331
Cash at bank and in hand		**5,189,134**	921,928	**–**	–
		11,188,428	3,022,365	**6,657,689**	6,040,331
Creditors: Amounts falling due within one year	14	**(6,000,253)**	(3,877,489)	**–**	–
Net current assets/(liabilities)		**5,188,175**	(855,124)	**6,657,689**	6,040,331
Total assets less current liabilities		**38,043,645**	24,909,726	**6,872,252**	6,254,894
Creditors: Amounts falling due after more than one year	15	**(15,492,606)**	(14,066,802)	**–**	–
Provisions for liabilities	16	**–**	(36,913)	**–**	–
Net assets		**22,551,039**	10,806,011	**6,872,252**	6,254,894
Capital and reserves					
Called up share capital	17	**267,314**	250,911	**267,314**	250,911
Share premium account	19	**667,731**	66,776	**667,731**	66,776
Capital redemption reserve	19	**34,205**	34,205	**34,205**	34,205
Merger reserve	19	**6,295,295**	6,295,295	**–**	–
Other distributable reserve	19	**5,903,002**	5,903,002	**5,903,002**	5,903,002
Profit and loss account	18 & 19	**9,405,605**	(1,446,493)	**–**	–
Share-based payment reserve	18	**487,473**	211,901	**–**	–
ESOP shares	20	**(509,586)**	(509,586)	**–**	–
Shareholders' funds	21	**22,551,039**	10,806,011	**6,872,252**	6,254,894

Approved by the Board of Directors and authorised for issue on 26 October 2007 and signed on its behalf by:

A Jacobs
Chief Executive

R Davies
Finance Director

Consolidated Cash Flow Statement

for the year ended 31 July 2007

	Notes	2007 £	2006 £
Cash inflow from operating activities	22a	**5,001,126**	1,603,118
Returns on investments and servicing of finance	22b	**(839,563)**	(771,211)
Taxation		**–**	(50,500)
Capital expenditure and financial investment	22b	**(1,937,518)**	(6,273,461)
Cash inflow/(outflow) before financing		**2,224,045**	(5,492,054)
Financing	22b	**2,043,161**	5,989,244
Increase in cash in the year		**4,267,206**	497,190

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	2007 £	2006 £
Increase in cash in the year		**4,267,206**	497,190
Cash inflow from increase in debt and lease financing		**(1,525,954)**	(5,974,244)
Movement in net debt in year		**2,741,252**	(5,477,054)
Net debt at 1 August		**(13,202,316)**	(7,725,262)
Net debt at 31 July	22c	**(10,461,064)**	(13,202,316)

Accounting Policies

Basis of Accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Consolidation
The Group accounts consolidate the accounts of the Company and its subsidiaries for the year to 31 July 2007. No profit and loss account is presented for Lok'nStore Group Plc as provided by Section 230(3) of the Companies Act 1985. There were no transactions in the profit and loss account of the Company during the year.

Purchased Goodwill
Goodwill representing the excess of the purchase price compared with the fair value of assets acquired is capitalised and written off over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective. Provision is made for any impairment.

Investments
Shares in subsidiary undertakings are considered long-term investments and are classified as fixed assets. All investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

Tangible Fixed Assets
Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Freehold buildings	over 50 years straight-line
Short leasehold improvements	over the unexpired lease period
Fixtures, fittings and equipment	on 10% to 15% reducing balance
Motor vehicles	on 25% reducing balance
Computer equipment	over two years straight-line

Stock
Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices less any costs of disposal. Provision is made for obsolete and slow moving items.

Turnover and Segmental Information
Turnover, which excludes value added tax, is derived from the continuing operations of the Group. Self-storage fees and related income are recognised as turnover in the profit and loss account evenly on a time apportioned basis over the period to which they relate.

Revenue represents amounts derived from the provision of self-storage and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self-storage and related services. These all arise in the United Kingdom.

Total revenue for the year was £10.67 million (2006: £8.95 million). Revenue from self-storage was £9.78 million in the year (2006: £8.24 million), £0.83 million came from other storage related income such as sales of packaging materials and insurance (2006: £0.7 million) and £0.05 million came from non-storage related income (2006: £0.05 million).

Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased Assets and Obligations
Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension Contributions
Pension costs are all to defined contribution schemes which are independently administered. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year.

Employee Benefit Trust
The Group operates an employment benefit trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Group records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue.

ESOP Shares
The cost of own shares held by the employee benefit trust ('ESOP shares') is shown as a deduction from shareholders' funds. Earnings per share are calculated on the net shares in issue.

Share-based Payments
The cost of providing share-based payments to employees is charged to the profit and loss account over the vesting period of the related share options. The cost is based on the fair value of the options determined using the Monte Carlo pricing model, which is appropriate given the vesting and other conditions attaching to the options. The value of the charge may be adjusted to reflect expected and actual levels of vesting.

This is a change in accounting policy following the introduction of Financial Reporting Standard No. 20 ('FRS 20') and the 'first-time' adoption of FRS 20 in these financial statements has necessitated a prior year adjustment to be made, creating a 'Share-based payments reserve' at the beginning of the year as detailed in note 18. There is also a corresponding effect on the deferred tax liability as at the beginning of the period. This adjustment related to all share options granted after 7 November 2002 that had not vested by 1 August 2006. Comparative figures for the year ended 31 July 2006 have been restated accordingly. Advantage has been taken of the exemption available in FRS 20 – Share-based payments to exclude share options granted before November 2002.

Notes to the Financial Statements

for the year ended 31 July 2007

1 Turnover

The Group's turnover was all derived from its principal activity of self-storage and related services undertaken wholly in the United Kingdom and is stated net of value added tax.

2 Operating Expenses

	2007 £	2006 £ As restated
Administration expenses	9,119,190	8,260,052

3 Interest Receivable

	2007 £	2006 £
Bank interest	147,461	36,936

4 Interest Payable

	2007 £	2006 £
Bank loans	1,113,201	763,986

5 Profit/(Loss) on Ordinary Activities Before Taxation

	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
– owned assets	1,057,228	875,203
Amortisation of goodwill	24,254	24,255
Operating lease rentals:		
– land and buildings	1,334,780	1,292,286
Auditors' remuneration		
Audit services		
– statutory audit	39,000	33,500
Further assurance services		
– interim review	10,000	4,000
Tax services		
– compliance services	10,210	8,690
– advisory services	43,860	3,800
Other services		
– work in respect of Company Share Incentive Plan (SIP)	17,500	–
– work in respect of share buyback/return of capital to shareholders	750	–
	121,320	49,990

6 Employees

	2007 No.	2006 No.
The average monthly number of persons (including directors) employed by the Group during the year was:		
Store management	92	85
Administration	19	19
	111	104

Notes to the Financial Statements

for the year ended 31 July 2007

6 Employees continued

	2007 £	2006 £ As restated
Staff costs for the above persons:		
Wages and salaries	**2,269,667**	1,979,012
Social security costs	**219,612**	188,376
Pension costs	**22,469**	18,819
	2,511,748	2,186,207
Share-based remuneration	**275,572**	165,320
	2,787,320	2,351,527

In relation to pension contributions, there was £3,935 (2006: £1,429) outstanding at the year-end.

Directors' Remuneration

2007	Emoluments	Bonuses £	Benefits £	Sub total £	Gains on share options £	Total £
A Jacobs	200,000	40,975	2,133	243,108	1,429,888	1,672,996
SG Thomas	50,000	40,975	1,799	92,774	714,944	807,718
RA Davies	100,000	12,500	1,251	113,751	–	113,751
CM Jacobs	52,500	12,500	1,832	66,832	187,200	254,032
RJ Holmes	17,692	–	–	17,692	–	17,692
RW Jackson	17,692	–	–	17,692	–	17,692
MJG Stanton	1,250	–	–	1,250	–	1,250
E Luker	13,462	–	–	13,462	–	13,462
C Peal	10,769	–	–	10,769	–	10,769
	463,365	106,950	7,015	577,330	2,332,032	2,909,362

2006	Emoluments	Bonuses £	Benefits £	Sub total £	Gains on share options £	Total £
A Jacobs	150,000	35,000	1,917	186,917	–	186,917
SG Thomas	75,000	35,000	1,644	111,644	–	111,644
RA Davies	90,000	7,500	–	97,500	–	97,500
CM Jacobs	49,500	–	1,651	51,151	–	51,151
RJ Holmes	15,000	–	–	15,000	–	15,000
RW Jackson	15,000	–	–	15,000	–	15,000
MJG Stanton	15,000	–	–	15,000	–	15,000
	409,500	77,500	5,212	492,212	–	492,212

* During the year services totalling £289,203 (2006: £287,528) were provided by Value Added Services Limited, a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The amount paid to Value Added Services Limited which is directly attributable to Andrew Jacobs and Simon Thomas is shown in the Directors' emoluments table above. Additionally performance bonuses of £81,950 (2006: £70,000) were paid to VAS which is directly attributable equally to Andrew Jacobs and Simon Thomas. This is also shown in the Directors' emoluments table above. See note 30 on 'Related Party Transactions' for further information.

** £7,500 of the £12,500 bonus attributed to RA Davies was paid to Davies-Elise Consulting Limited, a company owned by RA Davies.

Pension contributions of £3,000 (2006: £2,700) were paid by the Company on behalf of RA Davies. The highest paid director did not accrue any pension rights during the year. The benefits in kind all relate to medical insurance premiums paid on behalf of the directors.

7 Taxation

	2007 £	2006 £ As restated
Current tax charge for the year (see below)		–
Deferred tax		
Origination and reversal of timing differences	**(36,913)**	(36,913)
Total deferred tax credit/(charge) for the year (see note 16)	**36,913**	(36,913)
Tax on profit/(loss) on ordinary activities	**–**	(36,913)

The tax assessed is lower than the standard rate of corporation tax in the UK (30%). A reconciliation of the factors affecting the tax charge for the year is shown below:

	2007 £	2006 £ As restated
Profit/(loss) on ordinary activities before tax	**10,815,185**	(41,019)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	**3,244,555**	(12,306)
Expenses not deductible for tax purposes	**141,074**	69,130
Income not taxable	**(36,495)**	–
Capital allowances for year in excess of depreciation	**(137,738)**	(159,558)
Tax losses not utilised	**589,291**	123,173
Deduction on exercise of share options	**(717,874)**	(15,000
General provision	**752**	(101)
Indexation claimed on capital disposals	**(133,534)**	–
Rollover relief claimed	**(2,950,031)**	(5,338)
Current tax charge for the year	**–**	–

The Group has revenue tax losses of approximately £5.4 million (2006: £3.4 million) available to carry forward against future taxable profits of the same trade (refer note 16).

The current year tax credit relates to a movement in deferred tax arising on accelerated capital allowances in excess of depreciation after taking account of all revenue losses and has a current position of having tax losses in excess of deferred tax liabilities. No deferred tax asset has been recognised in relation to these excess tax losses due to the uncertainty of taxable profits arising in the foreseeable future against which these losses can be offset. No provision for deferred tax has been made on the 'rolled over' gain in respect of the sale of the Kingston and Woking stores or for the difference between the base cost and the corresponding value of the 'SEMCO' property in the Group accounts. The aggregate unprovided deferred tax is approximately £3,250,000.

Future tax charges may be affected by the degree to which deferred tax assets are subject to recognition in the future.

It is not the intention of the directors to dispose of any of the properties as operational self-storage stores in the foreseeable future. If, however, the properties were sold at their market values as disclosed in note 10, an estimate of the tax payable on the gain arising would be approximately £12 million (2006: £10.6 million). This tax payable figure does not take into account any claims to rollover relief that the Company might make. At present, it is not envisaged that any tax will become payable in the foreseeable future.

Notes to the Financial Statements

for the year ended 31 July 2007

8 Earnings per Ordinary Share

The calculations of earnings per share are based on the following profits and numbers of shares.

	2007 £	2006 £ As restated
Profit/(loss) for the financial year	**10,852,098**	(77,932)

	2007 No. of shares	2006 No. of shares
Weighted average number of shares		
For basic earnings per share	**25,670,204**	24,453,288
Dilutive effect of share options	**673,980**	1,526,446
For diluted earnings per share	**26,344,183**	25,979,734

Earnings/(loss) per share	2007 £	2006 £ As restated
Basic	**43.3p**	(0.30p)
Diluted	**42.2p**	(0.30p)

9 Intangible Fixed Assets

Group	Purchased goodwill £
Cost	
1 August 2006 and 31 July 2007	485,093
31 July 2007	**485,093**
Amortisation	
1 August 2006	150,280
Charged in year	24,254
31 July 2007	**174,534**
Net book value	
31 July 2007	**310,559**
31 July 2006	334,813

10 Tangible Fixed Assets

Group	Freehold properties £	Short leasehold improvements £	Furniture, fixtures and fittings £	Motor vehicles £	Total £
Cost					
1 August 2006	18,527,701	1,595,577	9,557,776	60,406	29,741,460
Additions	7,862,809	307,738	2,062,739	29,000	10,262,286
Disposals	(2,067,383)	–	(370,580)	–	(2,437,963)
31 July 2007	**24,323,127**	**1,903,315**	**11,249,935**	**89,406**	**37,565,783**
Depreciation					
1 August 2006	540,078	633,055	3,098,618	39,672	4,311,423
Charged in year	145,964	135,954	770,681	4,629	1,057,228
Disposals	(121,649)	–	(226,130)	–	(347,779)
31 July 2007	**564,393**	**769,009**	**3,643,169**	**44,301**	**5,020,872**
Net book value					
31 July 2007	**23,758,734**	**1,134,306**	**7,606,766**	**45,105**	**32,544,911**
31 July 2006	17,987,623	962,522	6,459,158	20,734	25,430,037

The additions to freehold properties include the acquisition and development of the freehold sites in Portsmouth and Harlow, and a new site in Southampton totalling £7.43 million. The additions to fixtures and fittings includes fit-outs at the Fareham, Ashford, Farnborough and Crayford stores.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2007, a professional valuation was prepared by external valuers, Cushman & Wakefield (C&W), in respect of 11 freehold and six operating leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards, 5th Edition, published by The Royal Institution of Chartered Surveyors ('the Red Book'). The valuations were prepared on the basis of Market Value, or Market Value as a fully equipped operational entity, having regard to trading potential as appropriate. Existing Use Value was not adopted as a basis of valuation as the valuations are prepared for shareholder information only with all the properties being held in the accounts at NBV. 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 have confirmed that:

- The members of the RICS who have been the signatories to the valuation provided to the Company for the same purposes as this valuation have done so since January 2004.
- C&W have prepared three previous valuations for the same purpose as this valuation on behalf of the Company.
- C&W do not provide other significant professional or agency services to the Company.
- In relation to the preceding financial year of C&W, the proportion of the total fees payable by the Company to the total fee income of the firm is less than 5%.

The valuation report indicates a total for all properties valued of £75.7 million (NBV £27.9 million) (January 2006: £66.6 million (NBV £25.2 million)). These valuations have not been included in the Balance Sheet.

The 2007 valuation includes and reflects the uplift in value which has resulted from the operational performance of the stores. In relation to the existing store at Reading, although it currently remains an operating self-storage facility, the site has been valued to reflect its residential development potential but recognising that this has yet to be obtained. Additionally, the freehold development land site in Reading situated opposite the existing store, which has the benefit of an appropriate planning consent for a self-storage facility has been valued accordingly, and reflecting an additional uplift based on the assumption that a substantial number of the existing store's customers will transfer to the new store. The valuations also do not account for any further investment in existing stores since July 2007.

10 Tangible Fixed Assets continued

Valuation Methodology

Background

The USA has over 40,000 self-storage facilities trading in a highly fragmented market with the largest five operators accounting for less than 20% of market share based on net rentable square footage. The vast majority of stores are owned and managed singly or in small portfolios. These properties have a well established track record of being traded and are therefore considered as liquid property assets.

Many valuations of this asset class are undertaken by appraisers in the USA and the accepted valuation approach is to value the properties on the basis of Market Value as fully equipped operational entities, having regard to trading potential. This approach is recognised in the 'Red Book' and is adopted for other categories of property that are normally bought and sold on the basis of their trading potential. Examples include hotels, licensed properties, marinas and petrol stations.

The UK self-storage sector differs from the USA in that the five larger groups control over 50% of the market by net rentable storage space. The scope for active trading of these property assets is therefore likely to be less, however there is now some evidence that there will be increasing liquidity with recent sales of independently owned product in larger conurbations albeit as corporate transactions rather than individual property sales.

C&W believe that the valuation methodology adopted in the USA is also the most appropriate for the UK market.

Methodology

C&W have adopted different approaches for the valuation of the leasehold and freehold assets as follows:

Freehold

The valuation is based on a discounted cash flow of the net operating income projected over a 10-year period and a notional sale of the asset at the end of the 10th year.

Assumptions

a. Net operating income is based on projected revenue received less projected operating costs together with a central administration charge representing 6% of the estimated annual revenue. The initial net operating income is calculated by estimating the net operating income in the first 12 months following the valuation date.
b. The net operating income in future years is calculated assuming straight-line absorption from day one actual occupancy to an estimated stabilised/ mature occupancy level. In the valuation the assumed stabilised occupancy level for the 14 trading stores (both freeholds and leaseholds) averages 77.69% (2006: 78.28%). The two Reading properties plus Portsmouth are excluded from the group of 14 stores. The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth.
c. The capitalisation rates applied to existing and future net cash flow have been estimated by reference to underlying yields for industrial and retail warehouse property, bank base rates, 10-year money rates, inflation and the available evidence of transactions in the sector. On average, for the 14 stores, the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 6.14% (2006: 6.05%). This rises to 9.95% (2006: 10.54%) based on the projected cash flow for the first year following estimated stabilisation in respect of each property.
d. 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 leaseholds) is 10.9% (2006: 11.31%).
e. Purchaser's costs of 5.75% have been assumed initially and sale plus purchaser's costs totalling 7.75% are assumed on the notional sales in the 10th year in relation to the freehold stores.

The 2006 comparative figures are based on a group of 16 stores which included Woking and the existing Reading store.

Leaseholds

The same methodology has been used as for freeholds, except that no sale of the assets in the 10th year is assumed, but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's operating leaseholds is approximately 12 years and 1 month as at 31 July 2007 (11 years and 2 months as at January 2006).

11 Investments

Company	Shares in subsidiary undertakings £
Cost	
At 1 August 2006 and 31 July 2007	
Lok'nStore Limited	214,563

Investment

On 30 May 2007 the Company acquired the entire share capital of 90,000 Ordinary Shares of £1 each in Southern Engineering and Machinery Company Limited 'SEMCO'. The consideration for the acquisition was satisfied by the payment of £2.97 million in cash. The underlying purpose of this transaction was the acquisition of a new freehold site on Third Avenue, Millbrook, Southampton and it is included in freehold property additions.

The site of 2.16 acres fronts the main access road to Southampton city centre and will provide around 100,000 sq ft of self-storage space. It will replace the existing Southampton Lok'nStore, which is located a few hundred metres away and currently provides up to 84,000 sq ft in a freehold property. The new-build site will capitalise on the prominent main roadside position using the strong Lok'nStore branding similar in design to the successful Farnborough store. The increased prominence and modern look of the building will allow the business to leverage off the existing business which is trading well, increasing both the volume of space rented and the rates achieved on those rentals.

The total investment in the new store will be up to £8 million, and this investment is a key part of the Company's strategy to actively manage its existing portfolio to maximise its value, as well as increasing the number of stores and square footage.

The Company holds more than 20% of the share capital of the following companies, all of which are incorporated in England and Wales:

Subsidiary undertakings	Class of shareholding	% of shares held Directly	Indirectly	Nature of business
Lok'nStore Limited	Ordinary	100		Self-storage
Lok'nStore Trustee Limited	Ordinary		100	Trustee company
Southern Engineering and Machinery Company Limited	Ordinary	100		Land

12 Stocks

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Consumables and goods for resale	74,544	77,668	–	–

13 Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Due within one year:				
Trade debtors	768,833	807,347	–	–
Other debtors	4,084,169	83,190	–	–
Amounts owed by subsidiaries	–	–	6,872,252	6,040,331
Prepayments and accrued income	1,071,748	1,132,232	–	–
	5,924,750	2,022,769	6,872,252	6,040,331

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14 Creditors: Amounts Falling Due Within One Year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade creditors	**1,142,276**	1,039,688	**–**	–
Taxation and social security costs	**1,807,742**	281,622	**–**	–
Corporation tax	**–**	–	**–**	–
Other creditors	**1,001,710**	911,432	**–**	–
Accruals and deferred income	**2,048,525**	1,644,747	**–**	–
	6,000,253	3,877,489	**–**	–

15 Creditors: Amounts Falling Due After More Than One Year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loans repayable in more than two years but not more than five years				
Gross	**15,650,198**	14,124,244	**–**	–
Deferred financing costs	**(157,592)**	(57,442)	**–**	–
Bank loans repayable in more than two years but not more than five years				
Net	**15,492,606**	14,066,802	**–**	–

The bank loans are secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business together with cross-company guarantees of Lok'nStore Limited. The revolving credit facility is for a five-year term and expires on 5 February 2012. The Group is not obliged to make any repayments prior to expiration. The loans bear interest at the London Inter Bank Offer Rate (LIBOR) plus 1.25%–1.35% Royal Bank of Scotland plc margin.

16 Provisions for Liabilities

Deferred Tax	2007 £	2006 £ As restated
Accelerated capital allowances	**1,314,318**	1,132,287
Tax losses carried forward	**(1,191,354)**	(1,031,375)
Other timing differences	**(119,964)**	(63,999)
Provision for deferred tax	**–**	36,913
Provision at start of year	**36,913**	–
Deferred tax charge/(credit) in profit and loss account	**(36,913)**	36,913
Provision at end of year	**–**	36,913

17 Share Capital

	2007 £	2006 £
Authorised:		
35,000,000 Ordinary Shares of 1 pence each (2006: 35,000,000)	**350,000**	350,000

Allotted, Issued and Fully Paid Ordinary Shares:

	Number of shares	£
At 1 August 2006	25,091,144	250,911
Options exercised	1,640,221	16,403
At 31 July 2007	**26,731,365**	**267,314**

On 3 November 2006, options were exercised on 1,626,600 Ordinary Shares and that number of shares were issued for a consideration of £601,842. On 30 April 2007, options were exercised on 13,621 Ordinary Shares and that number of shares were issued for a consideration of £9,943.

Notes to the Financial Statements

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18 Share-based Payment Plans

The Group operates an Enterprise Management Initiative ('EMI') approved and an unapproved share option scheme, the rules of which are similar in all material respects. The grant of options to executive directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years. No options have been granted under the EMI approved scheme in this year.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. The exercise of options awarded has been subject to the meeting of performance criteria geared primarily to sales growth with the key non-market performance condition being the achievement of £10 million annual turnover. This condition has now been achieved. Exercise of an option is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

The expected volatility is based on a historical review of share price movements over a period of time, prior to the date of grant, commensurate with the expected term of each award. The expected term is assumed to be six years which is part way between vesting (three years after grant) and lapse (10 years after grant). The risk free rate of return is the UK gilt rate at date of grant commensurate with the expected term (i.e. six years).

The total charge for the year relating to employer share-based payment schemes was £275,572 (prior year adjusted: £165,320), all of which relates to equity-settled share-based payment transactions. The 'first-time' adoption of FRS 20 to these financial statements has necessitated a prior year adjustment to be made, and in total a 'Share-based payments reserve' at 31 July 2007 of £487,473 results (prior year adjusted £211,901). This adjustment related to all share options granted since 7 November 2002 that had not vested by 1 August 2006 on 1,968,366 shares.

Profit and Loss Account

	31 July 2007 £	31 July 2006 £
Opening balance as originally stated	**(1,298,162)**	(1,321,980)
Prior year adjustment		
Share-based payments	**(211,901)**	(46,581)
Deferred tax	**63,570**	–
Opening balance as restated	**(1,446,493)**	(1,368,561)
Profit/(loss) for the year	**10,852,098**	(77,932)
Closing balance	**9,405,605**	(1,446,493)

Share-based Payment Reserve

	31 July 2007 £	31 July 2006 £
Opening balance as originally stated	**–**	–
Prior year adjustment	**211,901**	46,581
Charge for year	**275,572**	165,320
Closing balance	**487,473**	211,901

18 Share-based Payment Plans continued

a. EMI Approved Scheme

	Options 2007 Number	Weighted average exercise price 2007 Pence	Options 2006 Number	Weighted average exercise price 2006 Pence
Outstanding at 1 August	**547,415**	**121.78**	428,821	110.01
Granted during the year	**–**	**–**	113,594	166.22
Forfeited during the year	**(13,134)**	**117.02**	–	–
Exercised during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at 31 July	**534,281**	**121.85**	547,415	121.78
Exercisable at 31 July	**368,900**	**103.98**	–	–

There were no share options exercised during the year. The options outstanding at 31 July 2007 had a weighted average contractual life of 10 years.

The inputs into the Black-Scholes model used by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of grant	21 Jul 03	27 Nov 03	19 Jan 04	20 Jan 04	30 Jul 04	29 Jul 05	24 Apr 06	31 Jul 06
Expected life (years)	6	6	6	6	6	6	6	6
Share price at date of grant (p)	66.50	105.50	100.00	100.00	113.00	150.00	176.50	156.00
Exercise price (p)	93.00	93.50	102.00	102.00	113.00	152.00	176.50	156.00
Expected volatility (%)	26.82	34.48	33.82	33.80	32.31	30.46	29.53	29.18
Expected dividend yield (%)	0	0	0	0	0	0	0	0
Risk free interest rate (%)	4.05	4.95	4.60	4.60	5.11	4.24	4.62	4.72
Fair value charge per award	14.90	49.81	41.05	41.04	47.20	56.94	68.21	60.22

b. Unapproved Scheme

	Options 2007 Number	Weighted average exercise price 2007 Pence	Options 2006 Number	Weighted average exercise price 2006 Pence
Outstanding at 1 August	**1,022,085**	**140.63**	623,679	129.39
Granted during the year	**412,000**	**219.72**	398,406	158.23
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at 31 July	**1,434,085**	**219.63**	1,022,085	140.63
Exercisable at 31 July	**316,100**	**107.71**	–	–

There were no share options exercised during the year. The options outstanding at 31 July 2007 had a weighted average contractual life of 10 years.

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18 Share-based Payment Plans continued

The inputs into the Black-Scholes model used by our remuneration consultants, New Bridge Street Consultants, are as follows:

Date of Grant	20 Jan 04	30 Jul 04	16 May 05	29 Jul 05	24 Apr 06	31 Jul 06	28 Nov 06	24 Apr 07	31 Jul 07
Expected life (years)	6	6	6	6	6	6	6	6	6
Share price at date of grant (p)	100.00	113.00	145.00	150.00	176.50	156.00	203.50	272.00	213.50
Exercise price (p)	102.00	113.00	148.00	152.00	176.50	156.00	148.00	269.50	213.50
Expected volatility (%)	33.80	32.31	30.95	30.46	29.53	29.18	29.32	29.47	29.96
Expected dividend yield (%)	0	0	0	0	0	0	0	0.40	0.50
Risk free interest rate (%)	4.60	5.11	4.32	4.24	4.62	4.72	4.75	5.29	5.38
Fair value charge per award	41.04	47.20	55.48	56.94	68.21	60.22	103.85	110.20	86.88

A period of six years was assumed for the expected life, being approximately the midpoint of the exercise window, and the average term as demonstrated in extensive exercise modelling conducted by New Bridge Street Consultants for their clients. The expected volatility was based on volatility over the period prior to grant equal in length to the expected six year life.

19 Reserves

	Share premium £	Merger reserve £	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £ As restated	Profit and loss account £ As restated	Total £ As restated
1 August 2006 as restated (see note 18)	66,776	6,295,295	5,903,002	34,205	211,901	(1,446,493)	10,852,785
Exercise of share options	600,955	–	–	–	–	–	600,955
Profit for the year	–	–	–	–	–	10,852,098	10,852,098
Share-based payment (share options)	–	–	–	–	275,272	–	275,572
31 July 2007	**667,731**	**6,295,295**	**5,903,002**	**34,205**	**487,743**	**9,405,605**	**22,581,410**

The merger reserve represents the excess of the nominal value of the shares issued by Lok'nStore Group Plc over the nominal value of the share capital and share premium of Lok'nStore Limited as at 31 July 2001.

19 Reserves continued

On 3 November 2006, Simon Thomas, Andrew Jacobs and Colin Jacobs exercised their founder options ('Founder Options'). These Founder Options were granted under arrangements pertaining to the Company's original move onto the OFEX market in 1997 and were due to expire in April 2007. Their resultant holding in the Company's Ordinary Shares of 1 pence each (the 'Ordinary Shares') following disposal of the Ordinary Shares issued pursuant to the exercise of the Founder Options is as follows:

Director	No of founder options exercised	Exercise price per share	Exercise date	Ordinary shares disposed	Disposal price per share	Date of disposal	Resultant holding	Resultant % holding
Simon Thomas	496,489	37p	3/11/06	496,489	181p	03/11/06	2,187,500	8.2%
Andrew Jacobs	992,978	37p	3/11/06	992,978	181p	03/11/06	5,314,000	19.9%
Colin Jacobs	130,000	37p	3/11/06	130,000	181p	03/11/06	nil	0%

No Founder Options remain following this exercise. The directors continue to retain share options granted subsequent to 1997.

The resultant beneficial holdings of the directors following the above transactions remain unchanged. In aggregate the directors referred to above hold 7,981,925 Ordinary Shares in the Company (including their indirect holdings of Lok'nStore shares through two pension schemes (480,425 shares) representing 29.9% of the Company's share capital.

As at 31 July 2007, the Company has 26,731,365 Ordinary Shares in issue.

20 ESOP Shares

	Group 2007 Number	Group 2006 Number	Group 2007 £	Group 2006 £
1 August 2006 and 31 July 2007	**627,500**	627,500	**509,586**	509,586

The ESOP shares are held by the employee benefit trust (see note 28).

21 Reconciliation of Movement in Shareholders' Funds

	Group 2007 £	Group 2006 £
Profit/(loss) for the financial year	**10,852,098**	(77,932)
Share issue on exercise of share options	**16,403**	200
Premium on exercise of share options	**600,955**	14,800
Share-based payment	**275,572**	165,320
Net movement in shareholders' funds for the year	**11,745,028**	102,388
Opening shareholders' funds (originally £10,742,441 before prior year adjustment of £63,570 as explained in note 18)	**10,806,011**	10,703,623
Closing shareholders' funds	**22,551,039**	10,806,011

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22 Cash Flows

a. Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £ As restated
Operating profit	11,780,925	686,031
Depreciation	1,057,228	875,203
Amortisation	24,254	24,255
Share-based employee remuneration	275,572	165,320
(Profit)/loss on sale of fixed assets	(10,234,584)	980
Decrease in stocks	3,124	10,980
Decrease/(increase) in debtors	98,018	(330,187)
Increase in creditors	1,996,589	170,536
Net cash inflow from operating activities	5,001,126	1,603,118

b. Analysis of cash flows for headings netted in the cash flow

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	147,461	36,936
Interest paid	(987,024)	(808,147)
Net cash outflow for returns on investments and servicing of finance	(839,563)	(771,211)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(10,262,286)	(6,273,529)
Proceeds from sale of tangible fixed assets (net)	8,324,768	68
Net cash outflow for capital expenditure and financial investment	(1,937,518)	(6,273,461)
Financing		
Bank loans	1,425,804	5,974,244
Exercise of share options	617,357	15,000
Net cash inflow from financing	2,043,161	5,989,244

c. Analysis of net debt

	At 31 July 2006 £	Cash flow £	Other non-cash changes £	At 31 July 2007 £
Cash at bank and in hand	921,928	4,267,206	–	5,189,134
Debt due after one year	(14,124,244)	(1,525,954)	–	(15,650,198)
Total	(13,202,316)	(2,741,252)	–	(10,461,064)

23 Commitments Under Operating Leases

At 31 July 2007 the annual commitments under non-cancellable operating leases were as follows:

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Land and buildings				
expiring within one year	179,996	179,996	–	–
expiring in the second to fifth year	–	–	–	–
expiring after five years	1,227,596	1,121,438	–	–
	1,407,592	1,301,434	–	–

24 Share Options

The Company has the following share options:

Summary	As at 31 July 2006	Granted	Executed	Lapsed/ surrendered	As at 31 July 2007
Enterprise Management Initiative Scheme (refer note 25)	662,343	–	–	(28,349)	633,994
Approved Share Options Scheme (refer note 26)	22,377	–	–	–	22,377
Unapproved Share Options (refer note 27)	1,062,380	412,000	(13,621)		1,460,759
'Founder' Share Option Payments	1,641,467	–	(1,641,467)	–	–
Total	3,388,567	412,000	(1,655,088)	(28,349)	2,117,130
Options held by directors	2,495,007	200,000	(1,619,467)	(540)	1,075,000
Options not held by directors	893,560	212,000	(35,621)	(27,809)	1,042,130
Total	3,388,567	412,000	(1,655,088)	(28,349)	2,117,130

Notes to the Financial Statements

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25 Enterprise Management Initiative Scheme

The Company operates a share option scheme under the Enterprise Management Initiative ('EMI'). The following share options have been granted to directors of the Company under the EMI scheme. The share price at the year end was 213.50 pence per share. The share price ranged from 154.5 pence per share to 291.5 pence during the year.

	As at 31 July 2006	Granted	Surrendered	**As at 31 July 2007**	Exercise price (pence)	Date from which exercisable	Expiry date
CM Jacobs	540	–	(540)	**–**	191	30/04/04	30/04/09
CM Jacobs	25,000	–	–	**25,000**	102	20/01/07	20/01/14
CM Jacobs	22,759	–	–	**22,759**	113	30/07/07	30/07/14
CM Jacobs	31,414	–	–	**31,414**	152	30/07/08	30/07/15
RA Davies	98,039	–	–	**98,039**	102	19/01/07	19/01/14

There were no options issued under the EMI scheme during the year. The total number of EMI options outstanding as at the year-end were 633,994 (2006: 662,343).

The table below summarises those options not held by directors:

Date from which exercisable	Options held (no.)	Exercise price (pence)
30/04/04	51,079	191
31/10/05	42,500	93
27/11/06	52,500	93.5
30/07/07	123,102	113
30/07/08	76,007	152
24/04/09	56,656	176
31/07/09	54,938	156
	456,782	

The share options granted will only be exercisable upon the achievement of one of the following performance criteria:

1 The turnover for any period commencing after the date of grant has exceeded £10 million.
2 The profits for any period commencing after the date of grant has exceeded £3 million.
3 The share price has exceeded £5.
4 Control of the Company changes.

26 Approved Share Option Scheme

No share options were granted under this scheme during the year (2006: nil).

The share options granted will only be exercisable upon the achievement of one of the following performance criteria:

1 Group turnover exceeds £5 million.
2 Share price exceeds 150 pence.
3 Control of the Company changes.

Since year ended 31 July 2002, the Company's turnover has exceeded £5 million. The total number of approved options outstanding as at the year-end remains unchanged at 22,377 (2006: 22,377). Refer to table below. None of these options are held by directors:

Date from which exercisable	Options held (no.)	Exercise price (pence)
08/07/02	13,621	73
31/05/03	8,756	171
	22,377	

27 Unapproved Share Options

The Company issues unapproved share options. The following unapproved share options have been granted to directors of the Company:

	As at 31 July 2006	Granted £	Exercised £	**As at 31 July 2007**	Exercise price (pence)	Date from which exercisable	Expiry date
A Jacobs	50,000	–	–	**50,000**	102	20/01/07	20/01/14
A Jacobs	50,000	–	–	**50,000**	113	30/07/07	30/07/14
A Jacobs	50,000	–	–	**50,000**	152	30/07/08	30/07/15
A Jacobs	50,000		–	**50,000**	156	31/07/09	31/07/16
A Jacobs	–	50,000	–	**50,000**	213.5	31/07/10	31/07/17
S Thomas	50,000	–	–	**50,000**	102	20/01/07	20/01/14
S Thomas	50,000	–	–	**50,000**	113	30/07/07	30/07/14
S Thomas	50,000	–	–	**50,000**	152	30/07/08	30/07/15
S Thomas	50,000		–	**50,000**	156	31/07/09	31/07/16
S Thomas	–	50,000	–	**50,000**	213.5	31/07/10	31/07/17
R Davies	1,961	–	–	**1,961**	102	20/01/07	20/01/14
R Davies	50,000	–	–	**50,000**	113	30/07/07	30/07/14
R Davies	100,000	–	–	**100,000**	152	30/07/08	30/07/15
R Davies	100,000		–	**100,000**	156	31/07/09	31/07/16
R Davies	–	50,000	–	**50,000**	213.5	31/07/10	31/07/17
C Jacobs	2,241	–	–	**2,241**	113	30/07/07	30/07/14
C Jacobs	25,000	–	–	**25,000**	148	16/05/08	16/05/15
C Jacobs	18,586	–	–	**18,586**	152	30/07/08	30/07/15
C Jacobs	–	25,000	–	**25,000**	205	28/11/09	28/11/16
C Jacobs	–	25,000	–	**25,000**	269.5	24/04/10	24/04/17

The total number of unapproved options outstanding as at the year-end was 1,460,759 (2006: 1,062,380). The table below summarises those options not held by directors:

Date from which exercisable	Options held (no.)	Exercise price (pence)
31/05/03	11,675	171
31/10/05	15,000	93
20/01/07	*50,000	102
30/07/07	11,898	113
30/07/08	63,993	152
24/04/09	43,344	176.5
31/07/09	155,062	156
24/04/10	50,000	269.5
31/07/10	162,000	213.5
	562,972	

* 50,000 options are held by Value Added Services Limited, a company in which Andrew Jacobs and Simon Thomas have a beneficial interest.

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27 Unapproved Share Options continued
The share options exercisable from 8 July 2002 and 31 May 2003 will only be exercisable upon the achievement of one of the following performance criteria:
1 Group turnover exceeds £5 million.
2 Share price exceeds 150 pence.
3 Control of the Company changes.

Since year ended 31 July 2002, the Company's turnover has exceeded £5 million.

All other options will only be exercisable upon the achievement of one of the following performance criteria:
1 The turnover for any period commencing after the date of grant has exceeded £10 million.
2 The profits for any period commencing after the date of grant has exceeded £3 million.
3 The share price has exceeded £5.
4 Control of the Company changes.

In the current year the Company's turnover has exceeded £10 million.

28 Employee Benefit Trust
The Group operates an Employee Benefit Trust ('EBT') under a settlement dated 8 July 1999 between Lok'nStore Limited and Lok'nStore Trustee Limited, constituting an employees' share scheme.

Funds are placed in the trust by way of deduction from employees' salaries on a monthly basis as they so instruct for purchase of shares in the Company. Shares are allocated to employees at the prevailing market price when the salary deductions are made.

As at 31 July 2007, the Trust held 627,500 Ordinary Shares of 1 pence each with a market value of £1,339,712. No dividends were waived during the year. No options have been granted under the EBT.

29 Events After the Balance Sheet Date
On 27 September 2007, Lok'nStore Limited exchanged contracts on the purchase of a freehold site in North Harbour, Portsmouth for £4.3 million, funded from existing facilities. The freehold site extends to almost two acres and will be used to build a new self-storage centre of around 60,000 sq ft taking the total Lok'nStore portfolio to 1.1 million sq ft. The store will front the A27 to the north of Portsmouth, is opposite a busy retail area and is prominent to the M27. The Company completed this purchase on 17 October 2007.

30 Related Party Transactions
The Company maintains a service agreement for strategic services with Value Added Services Limited, a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Value Added Services Limited are as shown in note 6. Fees are settled monthly and there were no outstanding amounts due to Value Added Services Limited at the year-end. The maximum balance outstanding at any time during the year was £24,100 (ex VAT) (2006: £24,100).

The Company uses Trucost PLC, an environmental research company, to provide information and undertake performance assessment of the environmental effect of its business activities. Trucost PLC is a company in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Trucost PLC in respect of its environmental assessment and reporting for the year was £5,525 (2006: £5,525).

The Company maintains a retainer agreement for investor relations services with h2glenfern Consulting Limited, a company in which Robert Jackson has a beneficial interest. The total fees payable to h2glenfern Consulting Limited are £1,500 per month (2006: £1,500 per month). There were no outstanding amounts due to h2glenfern Consulting Limited at the year-end. The maximum balance outstanding at any time during the year was £4,500 (ex VAT) (2006: £4,500 (ex VAT)).

31 Financial Instruments

The Group's financial instruments comprise bank borrowings and facilities, cash and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors that arise directly from its operations, which have not been included in the following disclosures.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board. No trading in financial instruments has been undertaken.

Exchange Rate Risk

The Group operates in the United Kingdom and as such substantially all of the Group's financial assets and liabilities are denominated in Sterling and there is no exposure to exchange risk.

Interest Rate Risk

The Group's policy on interest rate management is agreed at Board level and is reviewed on an ongoing basis. All borrowings are denominated in Sterling and are detailed in note 15. The Group has a number of revolving loans within its overall revolving credit facility and as such is exposed to interest rate risks at the time of renewal arising from any corresponding upward movement in the LIBOR rate.

The following interest rates applied:

1 LIBOR plus a 1.25%–1.35% margin for the revolving advances amounting to £15.65 million.
2 0.25% for non-utilisation (i.e. that part of the facility which remains undrawn from time to time).

Cash balances held in current account attract no interest but surplus cash is transferred daily to 'one-day' or 'two-day' treasury deposits and attract interest at the prevailing money market rates. All amounts are denominated in Sterling. The balances at 31 July 2007 are as follows:

	2007 £	2006 £
Variable rate treasury deposits*	5,382,208	1,040,941

* Money market rates as at 31 July 2007 attributable to variable rate deposits 5.5% to 5.67%.

Liquidity Risk

It is the Group's policy to finance its business by means of internally generated funds supported by the Group's bankers and raising capital. The Group is cash positive in its operating activities and is expected to continue to be for the foreseeable future. Facilities are regularly reviewed by the Board, which will consider carefully liquidity risk for any future acquisitions.

Facilities

As at the balance sheet date the Group has a committed revolving credit facility and overdraft of £40 million (2006: £20 million). This facility expires on 5 February 2012. Undrawn committed facilities at the year-end amounted to £24,349,802 (2006: £5,875,756).

Interest Cover and Balance Sheet Risk

The Group reviews the current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts review. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates on gearing and interest cover.

Fair Value

There is no material difference between the fair value of borrowings and other financial interests and their book value at the balance sheet date.

32 Capital Commitments and Guarantees

The Group has capital expenditure contracted for but not provided for in the financial statements of £4,924,934 (2006: £422,518). The outstanding commitments relate principally to the remaining building and fitting-out costs of the Portsmouth and Harlow stores as well as the fit-out costs relating to the expansion of the existing Northampton and Fareham stores.

The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the year-end, that company had gross bank borrowings of £15.65 million (2006: £14.12 million).

Notes

Notes

Our Stores

Central Enquiries
0800 587 3322
info@loknstore.co.uk
www.loknstore.co.uk

Ashford, Kent
Wotton Road
Ashford
Kent TN23 6LL
Tel 01233 645500
Fax 01233 646000
ashford@loknstore.co.uk

Basingstoke, Hampshire
Crockford Lane
Chineham
Basingstoke
Hampshire RG24 8NA
Tel 01256 474700
Fax 01256 477377
basingstoke@loknstore.co.uk

Crayford, Kent
Block B
Optima Park
Thames Road
Crayford
Kent DA1 4QX
Tel 0800 740 8280
Fax 01322 521333
crayford@loknstore.co.uk

Eastbourne, East Sussex
Unit 4, Hawthorn Road
Eastbourne
East Sussex BN23 6QA
Tel 01323 749222
Fax 01323 648555
eastbourne@loknstore.co.uk

Fareham, Hampshire
26 + 27 Standard Way
Fareham Industrial Park
Fareham
Hampshire PO16 8XJ
Tel 01329 283300
Fax 01329 284400
fareham@loknstore.co.uk

Farnborough, Hampshire
112 Hawley Lane
Farnborough
Hampshire GU14 8JE
Tel 01252 511112
Fax 01252 744475
farnborough@loknstore.co.uk

Horsham, West Sussex
Blatchford Road
Redkiln Estate
Horsham
West Sussex RH13 5QR
Tel 01403 272001
Fax 01403 274001
horsham@loknstore.co.uk

Luton, Bedfordshire
27 Brunswick Street
Luton
Bedfordshire LU2 0HG
Tel 01582 721177
Fax 01582 721188
luton@loknstore.co.uk

Milton Keynes, Buckinghamshire
Etheridge Avenue
Brinklow
Milton Keynes
Buckinghamshire MK10 0BB
Tel 01908 281900
Fax 01908 281700
miltonkeynes@loknstore.co.uk

Northampton, Northamptonshire
Units 1-4
Carousel Way
Northampton
Northamptonshire NN3 9HG
Tel 01604 785522
Fax 01604 785511
northampton@loknstore.co.uk

Poole, Dorset
50 Willis Way
Fleetsbridge
Poole
Dorset BH15 3SY
Tel 01202 666160
Fax 01202 666806
poole@loknstore.co.uk

Portsmouth, Hampshire
Norway Road
Hilsea
Portsmouth
Hampshire PO3 5HT
Tel 023 9265 0000
Fax 023 9265 0125
portsmouth@loknstore.co.uk

Reading, Berkshire
5-9 Berkeley Avenue
Reading
Berkshire RG1 6EL
Tel 0118 958 8999
Fax 0118 958 7500
reading@loknstore.co.uk

Southampton, Hampshire
Manor House Avenue
Millbrook
Southampton
Hampshire SO15 0LF
Tel 02380 783388
Fax 02380 783383
southampton@loknstore.co.uk

Staines, Middlesex
The Causeway
Staines
Middlesex TW18 3AY
Tel 01784 464611
Fax 01784 464608
staines@loknstore.co.uk

Sunbury on Thames, Middlesex
Unit C, The Sunbury Centre
Hanworth Road
Sunbury
Middlesex TW16 5DA
Tel 01932 761100
Fax 01932 781188
sunbury@loknstore.co.uk

Swindon (East), Wiltshire
Kembrey Street
Elgin Industrial Estate
Swindon
Wiltshire SN2 8AZ
Tel 01793 421234
Fax 01793 422888
swindoneast@loknstore.co.uk

Swindon (West), Wiltshire
16 -18 Caen View
Rushy Platt Industrial Estate
Swindon
Wiltshire SN5 8WQ
Tel 01793 878222
Fax 01793 878333
swindonwest@loknstore.co.uk

Tonbridge, Kent
Unit 6 Deacon Trading Estate
Vale Road
Tonbridge
Kent TN9 1SW
Tel 01732 771007
Fax 01732 773350
tonbridge@loknstore.co.uk

Head office
Lok'nStore Plc
112 Hawley Lane
Farnborough
Hampshire GU14 8JE
Tel 01252 521010
www.loknstore.co.uk

Under development

Portsmouth, Hampshire
Rudmore Square
Portsmouth PO2 8RT

Harlow, Essex
Unit 1
Edinburgh Way
Temple Fields
Harlow CM20 2DE

Southampton, Hampshire
Third Avenue
Millbrook
Southampton SO15 0JX

North Harbour, Port Solent, Hampshire
Southampton Road
Portsmouth PO6 4RH

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Telephone **020 7729 9090 www.emperordesign.co.uk**

LOK'nSTORE

Business & Household Self Storage

Head office

Lok'nStore Group Plc
112 Hawley Lane
Farnborough
Hampshire
GU14 8JE

Tel 01252 521010

www.loknstore.co.uk