LOK'nSTORE
Business & Household Self Storage

Lok'nStore Group Plc

Annual Report & Accounts 2011

LOK'nSTORE
Business & Household Self Storage

THE BIG FRIENDLY STORAGE COMPANY

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HIGHLIGHTS

Financial Highlights
- Revenue £10.85 million up 4.1% (2010: £10.42 million)
- Group EBITDA £3.28 million up 11.8% (2010: £2.93 million)
- Net profit £0.89 million up 301% (2010: £0.22 million)
- Adjusted NAV £2.29 per share up 2.4% to (2010: £2.24 per share)
- Final dividend proposed 2.67 pence per share up 250% (2010: 0.67 per share)
- Successful refinancing of £40 million bank facility after the reporting date

Operational Highlights
- Store EBITDA £4.85 million up 9.7% (2010: £4.42 million)
- Acquisition of document storage business for £3.7 million
- Store EBITDA profit margins up to 45.5% (2010: 42.6%)

Property Highlights
- Planning permissions renewed at Reading, Southampton and Portsmouth
- Lease extended – saving costs and extending average portfolio lease length to over 15 years
- Agreement with Lidl to share Lok'nStore's Maidenhead site (subject to planning)

Key Metrics
- Loan to value ratio of 30.7%[1] (2010: 28.1%)
- FFO[2] £3 million = 12.0 pence per share (2010: 10.6 pence per share)

1 Calculation based on net debt of £24.4 million (2010: £22.7 million) and total property value of £79.5 million as set out on page 11.
2 Funds from Operations ('FFO') calculated as EBITDA minus Net Finance Cost on operating assets.

Andrew Jacobs CEO of Lok'nStore Group said, "I am delighted to report this period of strong profit growth against the challenging economic background, the third year in a row of double digit profit growth. Lok'nStore has proved again that it can thrive through these difficult economic times and we are looking forward to delivering future increases in profit in the coming years."

"Our attractive new banking facility through to 2016 allows us to plan with more certainty and as a sign of our confidence the Board are recommending increasing the annual dividend to 3 pence from 1 penny a share in previous years."

REVENUE

£10.85m

GROUP EBITDA[1]

£3.28m

ADJUSTED NET ASSET VALUE PER SHARE[2]

£2.29

LOAN TO VALUE RATIO

30.7%

FUNDS FROM OPERATIONS[3]

£3m

1 EBITDA is defined as profits from operations before all depreciation charges, losses or profits on disposal, share-based payments, acquisition costs, finance income, finance costs and taxation.
2 Based on Cushman & Wakefield LLP valuation, before deferred taxation.
3 12 pence per share.

CHAIRMAN'S REVIEW

SIMON G THOMAS
CHAIRMAN

Strong Performance

Economic conditions remain challenging; however we have planned accordingly and are pleased to report robust results for the financial year to July 2011. Lok'nStore has increased revenue and reduced operating costs in the self-storage business again, margins, profits and cash flow have all increased as a result and we have now doubled Group EBITDA (earnings before interest, depreciation, tax and amortisation) since 2006. Store EBITDA and Group EBITDA are sharply higher to record levels demonstrating that self-storage can continue to perform well even in a weak economy.

Capital expenditure remains tightly controlled and interest costs remain low so cash continues to grow. Our loan to value ratio is low and our interest coverage is high which has helped us secure attractive new funding through to 2016.

New £40 Million Five Year Facility with Lloyds TSB plc

Underlining the strength of the cash flow and the statement of financial position, after the reporting date the Group has signed a new five year £40 million revolving credit facility with Lloyds TSB plc. The facility is effective from 20 October 2011 and runs until 19 October 2016. The new facility is flexible and does not require any amortisation prior to maturity. The loans bear interest at the London Inter-Bank Offer Rate (LIBOR) plus 2.35%–2.65% margin based on a loan to value covenant test (2.35% at Lok'nStore's current LTV level). The interest cover and loan to value covenants are broadly in line with the previous facility. The net interest charge in the coming year will rise to reflect the increase in the margin on this facility which is initially 1.1%.

During the year the Group complied comfortably with all banking covenants. At 31 July, we had £11.9 million of the facility undrawn and £3.8 million of cash. (2010: £5.4 million). This new banking facility allows us to plan with certainty for the next five year period.

Expansion of Document Storage Business

Another notable achievement in the year was the purchase of Saracen Datastore Limited, a serviced document storage company. Lok'nStore has for some years been achieving around 10% of its revenue from self-serviced document storage, and has been keen to grow this area of its business. On 30 June 2011 Lok'nStore acquired 90.6% of the issued share capital of Saracen Datastore Limited ('Saracen'), a serviced archive and records management company to help with this objective. The price was £3.7 million paid from existing cash resources. Leo Kane, the Managing Director of Saracen who has been with the business since 1995, retains a 9.4% stake in Saracen and will continue in his current role. Andrew Jacobs and Ray Davies of the Lok'nStore Group will join the Saracen Board.

Based in Leatherhead, Saracen was established in 1991 and has four sites across the South East of England providing over 100,000 sq ft of offsite records, document and tape storage. For the year ended 31 December 2010, Saracen achieved turnover of £1.6 million and adjusted EBITDA of £0.4 million. The acquisition broadens the offering to our customers and the purchase of Saracen is an excellent entry point to a wider market segment complimenting Lok'nStore's existing self-storage activities. This acquisition extends our existing self-serve archive service which we provide to around 500 customers and Saracen adds over 300 document storage customers.

Properties and Net Asset Value

The year-end property valuation equates to a total value of properties held of £79.5 million, down 1.8% on the year (2010: £81.0 million). This small decline in property values was offset by the cash inflow of the business so the adjusted net asset value per share has increased to £2.29 from £2.24 last year (see Financial Review).

The Board continues to examine the portfolio for asset management opportunities as demonstrated by its recent agreement to extend the leases on another of the Group's stores, the third such transaction over the last two years. Our property team remains alert to the opportunities that can appear in the current volatile property market and an update of the current property opportunities is set out in the Property Review and in Note 30, Events after the reporting date.

Conditions in the UK Self-storage Market

The Drivers Jonas Deloitte 2011 report for the Self-Storage Association says "demand drivers have allowed the sector to remain in relatively good health". Despite this "New development has slowed right down: only 15% of operators expanded their portfolios in 2010, and less than 10% expect to open more than one store before 2014 Operators have paused their expansion plans whilst they concentrate on growing income from their existing outlets." This reduction in the rate of increased supply is beneficial to incumbent operators such as Lok'nStore, which is the fourth largest operator in the UK.

Dividend

Over the past few years we have maintained a steady, if modest dividend payout of one penny per share. Given the strength and the growth of the cash flow the Directors feel it is appropriate to implement a rather more substantial dividend payout. In respect of the current year the Board recommends that a final dividend of 2.67 pence per share be paid on 16 December 2011 to shareholders on the register on 18 November 2011, making a full year pay-out of 3 pence per share.

Going forward, the dividend policy will be to pay a progressive dividend with reference to the growth in EBITDA and the capital expenditure requirements of the business. The interim will be paid in, or about, June and the final paid in, or about, December of each year. The interim dividend will represent approximately one third of the expected total annual dividend.

The total estimated final dividend to be paid in the current financial year is £667,331 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefit Trust and for shares held on treasury. 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.

Outlook

Lok'nStore is a robust business with a strong and consistent record of both profit growth and cash generation and has opportunities for growth from several areas. With Group EBITDA of £3.3 million up 11.8% on the previous year, the strength of the Group's business model has been proven in the face of a severe economic downturn. Increasing the annual dividend by 200% and initiating a progressive dividend policy demonstrates the Board's confidence that the Group will continue to generate a growing cash flow. We will continue to grow revenue against tightly controlled costs, and this will provide momentum to EBITDA.

Turning to the future the Board's target is to continue the increase of EBITDA over the coming years whilst anticipating no significant improvement in the operating environment. We have carefully evaluated the opportunities and believe there is significant further growth to pursue focused on five key areas:

1. Developing new stores on a self-funded basis as at Reading and Maidenhead
2. Developing the other new sites we already own when appropriate
3. Opportunistic site acquisitions (as some banks look to reduce their exposure to property in the future)
4. Increasing the number of stores we manage for third parties
5. Building our document storage offering

These areas represent tangible growth opportunities that we can fund from our existing cash flow and debt facility, and where we have the operating experience to execute effectively.

Lok'nStore's efficient operating business, strong cash flow, secure asset base and its new £40 million bank facility leaves it well placed to grow and prosper within the UK self-storage market.

Simon G Thomas
Chairman
4 November 2011

STORE EBITDA MARGIN

45.5%

FINAL DIVIDEND PENCE PER SHARE

2.67p

CHIEF EXECUTIVE'S OPERATING REVIEW

Sales and Earnings Up, Costs Down

Revenue for the year was £10.85 million, up 4.1% year on year (2010: £10.42 million), and with costs firmly under control this translated into strong profit growth. Total store EBITDA, a key performance indicator of the profitability and cash flow of the operating business, has increased 9.7% to £4.85 million (2010: £4.42 million). Operating profit for the year is up 70.2% to £1.57 million (2010: £0.92 million) and pre-tax profit for the year was up 118% to £938,280 (2010: £430,524).

Performance of Stores

During the year we increased pricing by 1.9% against lower costs increasing the overall EBITDA margin across all stores from 42.6% to 45.5%. The EBITDA margins of the freehold stores were 58.8% and the leasehold stores achieved 29.0% (2010: 56.6% and 25.2% respectively). The occupancy of the stores was down 2.8% to 56.4% of currently lettable area.

At the end of July 2011 36.2% of Lok'nStore's revenue was from business customers (2010: 36.8%) and 63.8% was from household customers, (2010: 63.2%). By number of customers this breakdown was 22.5% business customers (2010: 22.4%) and 77.5% household customers (2010: 77.6%).

Pricing

Lok'nStore takes an active approach to yield management, balancing price increases with occupancy growth as we evaluate various customer offers. This has proved to be an effective strategy and we are confident that with our yield management system we will be able to increase prices by more than inflation over the medium term, while retaining our competitive pricing position in the market.

Our average price achieved for self-storage space was £18.82 per sq ft per annum at 31 July 2011, up 1.9% (2010: £18.47 per sq ft per annum). This compares with the average of £21.97 for the UK industry and £21.87 for the South East region (source Self-Storage Association Survey 2011). This positions Lok'nStore as the price competitive operator in a value conscious market, but with room to continue increasing prices as economic conditions continue to stabilise. We have increased pricing by 3.3% per annum compound over the last six years – a great result through a difficult economic period. By this careful management of prices we have managed to increase self-storage turnover by 2.6% despite the small decline in physical occupancy.

Ancillary sales, namely packing materials, insurance and other sales, increased by 1.2% over the year (2010: 11.6%) accounting for 9.9% of storage revenues (2010: 10.1%). These ancillary sales are increasingly focused on insurance, which increases the overall margin of these sales.

We continue to heavily promote our insurance to new customers with the result that over 86% (2010: 80%) of new customers over the year took our insurance. This compares with 68% (2010: 66.5%) of our total customer base who buy our insurance, and this provides us with built-in growth in our insurance sales as the customer base rolls over.

ANDREW JACOBS
CHIEF EXECUTIVE OFFICER

Marketing
During the year our marketing budget was increasingly focused on the internet with approximately 3.6% of revenue spent on advertising and marketing (including postage, printing and stationery) (2010: 3.6%). The internet produces an increasing proportion of our enquiries (38% in the year) and printed directories a decreasing proportion. We continue to allocate more of our marketing budget towards the internet with 46.5% of marketing spend now internet based (2010: 34.5%). For this year, internet enquiries were up 22.8% year on year and total enquiries up 0.2%. We will continue to manage our marketing budget with a strong focus on cost control and value for money.

Around 41% (2010: 44%) of our business still comes from passing traffic, so work on the visibility of our stores is also important in our marketing effort. With prominent positions, distinctive design and orange elevations, our stores help the profile of the whole Lok'nStore brand.

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

Systems
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 enhance our systems, analysis and reporting and over the coming year we will be integrating Saracen into our existing reporting systems. Our stores and head office are connected via a web-enabled system to deliver more automated and integrated processes and this has delivered cost efficiencies particularly in areas such as petty cash and expenses handling as well as invoice processing and stock reporting. We continue to increase the penetration of our internal audits, which is effective in terms of improved security, credit control and store presentation and is continually monitored and upgraded to ensure its effectiveness.

Security
The safety and security of our customers and their goods remains our highest priority. We invest in CCTV, intruder and fire alarm systems and the remote monitoring of our stores out of hours. We also have rigorous security procedures in relation to customers.

OPERATING COSTS

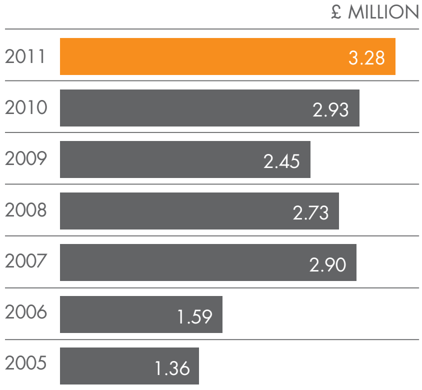
CHIEF EXECUTIVE'S OPERATING REVIEW
CONTINUED

Corporate and Social Responsibilities
Lok'nStore conducts its business in a manner that reflects honesty, integrity and ethical conduct. We believe 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 high importance to Lok'nStore. These issues are dealt with on a day-to-day basis by the Group's managers with principal accountability lying with the Board of Directors. We look actively for opportunities to address our responsibility to the environment, and we pay close attention to our energy use, carbon dioxide emissions, water use and waste production. Each year Lok'nStore commissions a full assessment of the Group's environmental impact and this is included elsewhere in the Director's Report.

Customers
We believe in clarity and transparency. 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 and do not employ pressure selling techniques or attempt to take advantage of any vulnerable groups. If we make a mistake we acknowledge it, deal with the problem quickly, and learn from our error. We listen to our customers as we know that they can help us improve our service to them. In return, 22% (2010: 21%) of our business comes from previous customers, existing customers taking more space, and customer referrals.

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.

PROFIT GROWTH (EBITDA)
PROFITS EXCEEDED 2007 PEAK



Employees

At 31 July 2011 we had 128 employees (2010: 102). This increase is largely due to the acquisition of Saracen and we welcome these new personnel to the Lok'nStore Group.

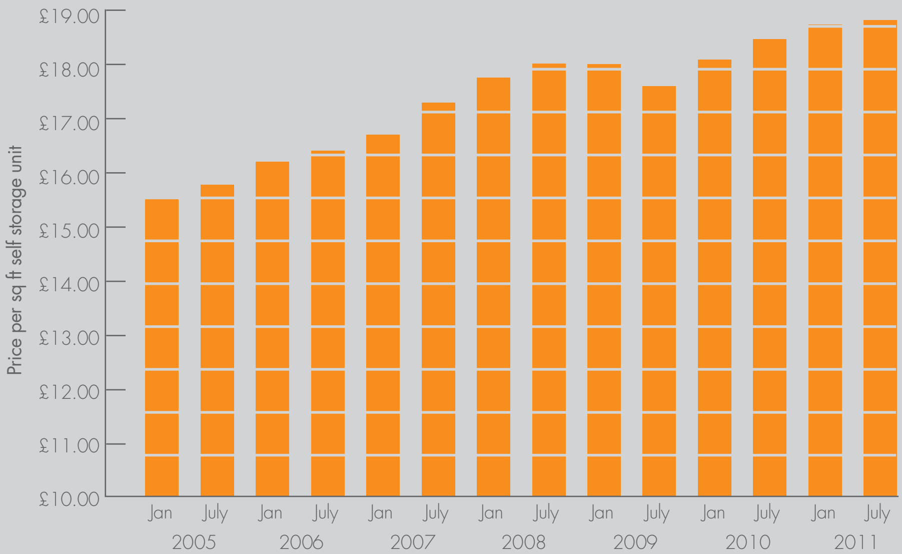
We treat our employees with dignity and respect and are committed to providing a positive attitude in the business and an enjoyable working environment. We have a professional, open culture where staff can exchange ideas and offer suggestions for work and business improvement. This encourages our staff to build on their skills, through appropriate training and regular performance reviews. 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 reduces outgoings and increases and improves 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. Additionally the Group supports employees undertaking National Vocational Qualifications.

All employees are eligible to participate in share ownership plans and 13% of our employees have Employee Benefit Trust shares (scheme now closed) (2010: 17%) and 20% hold options (2010: 19%). 33% of the personnel are members of the contributory pension scheme (2010: 46%). Lok'nStore operates a Share Incentive Plan with 73% of employees participating in the Scheme (2010: 72%). This high level of participation is testament to the loyalty and commitment of our staff.

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 and efforts over the year to which the Group owes its continuing success.

Andrew Jacobs
Chief Executive Officer
4 November 2011

CHIEF EXECUTIVE'S OPERATING REVIEW
CONTINUED



Operational Performance of Stores

Store analysis Weeks old at 31 July 2011	July 2011 Over 250	100 to 250	Under 100	Pipeline	Total
Year-ended 31 July 2011					
Revenue[1] (£'000)	9,932	729	–	–	10,661
Stores EBITDA (£'000)	4,635	218	–	–	4,853
EBITDA margin (%)	46.7	29.9	–	–	45.5
As at 31 July 2011					
Maximum Area ('000 sq ft)	972	111	–	143	1,226
Freehold and long leasehold ('000 sq ft)	**565**	**69**	**–**	**143**	**777**
Short leasehold ('000 sq ft)	**407**	**42**	**–**	**–**	**449**
Number of Stores					
Freehold and long leasehold	10	1	–	2	13
Short leasehold	9	1	–	–	10
Total stores	19	2	–	2	23

1 In respect of the Farnborough store revenue includes 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 revenue figures. Revenue from sites under development is excluded.

PROPERTY REVIEW

Strong Cash Flows Underpin Opportunities

Given the current economic and financial uncertainty the property market remains in a volatile state. Lok'nStore's strong cash flow and tactical approach to its property portfolio provides opportunities to take advantage of these conditions. Lok'nStore has both freehold and leasehold properties. Leaseholds provide the opportunity to buy in freeholds, and to renegotiate leases on more favourable terms.

Asset Management

Given current circumstances and Lok'nStore's strong covenant some landlords are keen to extend lease terms providing them with greater security on their future income stream. Further opportunities to negotiate improved rental terms on other leases may exist.

During the year we extended the leases on one of our existing stores while reducing the rent. The agreement, backdated to 25 March 2010, extends the leases to 24 March 2025 with an option to extend it for a further 10 years. It resulted in an immediate cash inflow of £40,000 and will produce additional annual cash savings of £40,000 annually until 24 March 2015 for the Group.

The average length of the seven leases which have been valued in this period is 15 years and two months, an increase of two years over last year. Nine out of the 10 leasehold stores are inside the Landlord and Tenant Act providing us with a strong degree of security of tenure. The leasehold sites produced 28.3% of the store EBITDA in the year to July 2011 (2010: 26.3%).

Our property team will continue to pursue further such value creating asset management opportunities to secure our trading operations, to improve cash flow and to lock in lower or to cap property costs.

Development Sites

Lok'nStore owns four development sites, two of which are for replacement stores and two for new locations. These sites all have the relevant planning permissions and three of these have recently been renewed.

New Location Stores

Portsmouth North Harbour

This is a freehold site extending to almost two acres with planning permission to build a new self-storage centre of around 60,000 sq ft. The site fronts the A27 to the north of Portsmouth, is opposite a busy retail area and is prominent to the M27. The planning permission is for a six-storey building to capitalise on the high level of visibility of the site.

Maidenhead

This is a long leasehold site of 1.6 acres for which there is a current planning permission for a store up to 83,000 sq ft of self-storage space when completed. The lease term runs until April 2076.

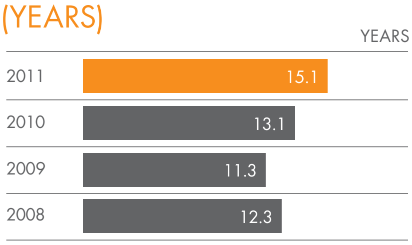
During the year the Group executed an agreement, subject to planning permission, for the shared use of this site with Lidl, a major international supermarket retailer. The substantial proceeds of the lease sale will help finance the development of the store.

Subject to receiving the required planning permission, Lok'nStore will build a new state of the art self-storage centre which also provides space on the ground floor for Lidl's store. The new self-storage centre will have around 58,000 sq ft of self-storage space, taking Lok'nStore's total space to 1.2 million sq ft.

Lok'nStore will create a new lease to Lidl concurrent with Lok'nStore's own lease. Lidl will share the ground floor space with Lok'nStore's operation, increasing the footfall by an estimated 1,000 cars a day. Lok'nStore will occupy and trade from its share of the ground floor and the entirety of the three floors above.

The site is close to Maidenhead town centre and railway station and will be very prominent to the retail park on the main road joining the town centre with the M4 motorway. The store

AVERAGE LEASE LENGTH (YEARS)



PROPERTY REVIEW
CONTINUED

will be of similar style and appearance to other recently opened Lok'nStore centres, with Lok'nStore's strong branding along with Lidl's brand adding to the visual attractiveness of the site. This collaboration will increase the visual prominence, brand recognition, passing traffic and footfall of the storage centre which are key criteria for success.

Replacement Stores

Reading

On 8 January 2008, Lok'nStore obtained planning permission for high-density residential development on the freehold site of its existing Reading store. The permission is for 112 flats on the 0.66 hectare site. This permission has recently been renewed providing a further three years to execute on this project.

The Group also has planning permission for a new larger 53,500 sq ft store on its site opposite the existing store, an increase in space of 29%.

The prominence and modern look of the new store with its distinctive orange livery will position Lok'nStore in a highly visible and easily accessible location adjacent to the A33 at the gateway to Reading. The existing self-storage business will be moved into the new store once it is complete.

When market circumstances are appropriate the site of the existing store will be sold with the benefit of its permission for residential development and the proceeds will be reinvested in the new store.

Southampton

We also own a freehold site on Third Avenue, Millbrook, in Southampton. The site of 2.16 acres fronts the main access road to Southampton city centre. 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. On 30 September 2008, we secured planning permission on this new site and it can provide up to 100,000 sq ft of self-storage space.

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 increased prominence and modern look of the building will allow the business to leverage off the existing business, increasing both the volume of space rented and the rates achieved on those rentals. The store will carry the distinctive orange livery and neon lighting which is proving an effective generator of business at our other stores. This planning permission has also recently been renewed.

Option to acquire a site in Southend

On 24 September 2010, the Group announced the acquisition of an option to acquire a site in Southend. The site extends to 1.2 acres and fronts the busy Eastern Avenue near the town centre. When developed, the site will provide up to 60,000 sq ft of storage space in a prominent, modern building. The project is subject to planning permission. On 2 March 2011 Planning permission was refused by the Local Authority and a planning appeal against that decision is awaited. The Option remains live pending the determination of the Planning Appeal.

These projects are part of our strategy of continually reviewing and actively managing our operating portfolio, to ensure we are maximising its value for shareholders. This includes strengthening our distinctive brand, increasing or decreasing the size and number of our stores and moving or selling stores or sites when it will increase shareholder value.

Portfolio

We currently own 21 stores with capacity of around 1.1 million sq ft of storage space when fully fitted. 11 stores are held freehold and 10 are leasehold, and one further store is run on a management contract. With the new freehold sites at Portsmouth North Harbour, Southampton and Maidenhead total capacity rises to around 1.2 million sq ft. Of this 64% will be held freehold and 36% leasehold. By valuation 85% of the total property portfolio is freehold. We prefer to acquire freeholds if possible, and where

COMPUTER GENERATED IMAGE OF PROPOSED MAIDENHEAD DEVELOPMENT

opportunities arise we will seek to acquire the freehold of our leasehold stores. However as discussed above we are happy to take leases on appropriate terms and benefit from the advantages of a lower entry cost, with further options to create value later in the store's development.

Given the current property market we are carefully monitoring land prices. Transactions are few and far between and prices may come down further. We will adapt our acquisition strategy when the market stabilises, although we still believe that acquiring land, and building and opening new stores can add to shareholder value.

Property Assets and Net Asset Value
Lok'nStore's freehold and operating leasehold properties have been independently valued by C&W at £68.0 million as of 31 July 2011 (July 2010: £70.2 million) compared to a historic cost value of £32.5 million (2010: £33.9 million). This is referred to further in the Financial Review and is detailed in note 11 of the notes to the financial statements. Adding our stores under development at cost, our total property valuation of £79.5 million (historic cost value £44.8 million) (2010: £81.0 million; historic cost value £45.2 million) translates into an adjusted net asset value of £2.29 per share (2010: £2.24 per share), an increase of 2.4% compared to last year. The value of all properties valued showed a decrease of 3.1%.

Andrew Jacobs
Chief Executive Officer
4 November 2011

ADJUSTED NET ASSET VALUE UP

2.4%

Change in Valuation Metrics

	2011 %	2010 %
Weighted exit yield in 10th year	**8.51**	8.44
Discounted rate on future cash flow	**12.2**	12.2
Average occupancy achieved at stabilisation	**70.2**	72.1
Purchasers costs	**5.8**	5.75
Purchasers and sellers costs on assumed exit (10th year)	**7.8**	7.75
Central management cost	**6**	6

Breakdown of property values

	No. of stores	July 2011 Valuations	No. of stores	July 2010 Valuations
Freehold	11	55,670	12	59,390
Leasehold	7	12,310	7	10,800
Subtotal	18	67,980	19	70,190
Sites in development at cost	4	11,532	3	10,795
Total	**22**	**79,512**	**22**	**80,985**

FINANCIAL REVIEW

Financial Review

Trading

Total revenue for the year was £10.85 million (2010: £10.42 million), an increase of 4.1%. Group EBITDA was £3.28 million, up 11.8% over the previous year (2010: £2.93 million). Operating profit for the year was £1.57 million, up 70.2% compared with £0.92 million in 2010 and pre-tax profit for the year was £938,280 up 118% (2010: £430,524).

There is no current corporation tax liability to pay due to the availability of tax losses. Tax losses available to carry forward for offset against future profits amount to £2.63 million.

Basic earnings per share were 3.57 pence (2010: 0.88 pence per share). Diluted earnings per share were 3.54 pence (2010: 0.88 pence per share).

Operating Costs

Operating costs (excluding cost of sales of retail products) amounted to £7.34 million for the year including the post-acquisition expenses of Saracen Datastore acquired on 30 June 2011. Excluding Saracen costs, operating costs (excluding cost of sales of retail products) amounted to £7.17 million for the year (2010: £7.26 million) a decrease of 1.3%. Property costs are the least variable cost and accounted for 47.3% of these costs (2010: 47.8%). Staff costs accounted for 38.6% (2010: 37.2%) and overheads for 14.1% (2010: 15.0%) of the total. This is the third consecutive year in which costs have been reduced.

	Increase/ (decrease) in costs %	2011 £	Increase/ (decrease) in costs %	2011 £ Excluding Saracen costs	2010 £
Property costs	1.0	3,434,558	(2.2)	3,392,281	3,467,011
Staff costs	6.8	2,885,424	2.4	2,766,792	2,702,965
Overheads	(6.8)	1,017,030	(7.7)	1,007,128	1,090,818
Total administration expenses	1.0	7,337,012	(1.3)	7,166,201	7,260,794

Cash Flow, Interest and Financing

At 31 July 2011, the Group had cash balances of £3.78 million (2010: £5.36 million) after spending £3.7 million of cash on the purchase of Saracen Datastore Limited. Net debt increased from £22.7 million to £24.4 million so the majority of the cost of Saracen was met from operating cash flow.

There was £28.1 million of gross borrowings (2010: £28.1 million) representing gearing of 62.8% on net debt of £24.4 million (2010: 58.1%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 52.1% (2010: 50.3%). After adjusting for the deferred tax liability carried at year-end of £11.0 million gearing drops to 42.5% (2010: 40.6%).

Cash inflow from operating activities before interest and capital expenditure was £3.6 million (2010: £3.47 million). As well as using cash generated from operations to fund some capital expenditure, the Group has a five year revolving credit facility. This provides sufficient liquidity for the Group's current needs. Undrawn committed facilities at the year-end amounted to £11.9 million (2010: £11.9 million).

RAY DAVIES
FINANCE DIRECTOR

The Group has agreed a new five year £40 million revolving credit facility with Lloyds TSB plc. The revolving credit facility is for a five-year term is effective from 20 October 2011 and expires on 19 October 2016. The facility will be used to repay the existing RBS facility and provide working capital for the development of the business over the medium term. 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 2.35%–2.65% margin based on a loan to value covenant test (2.35% at Lok'nStore's current LTV level). The interest cover and loan to value covenants are broadly in line with the previous facility.

Prevailing economic conditions have caused LIBOR rates to remain at very low levels. Lok'nStore has managed its debt aggressively and the average interest rate paid since July 2010 was 1.84% compared to 1.81% for the year to 31 July 2010. Interest on bank borrowings for the year increased slightly to £522,513 from £508,687 in 2010. The net interest charge, defined as total finance costs less total finance income, increased from £489,708 to £498,450.

From 1 August 2009 under IAS 23 ('Borrowing Costs') we are required to capitalise interest against our development pipeline in accordance with changes to International Financial Reporting Standards. The Group's date of adoption was 1 August 2009, (the first annual year commencing after the IAS 23 effective date of 1 January 2009). All of the Group's current qualifying assets predate the date of adoption and accordingly under the transitional adoption arrangements no borrowing costs have been capitalised against them in the year. A component of the interest cost incurred by the Group arises from the £11.5 million of development sites that the Group is currently carrying. The interest against this cost has not been capitalised but if it was the Group's adjusted profit would have been approximately £212,330 higher for the year on the assumption that the £11.5 million is fully funded by borrowings.

By excluding the interest costs of carrying the development sites from the total net interest charge of £498,450 this means that the interest on the operating portfolio is £286,120 for the year. Funds from operations ('FFO') represented by EBITDA minus interest on the operating portfolio is therefore £3 million equating to 12.0 pence per share, up 13% on last year (2010: 10.6 pence per share).

While the Group has grown its business through a combination of new site acquisition, existing store improvements and relocations, it has placed any further site acquisition and development on hold while the current economic conditions persist. Consequently, capital expenditure ('capex') during the year totalled only £0.7 million (excluding the acquisition of Saracen Datastore Limited), including limited capex at existing stores, roof renovation with solar power at the Poole store and planning and other professional costs incurred in maximising the potential of the existing planning permissions. The Company has no further capital commitments beyond minor works to existing properties. We will consider conditions in the wider economy and the UK self-storage market in particular before acquiring new sites or committing to any new developments.

FUNDS FROM OPERATIONS ('FFO')

£3m

FINANCIAL REVIEW
CONTINUED

Statement of Financial Position
Net assets at the year-end were £38.8 million (2010: £39.1 million). The movement was mainly as a result of the profits earned during the year offset by a decrease in property values. Freehold property values at 31 July 2011 were £55.7 million compared to £59.4 million at 31 July 2010.

Market Valuation of Freehold and Operating Leasehold Land and Buildings
Our 11 freehold properties are held in the statement of financial position at fair value, and have been valued externally by Cushman and Wakefield ('C&W'). Refer to note 11(b) – property, plant and equipment and also to the accounting policies for details of the fair value of trading properties. The leasehold stores are held as 'operating leases' and the valuations of these are not taken onto the statement of financial position. However seven of these have also been externally valued and these external valuations have been used to calculate the adjusted net asset value position of the Group.

On 31 July 2011, professional valuations were prepared by external valuers Cushman & Wakefield (C&W) in respect of 11 freehold and seven operating leasehold properties. The valuation was prepared in accordance with RICS Appraisal and Valuation Standards Global and the UK 7th Edition. 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 5.80% initially and sale plus purchaser's costs totalling 7.80% are assumed on the notional sales in the 10th 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, in which case transaction costs would likely be lower (see note 11(b) in the notes to the financial statements for a more detailed description of the valuation methodology).

The valuation report indicates a total for properties valued of £68.0 million (NBV £32.5 million) (2010: £70.2 million: NBV £33.9 million). In relation to the existing store at Reading there is a prospect of redevelopment for residential use although it has been valued as a trading store. The valuations do not account for any further investment in existing stores since 31 July 2011. The development sites at Reading, Maidenhead, Portsmouth North Harbour and Southampton have not been valued and their asset value (stated at cost) of £11.5 million combined with the C&W valuation provides an aggregate property value of £79.5 million (2010: £81.0 million).

During the year we extended the leases on one of our existing stores while reducing the rent. The property comprises four leases on FRI terms and was to expire on 24 March 2015. A reversionary lease was negotiated and granted in December 2010 extending the lease term by 10 years to 24 March 2025. The reversionary lease also includes an option to renew the lease for a further 10 years to 24 March 2035 providing all four units are renewed. This option is personal to Lok'nStore and any successor provided the successor is a major self-storage operator. This leasehold store has therefore been valued including this special assumption and on the basis of a lease term extending to 24 March 2035.

A deferred tax liability arises on the revaluation of the properties and on the rolled over gain arising from the disposal of the Kingston and Woking sites. In due course the site of the existing Reading store is likely to be sold with the benefit of its permission for residential development and the proceeds will be reinvested in our new store pipeline. It is not the intention of the Directors to make any other significant disposals of operational self-storage centres. At present it is not envisaged that any tax will become payable in the foreseeable future due to the trading losses brought forward and the availability of rollover relief.

The Board will continue to commission independent valuations on its trading stores annually to coincide with its year-end reporting.

Both historically and currently we have valued our freehold and our leasehold property assets. Under IFRS, the valuations of our freehold property assets are now formally included in the Statement of Financial Position at their fair value, but the IFRS rules do not permit the inclusion of any valuation in respect of our leasehold stores to the extent that they are classified as operating leases. The value of our operating leases in the valuation totals £12.3 million (2010: £10.8 million). Instead we have reported by way of a note the underlying value of these leasehold stores in future revaluations and adjusted our Net Asset Value ('NAV') calculation accordingly to include their value. This will ensure comparable NAV calculations.

Analysis of Total Property Value

	No. of stores	**31 July 2011 Valuation £**	No. of stores	31 July 2010 Valuation £
Freehold valued by C&W	11[3]	**55,670,000**	12[2]	59,390,000
Leasehold valued by C&W	7	**12,310,000**	7	10,800,000
Subtotal	18	**67,980,000**	19	70,190,000
Sites in development at cost	4	**11,531,582**	3	10,794,944
Total	22[1]	**79,511,582**	22[1]	80,984,944

1 Three Leasehold stores were not valued (2010: three) as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.
2 Includes both the current Reading store with residential planning permission and the Reading site with planning permission for a new store.
3 Includes the current Reading store at its trading store valuation. The Reading site with planning permission for a new store is stated at cost and is included in sites in development at cost.

Adjusted Net Asset Value per Share

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) and in treasury are excluded from the number of shares.

Analysis of net asset value ('NAV')	31 July 2011 £	31 July 2010 £
Total non-current assets	**76,537,369**	75,040,880
Adjustment to include leasehold stores at valuation		
Add: C&W leasehold valuation[1]	**12,310,000**	10,800,000
Deduct: leasehold properties and their fixtures and fittings at NBV	**(4,338,607)**	(4,765,871)
	84,508,762	81,075,009
Add: current assets	**5,709,940**	6,624,872
Less: current liabilities	**(32,839,442)**	(3,674,438)
Less: non-current liabilities (excluding deferred tax provision)	**(26,342)**	(28,036,885)
	(27,155,844)	(25,086,451)
Adjusted net assets before deferred tax provision	**57,352,918**	55,988,558
Deferred tax	**(10,555,101)**	(10,846,123)
Deferred tax arising on revaluation of leasehold properties[2]	**(1,992,848)**	(1,629,215)
Adjusted net assets	**44,804,969**	43,513,220

Shares in issue	Number	Number
Opening shares	**26,758,865**	26,758,865
Shares issued for the exercise of options	**–**	–
Closing shares in issue	**26,758,865**	26,758,865
Shares held in treasury	**(1,142,000)**	(1,142,000)
Shares held in EBT	**(623,212)**	(623,212)
Closing shares for NAV purposes	**24,993,653**	24,993,653
Adjusted net asset value per share after deferred tax provision	**£1.79**	£1.74
Adjusted net asset value per share before deferred tax provision	**£2.29**	£2.24

1 The seven 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 15 years and two months at the date of the 2011 valuation (2010 valuation: 13 years and two months).

2 A deferred tax adjustment in respect of the uplift in the value of the leasehold properties has been included.
Although this is a memorandum adjustment as leasehold properties are included in the Group's financial statements at cost and not at valuation, this deferred tax adjustment is included in the adjusted Net asset value calculation in order to maintain a consistency of treatment between freehold and leasehold properties.

Summary

Lok'nStore has a flexible business model with relatively low credit risk, and tightly controlled operating costs which generates increasing cash from a strong asset base.

Ray Davies
Finance Director
4 November 2011

BOARD OF DIRECTORS AND ADVISERS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Executive Directors

1. Andrew Jacobs (52)
Chief Executive Officer

Andrew established Lok'nStore in February 1995 after eight years' experience as a stockbroker at Nomura International in London. He has a MPhil in Economics from Cambridge University and a BSc in Economics from the London School of Economics. Andrew is President and Deputy Chairman of Trucost plc, an environmental data company.

Andrew is responsible for strategy, corporate finance and property.

2. Simon Thomas (51)
Chairman

Simon has been a 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. Simon is a Non-Executive Director of Trucost plc, an environmental data company.

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

3. Ray Davies (54)
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 London 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 (47)
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, and for business development.

Non-Executive Directors

5. Edward Luker (62)
Senior Non-Executive Director

Edward is a well-known figure in the UK property industry, having worked for CB Richard Ellis for 34 years, where he has been a Director and Partner for over 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 and heads the Audit Committee.

6. Richard Holmes (51)
Non-Executive Director

Richard is currently Marketing Director of Specsavers.

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

Richard heads the Remuneration Committee.

7. Charles Peal (56)
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 Chairman of BLME Sharia'a Umbrella Fund SICAV-SIF.

Charles sits on the Audit Committee.

8. Ian Wright (35)
Non-Executive Director

Ian is an investment manager and Head of Real Estate equities at Laxey Partners (UK) Ltd where he has worked since 2004. He also sits on the board of a number of other UK and European property companies, including Spazio Investment NV. Ian has an MA in Mathematics from Oxford University and is a qualified Chartered Accountant.

Directors and Advisers

Directors

SG Thomas	Chairman
A Jacobs	Chief Executive Officer
RA Davies	Finance Director
CM Jacobs	Director
E Luker	Senior Non-Executive Director
RJ Holmes	Non-Executive Director
CP Peal	Non-Executive Director
I Wright	Non-Executive Director

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c/o Maclay Murray Spens LLP
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No. 4007169

Nominated Adviser and Broker
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London W1J 0AH

Panmure Gordon (UK) Limited (Appointed November 2011)
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Solicitors
Maclay Murray Spens LLP
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London EC2Y 5AB

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Capita Registrars
Capita Group plc
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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 2011.

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 2 and 3.

A detailed Operating Review, Property Review and a Financial Review have been prepared and are set out on pages 4 to 8, 9 to 11 and 12 to 17 respectively.

The key performance indicators are included within the Highlights on page 1 and the Financial Review on pages 12 to 17.

Financial Instruments

The financial risk management objectives and policies of the Group, along with details of exposure to liquidity and cash flow risk are set out below and in note 16 to the financial statements.

Principal Business and Operating Risks

Finance

Lok'nStore finances its current needs through a combination of strong operational cash flows and debt.

All cash deposits during the year were 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 Group's operational current accounts as required.

The Group has successfully renewed a £40 million bank facility after the reporting date to finance committed and future development programme, secured against the property portfolio with debt serviced by our operational cash earnings. The previous bank facility which was in place at 31 July 2011 was due to expire in February 2012 and is therefore presented as a current liability in these financial statements. The level of bank debt in the business is monitored to ensure that the ratio of net debt to freehold property assets is not greater than 75% and interest cover not less than 1.25 times based on Group net operating EBITDA, which were our principal banking covenants during the year. At the year-end the Group was 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 is set out in note 16.

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 identifies and categorises our risks and provides an assessment of risk based on a combination of 'likelihood' and 'consequences and impact' on the business. This 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 Group 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 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 awareness 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 22[1] stores including those customers 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 64%:36% respectively of our revenue (2010: 63%:37%).

1 One store is managed by Lok'nStore under a Management Services Agreement for another owner.

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 hotels, car showrooms 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 external professional team of sub-contractors who move from site to site and understand Lok'nStore's specification.

Credit Risk

Lok'nStore's business model is strong with customers paying four weekly in advance in addition to an initial four weeks rental deposit. We retain a legal lien over customers' goods which can then be sold to cover any unpaid bills. Credit control remains tight with only £37,793 of bad debts written off during the year representing around 0.35% of revenue (2010: 0.13%). There was £4,091 of additional costs associated with recovery (2010: £4,669). Given the tight credit conditions in the wider economy our own credit control indicators are resilient showing no signs of weakening during the year with the number of late letters declining and bad debts remaining at very low levels.

Tax Risk

We regularly monitor proposed and actual changes in legislation 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 page 6.

Reputational Risk

Lok'nStore's business reputation is very important to the Group. 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 websites (www.loknstore.co.uk www.loknstore.com and www.saracendatastore.co.uk) are important avenues of communication and a source of information for employees, customers and investors. Employee communication is augmented by regular staff newsletters.

Dividend

In respect of the current year, the Directors propose that a final dividend of 2.67 pence per share will be paid to the shareholders on 16 December 2011 to shareholders on the register on 18 November 2011. The total estimated dividend to be paid is £667,331 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. 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.

Events after the Reporting Date

Events after the reporting date are fully described in note 30.

Directors

The following Directors held office during the year and subsequently:

SG Thomas	E Luker
A Jacobs	RJ Holmes
RA Davies	CP Peal
CM Jacobs	I Wright[1]

1 I Wright was appointed to the Board on 5 May 2011.

Details of the interests of the Directors in the shares of the Company are set out below and details of their remuneration are disclosed in note 6 of the financial statements.

Biographical details of the Directors are set out on page 19.

Reappointment of Directors

In accordance with the Company's Articles of Association, Simon Thomas and Andrew Jacobs retire by rotation and each being eligible; offer themselves for re-election at the next Annual General Meeting (AGM). Richard Holmes who has over nine years tenure as a non-executive is now required under the Companies Act 2006 to offer himself for re-election at every Annual General Meeting and accordingly offers himself for election at the next AGM.

Ian Wright, a Board appointee during the year, offers himself 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 1p each	
	31 July 2011	31 July 2010
SG Thomas	**2,147,500**	2,147,500
A Jacobs	**5,314,000**	5,314,000
RA Davies	**40,000**	30,000
CM Jacobs	**–**	–
RJ Holmes	**134,000**	134,000
E Luker	**13,800**	13,800
CP Peal	**125,000**	75,000
I Wright	**–**	–

Andrew Jacobs is a beneficiary of "The Jacobs Family Directors Pension Scheme" that holds 310,350 Ordinary Shares and Simon Thomas is a beneficiary of a pension fund "The Thomas Family Directors Pension Scheme" that holds 190,075 Ordinary Shares. The figures set out in the table above do not include the Ordinary Shares held in these pension funds. Simon Thomas' and Andrew Jacobs' overall beneficial holdings remain unchanged.

The Aylestone Pension Fund has a holding of 20,000 (2010: 20,000) Ordinary Shares representing less than 0.1% of the issued share capital. Colin Jacobs, a Director of Lok'nStore is interested in this transaction as one of the beneficiaries of the Aylestone Pension Fund.

Details of Directors' share options are disclosed in notes 20, 21, 23 and 24.

DIRECTORS' REPORT
CONTINUED

Directors' and Officers' Liability Insurance
The Company has liability insurance covering the Directors and Officers of the Company and its subsidiaries.

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 27 October 2011:

	Current rank	Number of shares	% at 27/10/11	Total shares in issue (excluding treasury shares)
Laxey Partners	1	7,437,959	29.04	
Andrew Jacobs	2	5,314,000	20.74	
Simon Thomas	3	2,147,500	8.38	
Duart Capital Management LLC	4	1,483,571	5.79	
Charles Stanley, Stockbrokers	5	1,245,934	4.86	
		17,628,964	68.81	25,616,865

Policy on Payment of Suppliers
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 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 67 days (2010: 65 days).

Market Valuation of Freehold Land and Buildings
The changes in property, plant and equipment during the year and details of property valuations at 31 July 2011 are shown in note 11 to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review and in the Financial Review.

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

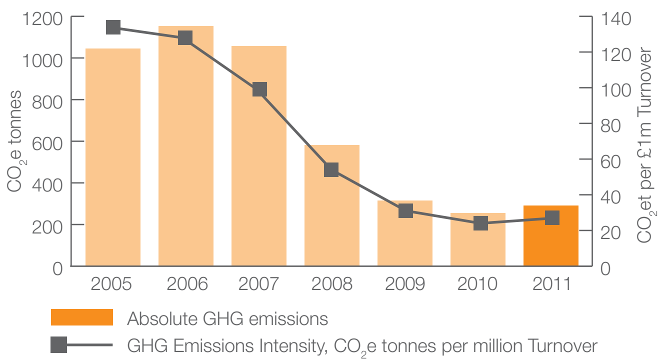
Environmental Management and Performance
Lok'nStore has been measuring its environmental impacts for the last seven consecutive years. Monitoring focuses on environmental key performance indicators (KPIs), namely greenhouse gas emissions (GHG), water use and waste.

Due to the extended cold period this winter, the Group saw an increase in gas consumption, which also translated into our direct carbon footprint. However, as a result of a significant reduction of fuel use in our car fleet, our operations carbon footprint decreased slightly – from 144 CO_2e tonnes to 142 CO_2e tonnes. The main driver of the reduction in vehicle fuel use by our car fleet was the introduction of locally based training and management programmes.

This year all of the Group's electricity was supplied by Green Energy plc which acquired 36% of its supply from renewable sources and the remaining 64% from combined heat and power (CHP) accredited generators. Due to the change in Green Energy's fuel mix since last year, the Group's emissions from electricity use has risen by 14%, even though we have reduced our electricity consumption from 2,459 MWh in 2010 to 2,366 MWh in 2011, which is a reduction of 4%.

Figure 1 shows absolute and normalised GHG emissions from electricity consumption over the last seven years.

Figure 1: GHG emissions from electricity consumption



In line with the Company's waste management strategy, we continue to monitor waste generation and recycling levels.

This year Lok'nStore continued to find opportunities to reduce the quantity of waste produced. As a result, the Group's total waste sent to landfill and recycled fell from 599 tonnes to 475 tonnes, a reduction in the total waste generated of 21%. The proportion of waste recycled has risen to 49% (2010: 40%).

We also monitor hazardous (sanitary) waste, but the amount is negligible.

Figure 2: Landfill waste

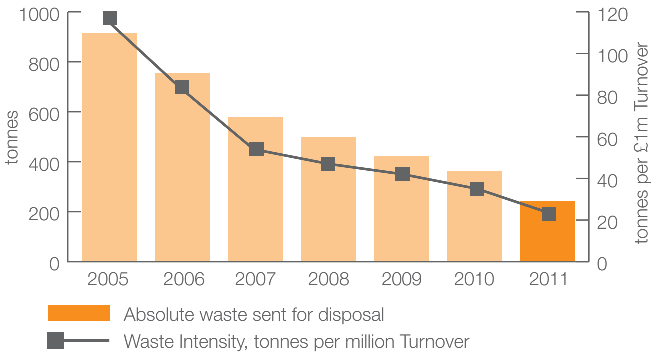
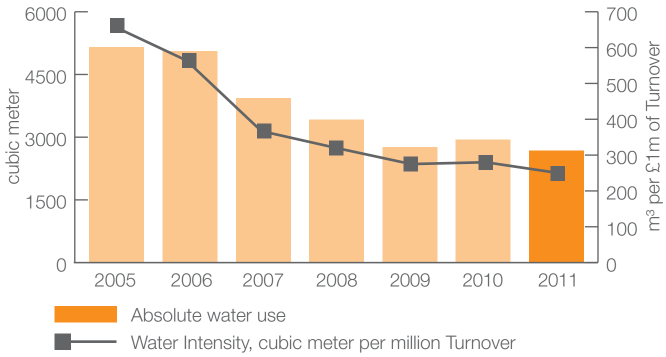


Figure 3: Water use



In 2011 we consumed 2,661 m^3 of water, which is 259 m^3 less than in the previous year, which amounts to a 9% decrease. This reduction has been realised as a result of routine performance monitoring and rectification works where required. The Group will continue to look for opportunities to reduce water losses and wastage.

Direct Impacts (Operational)

			Quantity			
			Absolute tonnes CO_2e		Normalised[1] tonnes CO_2e per £m turnover	
Greenhouse Gases	Definition	Data Source and Calculation Methods	2010	**2011**	2010	**2011**
Gas	Emissions from utility boilers	Yearly consumption in kWh collected from fuel bills, converted according to Defra Guidelines	55	**63**	5	**6**
Vehicle Fuel	Petrol and diesel used by staff	Expense claims & MOT recorded mileage, converted according to Defra Guidelines	89	**79**	9	**7**
Total CO_2			144	**142**	14	**13**
Total Greenhouse Gases	Includes Carbon Dioxide (CO_2), Methane (CH_4) and Nitrous Oxide (N_2O)	Calculated according to Defra Guidelines	144	**142**	14	**13**

			Quantity			
			Absolute tonnes		Normalised[1] tonnes per £m turnover	
Waste	Definition	Data Source and Calculation Methods	2010	**2011**	2010	**2011**
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 & skips removed, converted to tonnes according to Defra Guidelines.	360	**242**	35	**23**
Recycled	General office waste recycled, primarily cardboard, and fluorescent lights.	Volume of waste recycled per annum, calculated by recording the number of bins & skips removed for recycling, converted to tonnes according to Defra Guidelines.	239	**233**	23	**22**

Indirect Impacts (Supply Chain)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity: Absolute tonnes CO_2e 2010	Quantity: Absolute tonnes CO_2e 2011	Normalised[1] tonnes CO_2e per £m turnover 2010	Normalised[1] tonnes CO_2e per £m turnover 2011
Energy Use	Directly purchased electricity, which generates Greenhouse Gases including CO_2 emissions	Yearly consumption of directly purchased electricity in kWh collected, converted according to Defra Guidelines	252	**288**	24	**27**

Water	Definition	Data Source and Calculation Methods	Quantity: Absolute m³ 2010	Quantity: Absolute m³ 2011	Normalised[1] m³ per £m turnover 2010	Normalised[1] m³ per £m turnover 2011
Supplied water	Consumption of piped water. No water directly abstracted by the Group.	Yearly consumption of purchased water	2,920	**2,661**	280	**249**

Indirect Impacts – Downstream

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity: Absolute tonnes CO_2e 2010	Quantity: Absolute tonnes CO_2e 2011	Normalised[1] tonnes CO_2e per £m turnover 2010	Normalised[1] tonnes CO_2e per £m turnover 2011
Vehicle Fuel	Petrol and diesel used by customers in van hire fleet	Recorded mileage, converted according to Defra Guidelines	67	**55**	6	**5**
Total Greenhouse Gases	Includes Carbon Dioxide (CO_2), Methane (CH_4) and Nitrous Oxide (N_2O)	Calculated according to Defra Guidelines	67	**55**	6	**5**

1 Normalised based on annual revenue for the respective years.
The above information is based on UK Government Environmental Key Performance Indicators: Reporting Guidelines for UK Business (2006). Figures are rounded up.

Health and Safety

The Board recognises the prime importance of maintaining high standards of health and safety and healthy working conditions for staff, customers, visitors, contractors and other people who may be affected by our business activities.

Lok'nStore has a Health and Safety Committee which meets to discuss issues relevant to Health and Safety within the Group under the overall supervision of Ray Davies, who carries Board responsibility for risk management. This meeting is chaired by the Facilities Manager, with the Committee comprising of three other staff members who each hold the position for one year.

The Health and Safety policy is reviewed by the Facilities Manager on an annual basis. It is also amended to include changes to Health and Safety Law as they occur. The Health and Safety policy clearly sets out the duties and responsibilities of the Chief Executive Officer, Managers and all staff within the Group.

Employee Benefit Trust

The Employee Benefit Trust owns 623,212 shares (2010: 623,212), the costs of which are shown as a deduction from shareholders' funds. The Company is holding in treasury a total of 1,142,000 of its own Ordinary Shares of 1 pence each with an aggregate nominal value of £11,420 for an aggregate cost of £2,092,902. At 31 July 2011 these treasury shares represent 4.27% of the Company's issued share capital (2010: 4.27%). The total number of Ordinary Shares in issue is 26,758,865 (2010: 26,758,865).

Share Buy-back Authority

At the Company's AGM on 3 December 2010 shareholders approved renewal of the existing share buyback authority. This authority will be sought at the Company's Annual General Meeting again this year. The authority is restricted to a maximum of 5,845,299 Ordinary Shares, which is equivalent to 21.8% 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.

Further details of share capital are given in note 19.

Statement of Disclosure of Information to the Auditor

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 auditor is 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 9 December 2011 at 11.00 am at the offices of Maclay Murray Spens LLP, One London Wall, London EC2Y 5AB.

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor 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
4 November 2011

CORPORATE GOVERNANCE

Introduction

The Combined Code is intended to promote the principles of openness, integrity and accountability. The Group and Board fully support these principles. 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 and applied the principles that they consider relevant to the Group.

Narrative Statement

Directors

There is a Board of Directors, which is set up to control the Group 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 the Board 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 Chairman is not independent, as he is a substantial shareholder of the Company and was formerly the Chief Executive.

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.

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 is 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 Officer.

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 Review 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 are designed to ensure any fraud or mismanagement is quickly identified.

The Group has a whistle blowing 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 the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on cash balances of £3.8 million, undrawn committed facilities at 31 July 2011 of £11.9 million and cash generated from operations in the year to 31 July 2011 of £3.6 million (2010: £3.47 million). The financial statements show net current liabilities due to the previous bank facility being presented as a current liability at 31 July 2011. This facility has been renewed following the reporting date, as described in Note 30. The financial statements are therefore prepared on a going concern basis.

Audit Committee

The Company has an established Audit Committee, to whom the external auditor, Baker Tilly UK Audit LLP, reports. The Committee consists of E Luker (Chairman of the Committee) and CP Peal. It is responsible for the relationship with the Group's external auditor and the review of the Group's financial reporting and internal controls.

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

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

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditor 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 auditor's 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 auditor 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 auditor remains 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 (June 2006) 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.

On behalf of the Board

Simon G Thomas
Chairman
4 November 2011

DIRECTORS' RESPONSIBILITIES
IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information on the Lok'nStore Group plc websites.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOK'NSTORE GROUP PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 32 to 68. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As more fully explained in the Directors' Responsibilities Statement on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 July 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Euan Banks (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
EC4A 4AB

4 November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2011

	Notes	Year ended 31 July 2011 £	Year ended 31 July 2010 £
Revenue	1a	**10,845,926**	10,420,440
Cost of sales of retail products	2a	**(227,469)**	(225,049)
Property and premises costs	2b[1]	**(3,434,558)**	(3,467,011)
Staff costs	2b[1]	**(2,885,424)**	(2,702,965)
General overheads	2b[1]	**(1,017,030)**	(1,090,818)
EBITDA[2]		**3,281,445**	2,934,597
Depreciation based on historic cost		**(1,354,088)**	(1,574,470)
Additional depreciation based on revalued assets		**(261,780)**	(258,007)
		(1,615,868)	(1,832,477)
Loss on sale of motor vehicle		**–**	(452)
Equity settled share-based payments	20	**(99,639)**	(181,436)
		(1,715,507)	(2,014,365)
Operating profit[1]		**1,565,938**	920,232
Professional costs of acquisition of Saracen Datastore Limited	2c	**(129,208)**	–
Profit before interest		**1,436,730**	920,232
Finance income	3	**24,063**	18,979
Finance cost	4	**(522,513)**	(508,687)
Profit before taxation	5	**938,280**	430,524
Income tax expense	7	**(51,977)**	(209,400)
Profit for the financial year		**886,303**	221,124
Profit/(loss) attributable to:			
Owners of the parent	26	**892,514**	221,124
Non-controlling interest		**(6,211)**	–
		886,303	221,124
Other Comprehensive Income			
(Decrease)/increase in asset valuation		**(2,494,416)**	2,454,580
Deferred tax relating to decrease/(increase) in asset valuation		**1,216,374**	(388,426)
Other comprehensive income for the year net of tax		**(1,278,042)**	2,066,154
Total comprehensive income for the year			
Attributable to:			
Owners of the parent		**(385,528)**	2,287,278
Non-controlling interest		**(6,211)**	–
		(391,739)	2,287,278
Earnings per share			
Basic	9	**3.57p**	0.88p
Diluted	9	**3.54p**	0.88p

1 The presentation of these figures has been amended as fully explained in note 2(b).
2 EBITDA and operating profit are defined in the accounting policies section of the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2011

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained earnings £	Attributable to owners of the parent £	Non controlling interest £	Total equity £
1 August 2009	**267,589**	**698,044**	**13,159,539**	**19,758,314**	**3,088,522**	**36,972,008**	**–**	**36,972,008**
Profit for the year	–	–	–	–	221,124	221,124	–	**221,124**
Other comprehensive income:								
Increase in asset valuation	–	–	–	2,454,580	–	2,454,580	–	**2,454,580**
Deferred tax relating to increase in asset valuation	–	–	–	(388,426)	–	(388,426)	–	**(388,426)**
	–	–	–	2,066,154	–	2,066,154	–	**2,066,154**
Total comprehensive income	–	–	–	2,066,154	221,124	2,287,278	–	**2,287,278**
Transactions with owners:								
Dividend paid	–	–	(332,416)	–	–	(332,416)	–	**(332,416)**
	–	–	(332,416)	–	–	(332,416)	–	**(332,416)**
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(188,346)	188,346	–	–	**–**
Equity settled share-based payments	–	–	181,436	–	–	181,436	–	**181,436**
31 July 2010	**267,589**	**698,044**	**13,008,559**	**21,636,122**	**3,497,992**	**39,108,306**	**–**	**39,108,306**
Profit/(loss) for the year	–	–	–	–	892,514	892,514	(6,211)	**886,303**
Other comprehensive income:								
Decrease in asset valuation	–	–	–	(2,494,416)	–	(2,494,416)	–	**(2,494,416)**
Deferred tax relating to decrease in asset valuation	–	–	–	1,216,374	–	1,216,374	–	**1,216,374**
	–	–	–	(1,278,042)	–	(1,278,042)	-	**(1,278,042)**
Total comprehensive income	–	–	–	(1,278,042)	892,514	(385,528)	(6,211)	**(391,739)**
Transactions with owners:								
Non-controlling interest arising on acquisition of subsidiary	–	–	–	–	–	–	260,154	**260,154**
Dividend paid	–	–	(249,936)	–	–	(249,936)	–	**(249,936)**
	–	–	(249,936)	–	–	(249,936)	260,154	**10,218**
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(196,335)	196,335	–	–	**–**
Equity settled share-based payments	–	–	99,639	–	–	99,639	–	**99,639**
31 July 2011	**267,589**	**698,044**	**12,858,262**	**20,161,745**	**4,586,841**	**38,572,481**	**253,943**	**38,826,424**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2011

	Share capital £	Retained earnings £	Share premium £	Other reserves £	Total £
1 August 2009	**267,589**	**–**	**698,044**	**6,864,244**	**7,829,877**
Loss for the year	**–**	**(168,652)**	**–**	**–**	**(168,652)**
Dividend paid	–	–	–	(332,416)	(332,416)
Total transactions with owners	–	–	–	(332,416)	(332,416)
Equity settled share-based payments	–	–	–	181,436	181,436
31 July 2010	**267,589**	**(168,652)**	**698,044**	**6,713,264**	**7,510,245**
Loss for the year	**–**	**(168,886)**	**–**	**–**	**(168,886)**
Dividend paid	–	–	–	(249,936)	(249,936)
Total transactions with owners	–	–	–	(249,936)	(249,936)
Equity settled share-based payments	–	–	–	99,639	99,639
31 July 2011	**267,589**	**(337,538)**	**698,044**	**6,562,967**	**7,191,062**

STATEMENTS OF FINANCIAL POSITION

31 JULY 2011

COMPANY REGISTRATION NO. 4007169

	Notes	Group 31 July 2011 £	Group 31 July 2010 £	Company 31 July 2011 £	Company 31 July 2010 £
Assets					
Non-current assets					
Intangible assets	11a	**4,418,718**	–	**–**	–
Property, plant and equipment	11b	**69,174,548**	72,180,099	**–**	–
Property lease premiums	11c	**2,944,103**	2,860,781	**–**	–
Investments	12	**–**	–	**1,590,121**	1,490,482
Amounts due from subsidiary undertakings	31	**–**	–	**5,600,941**	6,019,763
		76,537,369	75,040,880	**7,191,062**	7,510,245
Current assets					
Inventories	13	**110,414**	70,085	**–**	–
Trade and other receivables	14	**1,821,002**	1,190,756	**–**	–
Cash and cash equivalents		**3,778,524**	5,364,031	**–**	–
		5,709,940	6,624,872	**–**	–
Total assets		**82,247,309**	81,665,752	**7,191,062**	7,510,245
Liabilities					
Current liabilities					
Trade and other payables	15	**(4,655,796)**	(3,674,438)	**–**	–
Current tax liabilities		**(59,605)**	–	**–**	–
Borrowings	17	**(28,124,041)**	–	**–**	–
		(32,839,442)	(3,674,438)	**–**	–
Non-current liabilities					
Borrowings	17	**(26,342)**	(28,036,885)	**–**	–
Deferred tax	18	**(10,555,101)**	(10,846,123)	**–**	–
		(10,581,443)	(38,883,008)	**–**	–
Total liabilities		**(43,420,885)**	(42,557,446)	**–**	–
Net assets		**38,826,424**	39,108,306	**7,191,062**	7,510,245
Equity					
Equity attributable to owners of the parent					
Called up share capital	19	**267,589**	267,589	**267,589**	267,589
Share premium		**698,044**	698,044	**698,044**	698,044
Other reserves	25	**12,858,262**	13,008,559	**6,562,967**	6,713,264
Retained earnings	26	**4,586,841**	3,497,992	**(337,538)**	(168,652)
Revaluation reserve		**20,161,745**	21,636,122	**–**	–
Total equity attributable to owners of the parent		**38,572,481**	39,108,306	**7,191,062**	7,510,245
Non-controlling interests		**253,943**	–	**–**	–
Total equity		**38,826,424**	**39,108,306**	**7,191,062**	**7,510,245**

Approved by the Board of Directors and authorised for issue on 4 November 2011 and signed on its behalf by:

A Jacobs
Chief Executive Officer

R Davies
Finance Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2011

	Notes	Year ended 31 July 2011 £	Year ended 31 July 2010 £
Operating activities			
Cash generated from operations	28a	**3,599,559**	3,466,294
Net cash from operating activities		**3,599,559**	3,466,294
Investing activities			
Purchase of property, plant and equipment and property lease premiums		**(786,678)**	(555,104)
Acquisition of subsidiary (net of cash acquired)	10	**(3,563,254)**	–
Proceeds from disposal of property, plant and equipment		**–**	2,900
Interest received		**24,063**	18,979
Net cash used in investing activities		**(4,325,869)**	(533,225)
Financing activities			
Repayment of borrowings – subsidiary bank loan		**(39,458)**	–
Interest paid		**(569,803)**	(465,353)
Equity dividends paid		**(249,936)**	(332,416)
Net cash used in financing activities		**(859,197)**	(797,769)
Net (decrease) / increase in cash and cash equivalents in the year		**(1,585,507)**	2,135,300
Cash and cash equivalents at beginning of the year		**5,364,031**	3,228,731
Cash and cash equivalents at end of the year		**3,778,524**	5,364,031

No statement of cash flows is presented for the Company as it had no cash flows in either year.

ACCOUNTING POLICIES

General Information

Lok'nStore plc is an AIM listed company incorporated and domiciled in England and Wales. The address of the registered office is One London Wall, London EC2Y 5AB, UK. Copies of this Annual Report and Accounts may be obtained from the Company's head office at 112, Hawley Lane, Farnborough, Hants, GU14 8JE, or the investor section of the Company's website at http://www.loknstore.com.

Basis of Accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') Interpretations as adopted by the European Union and comply with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretation Committee relevant to its operations and effective for accounting periods beginning on or after 1 August 2010.

The financial statements have been prepared on the historic cost basis except that certain trading properties are stated at fair value.

Adoption of New and Revised Standards

Standards Effective for the Current Year

The adoption of the following standards and amendments has not had any significant impact on the financial statements of the Group:

IFRS 1	First-time Adoption of IFRS – Amendment; Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IAS 24	Revised IAS 24 Related Party Disclosures
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IFRIC 14	Amendment – Prepayments of a Minimum Funding Requirement

Annual improvements projects April 2009 and May 2010.

Standards in Issue but Not Yet Effective

At the date of approval of these financial statements, the following Standards and Interpretations which were in issue but not yet effective:

IFRS 7[1]	Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets. Effective for accounting periods commencing on or after 1 July 2011.
IFRS 1[1]	First-time Adoption of IFRS – Amendment; Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. Effective for accounting periods commencing on or after 1 July 2011.
IAS 12[1]	Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets. Effective accounting periods commencing on or after 1 January 2012.
IFRS 9[1]	Financial Instruments. Effective accounting periods commencing on or after 1 January 2013.
IFRS 10[1]	Consolidated Financial Statements. Effective accounting periods commencing on or after 1 January 2013.
IFRS 11[1]	Joint Arrangements. Effective accounting periods commencing on or after 1 January 2013.
IFRS 12[1]	Disclosure of Interests in Other Entities. Effective accounting periods commencing on or after 1 January 2013.
IFRS 13[1]	Fair Value Measurement. Effective accounting periods commencing on or after 1 January 2013.
IAS 27[1]	Separate Financial Statements (as amended 2011). Effective accounting periods commencing on or after 1 January 2013.
IAS 28[1]	Investments in Associates and Joint Ventures (as amended 2011). Effective accounting periods commencing on or after 1 January 2013.

1 Not yet endorsed by the EU.

The Directors do not anticipate that the adoption of these Standards will have a significant impact on the financial statements of the Group.

There were no other Standards or Interpretations, which were in issue but not yet effective at the date of authorisation of these financial statements, that the Directors anticipate will have a material impact on the financial statements of the Group.

Basis of Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is obtained (the acquisition date) up until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Subsequent changes in provisional fair values are recognised through profit or loss.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill. Other changes in contingent consideration are recognised through profit or loss, unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

Non-controlling interests are measured at the proportionate share of its identifiable net assets.

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

Intra-group transactions, balances, and unrealised gains and losses on transactions between Group companies are eliminated on consolidation, except to the extent that intra-group losses indicate an impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest and the fair value of any previous interest in the acquired entity over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset.

Any deficiency of the consideration transferred, the amount of any non-controlling interest and the fair value of any previous interest in the acquired entity below the fair value of identifiable assets and liabilities of a subsidiary (i.e. discount on acquisition) is recognised directly in profit or loss.

Goodwill is reviewed for impairment at least annually. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units, and goodwill is allocated to these units. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses in relation to goodwill are recognised immediately in profit or loss and are not reversed in the subsequent period.

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

When determining whether goodwill is impaired, the carrying value of the cash generating unit is adjusted to include the goodwill attributable to the non-controlling interest when the non-controlling interest has been measured as a proportionate share of the net identifiable assets of the subsidiary.

Non-controlling Interests

Profit or loss and each component of other comprehensive income are allocated between the owners of the parent and non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any differences between the adjustment to the non-controlling interest and the fair value of consideration paid or received are recognised in equity.

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 the Group have adequate resources and facilities to continue in operational existence for the foreseeable future based on cash balances and cash equivalents of £3.8 million, and drawn committed bank facilities at 31 July 2011 of £11.9 million and cash generated from operations in the year to 31 July 2011 of £3.6 million (2010: £3.47 million). The financial statements show net current liabilities due to the previous bank facility being presented as a current liability at 31 July 2011. This facility has been renewed following the reporting date, as described in Note 30. The financial statements are therefore prepared on a going concern basis.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for goods and services provided in the ordinary course of the Group's activities, net of discount, VAT and after eliminating sales within the Group.

The Group recognises revenue when the amount of the revenue can be reliably measured and when goods are sold and title has passed. Revenue from services provided is recognised evenly over the period in which the services are provided.

a) Self-storage revenue
   Self-storage services are provided on a time basis. The price at which customers store their goods is dependent on size of unit and store location. Customers are invoiced on a four-weekly cycle in advance and revenue is recognised based on time stored to date within the cycle. When customers vacate they are rebated the unexpired portion of their four weekly advance payment (subject to a seven day notice requirement).
b) Retail sales
   The Group operates a 'pack shop' within each of its storage centres for selling storage related goods such as boxes, tape and bubble-wrap. Sales include sales to the public at large as well as self-storage customers. Sales of goods are recognised at point of sale when the product is sold to a customer.
c) Insurance
   Customers may choose to insure their goods in storage. The weekly rate of insurance charged to customers is calculated based on the tariff per week for each £1,000 worth of goods stored by the customer. This charge is retained by Lok'nStore and covers the cost of Lok'nStore purchase of the block policy and other costs. This total amount is credited to revenue and forms a proportion of the 'Other storage related revenue' disclosed in Note 1a of the financial statements. Customers are invoiced on a four-weekly basis for the insurance cover they use and revenue is recognised based on time stored to date within the cycle.

d) Van hire
The utilisation of vans and their hire to customers is solely to promote and encourage prospective customers to use our self-storage centres and to facilitate their moves as efficiently as possible. Vans are hired out typically for a day and only to Lok'nStore customers and are not hired out to the general public at large. Revenue is recognised at the point of hire when the deposit is taken.

e) Management fee income
Management fees earned for managing stores not owned by the Group are recognised over the period for which the services are provided.

f) Serviced archive and records management
Customers are invoiced typically monthly in advance for the archive storage of their boxes, tape and files and revenue is recognised based on time stored to date within the monthly cycle. In respect of the provision of additional services, such as document box or tape collection and retrieval from archive, customers are invoiced typically monthly in arrears and revenue is recognised in line with the provision of these services.

Segmental Information

In accordance with the requirements of IFRS8 Operating Segments, the Group has reviewed its identifiable business segments and the information used and provided internally to the Board, which is considered to be the Chief Operating Decision Maker, in order to make decisions about resource allocation and performance management. Historically, there has been one business segment as the Group's net assets, revenue and profit before tax were attributable to one principal activity operating under one unified business, being the provision of self-storage accommodation and related services. These all arise in the United Kingdom.

Following the acquisition of Saracen Datastore Limited on 30 June 2011 the Group is now also involved in offsite records storage and document and tape archiving. Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity. Accordingly this has required a modification to the presentation of the segmental information as disclosed under note 1b.

Bank Borrowings and Finance Costs

Interest-bearing bank loans are recorded at the proceeds received net of direct issue costs. Fees payable on arrangement are accounted for on an accruals basis in profit or loss and are amortised against the carrying value amount of the loan over the entire period of the loan.

Borrowing costs are recognised in profit or loss in the year in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete.

The Group's date of adoption was 1 August 2009, (the first annual period commencing after the IAS 23 (Revised) Borrowing Costs effective date of 1 January 2009). All of the Group's current qualifying assets predate the date of adoption and accordingly, under the transitional adoption arrangements, no borrowing costs have been capitalised in the current year or in prior years.

EBITDA

Earnings before interest, tax, depreciation and amortisation ('EBITDA'), is defined as profits from operations before all depreciation charges, losses or profits on disposal, share-based payments, acquisition costs, finance income, finance costs and taxation.

Store EBITDA

Store EBITDA is defined as EBITDA (see above) but before central and head office costs.

Operating Profit

Operating profit is defined as profits from operations after all costs except acquisition costs, finance income, finance costs and taxation.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may not be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the 'balance sheet liability method'. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences are utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income.

ACCOUNTING POLICIES
CONTINUED

Retirement Benefits
The amount charged to profit or loss in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. There are no defined benefits schemes.

Equity Share-based Payments
The cost of providing share-based payments to employees is charged to profit or loss over the vesting period of the related share options. The cost is based on the fair value of the options determined using the Black-Scholes 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.

Advantage has been taken of the exemption available in IFRS2 – Share-based payments to exclude share options granted before 7 November 2002.

Property Lease Premiums
Costs relating to the acquisition of long leases are classified as a non-current asset in the statement of financial position. Costs may include lease premiums paid on entering such a lease and other related costs.

Property, Plant and Equipment
Freehold properties and long leasehold properties (classified as finance leases) are measured at fair value. A comprehensive external valuation is performed at each reporting date.

Fixtures, fittings and equipment, computer equipment and motor vehicles are carried out at cost less accumulated depreciation.

Assets in the course of construction and land held for pipeline store development ('development property assets') are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on all property, plant and equipment other than freehold land and development property assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life as follows:

Freehold property	over 50 years straight line
Long leasehold property	over unexpired lease period or renewal term
Short leasehold improvements	over unexpired lease period or renewal term
Fixtures, fittings and equipment	10% to 15% reducing balance
Computer equipment	over two years straight line
Motor vehicles	25% reducing balance

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The additional depreciation arising from the revaluation of freehold and long leasehold properties is separately presented on the face of the statement of comprehensive income and transferred from the revaluation reserve to retained earnings each year.

Intangible Assets
Customer relationships acquired in a business combination are measured initially at fair value and are subsequently amortised on a straight-line basis over their estimated useful lives (20 years). Customer relationship assets are impaired if the relationship with the customer ceases.

Impairment of Property, Plant and Equipment and Intangible Assets
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 profit or loss in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to profit or loss on a straight-line basis over the lease term. Payments made on entering into or acquiring a leasehold that is accounted for as an operating lease are amortised over the lease term once the property is brought into use.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based upon estimated selling prices less any costs of disposal. Provision is made for obsolete and slow moving items.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Derivative Financial Instruments and Hedge Accounting
The Group's activities expose it primarily to the financial risks of interest rates. Currently the Group does not undertake any hedging activities or use any derivative financial instruments, although the Board keeps hedging policy actively under review in order to maintain a balance between flexibility and the hedging of interest rate risk.

Loans and Receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Liabilities and Equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Interest bearing loans and overdrafts are initially measured at fair value net of direct transaction costs and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

Trade payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest rate method.

Impairment of Financial Assets
Financial assets are assessed for indications of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows from the asset have been reduced.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and Cash Equivalents
Cash and cash equivalents comprises cash and short-term deposits and other short term highly liquid investments that are readily convertible to a known amount of cash. The carrying amounts of these assets approximate to their fair value and the risk of changes in value is not significant.

Net Debt
Net debt comprises the borrowings of the Group less cash and liquid resources.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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.

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

Critical Accounting Estimates and Judgements
The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimate of Fair value of Trading Properties

The Group values its self-storage stores using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions underlying management's estimation of the fair value are those relating to stabilised occupancy levels; expected future growth in storage rents and operating costs, maintenance requirements, capitalisation rates and discount rates. A more detailed explanation of the background and methodology adopted in the valuation of the Group's trading properties is set out in note 11(b). The carrying value of freehold properties held at valuation at the reporting date was £55.7 million (2010: £59.4 million) as shown in the table on page 15.

Cushman & Wakefield's ('C&W's') valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn which have caused a low number of transactions in the market for self-storage property.

C&W note that although there were a number of transactions in 2007, the only two significant transactions since 2007 are the sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008 and the sale of the former Keepsafe portfolio by Macquarie to Alligator Self-Storage which was completed in January 2010. C&W observe that in order to provide a rational opinion of value at the present time it is necessary to assume that the self-storage sector will continue to perform in a way not greatly different from that being anticipated prior to the 'credit crunch'. However, ('C&W') have reflected negative sentiment in their capitalisation rates and they have reflected current trading conditions in their cash flow projections for each property. C&W state that there is therefore greater uncertainty attached to their opinion of value than would be anticipated during more active market conditions.

The Board concur with this view.

b) Assets in the Course of Construction and Land Held for Pipeline Store Development ('Development property assets')

The Group's development property assets are held in the statement of financial position at historic cost and are not valued externally. In acquiring sites for redevelopment into self-storage facilities, the Group estimates and makes judgements on the potential net lettable storage space that it can achieve in its planning negotiations, together with the time it will take to achieve maturity occupancy level. In addition, assumptions are made on the storage rent that can be achieved at the store by comparison with other stores within the portfolio and within the local area. These judgements, taken together with estimates of operating costs and the projected construction cost, allow the Group to calculate the potential net operating income at maturity, projected returns on capital invested and hence to support the purchase price of the site at acquisition. Following the acquisition, regular reviews are carried out taking into account the status of the planning negotiations, and revised construction costs or capacity of the new facility, for example, to make an assessment of the carrying value of the development property at historic cost. The Group reviews all development property assets for impairment at each reporting date in the light of the results of these reviews. Once a store is opened, then it is valued as a trading store. Freehold stores are carried at valuation in the statement of financial position. Stores in short leasehold properties are held under operating leases and are carried at cost rather than valuation in accordance with IFRS.

The Group holds planning permissions on all of its pipeline sites as a result of the painstaking and detailed work undertaken to complete the pre-planning and planning phases required on each site. During this year it has been engaged with the four sites to see how the potential of the existing permissions could be further maximised. The movement in costs is as a result of this work.

The carrying value of development property assets at the reporting date was £11.5 million (2010: £10.8 million) of which £2.94 million relating to the long lease at Maidenhead was classified as a property lease premium in the reporting (2010: £2.86 million).

c) Estimate of Fair Value of Intangible Assets Acquired in Business Combination

The relative size of the Group's intangible assets, excluding goodwill, makes the judgements surrounding the estimated useful lives important to the Group's financial position and performance. At 31 July 2011 intangible assets, excluding goodwill, amounted to £3.3 million (2010: £ nil) and represented 4.3% of the Group's total reported assets.

The valuation method used and key assumptions are described in note 11(b).

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The estimated useful life of customer relationships of 20 years principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. Typically, the customer base for a serviced archive business is very inert. Corporate customers do not tend to switch service providers and indeed they incur box withdrawal charges should they do so. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

d) Dilapidations

The Group has a number of stores operating under leasehold tenure. From time to time, in accordance with the Group's stated objective to maximise shareholder value, it may choose not to renew a lease, particularly where alternative premises have been sourced and customers can be moved into the new premises. In these circumstances the Group may incur repairing and decoration liabilities ('dilapidations') based on the tenant's obligation to the landlord to keep the leasehold premises in good repair and decorative condition. Landlords in these circumstances will normally serve a schedule of dilapidations on the tenant setting out a list of items to be remedied. This may also refer to obligations on the tenant to reinstate any alterations works previously undertaken by the tenant under a Licence for Alterations. Such claims will always be negotiated robustly by Lok'nStore and may require legal, valuation and surveyors' expertise, particularly if it can be shown that the landlord's interest in the premises has not been diminished by the dilapidations. As such, evaluations of actual liabilities are always a critical judgement and any sums provided to be set aside can only be an estimate until a settlement is concluded.

The carrying value of the provision for dilapidations at the reporting date was £nil (2010: £nil).

1a Revenue

Analysis of the Group's operating revenue is shown below:

	2011 £	2010 £
Stores trading		
Self-storage revenue	9,522,818	9,259,949
Other storage related revenue	1,059,990	1,034,889
Ancillary store rental revenue	5,217	5,217
Management fees	21,220	21,622
Subtotal	10,609,245	10,321,677
Stores under development		
Non-storage income	92,450	98,763
Subtotal	10,701,695	10,420,440
Serviced archive and records management revenue	144,231	–
Total revenue per statement of comprehensive income	10,845,926	10,420,440

1b Segmental Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. Historically, there has been one business segment as the Group's net assets, revenue and profit before tax were attributable to one principal activity, the provision of self-storage accommodation and related services.

Following the purchase of Saracen Datastore Limited on 30 June 2011, the Group also provides offsite records storage and document and tape archiving services. The acquisition broadens the offering to clients and is seen as an excellent entry point to a wide market segment complimenting Lok'nStore's existing self-storage activities.

All of the Group's activities occur in the United Kingdom.

Financial information is reported to the Board with revenue and profit analysed between self-storage activity and serviced archive and records management activity.

Segment revenue comprises of sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before acquisition costs, finance income, finance costs and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the Board uses a measure of adjusted EBITDA (as defined in the accounting policies) and reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments. Assets that are used jointly by segments are allocated to the individual segments on a basis of revenues earned. All liabilities are allocated to individual segments other than borrowings and tax. Information is reported to the Board of Directors on a product basis as management believe that the activity of self-storage and the activity of serviced archive and records management exposes the Group to differing levels of risk and rewards due to the length, nature seasonality and customer base of their respective operating cycles.

The segment information for the year ended 31 July 2011 is as follows:

	Self-storage 2011 £	Serviced archive & records management 2011 £	Total 2011 £
Total segment revenue	10,701,695	144,231	10,845,926
Revenue from external customers	10,701,695	144,231	10,845,926
Adjusted EBITDA	3,324,938	(43,493)	3,281,445
Depreciation	(1,608,652)	(7,216)	(1,615,868)
Equity settled share-based payments	(99,639)	–	(99,639)
Segment profit	1,616,647	(50,709)	1,565,938
Central costs not allocated to segments:			
Acquisition costs			(129,208)
Finance income			24,063
Finance costs			(522,513)
Income tax expense			(51,977)
Consolidated profit for the financial year			886,303

1b Segmental Information continued

Sales between segments are carried out at arm's length. The serviced archive segment with over 300 customers has a greater customer concentration with its 10 largest corporate customers accounting for 40% of revenue and its top 50 delivering 71.1% of revenue. The self-storage segment with over 6,700 customers has no individual self-storage customer accounting for more than 1% of total revenue and no group of entities under common control (e.g. Government) accounts for more than 10% of total revenues.

	Self-Storage 2011 £	Serviced archive & records management 2011 £	Total 2011 £
Segment and total assets	77,153,652	5,093,657	**82,247,309**
Segment liabilities	(14,503,317)	(767,185)	**(15,270,502)**
Borrowings (not allocated to segment liabilities)	(28,071,905)	(78,478)	**(28,150,383)**
Total liabilities	(42,575,222)	(845,663)	**(43,420,885)**
Capital expenditure	673,812	29,543	**703,355**

The amounts presented to the Board with respect to total assets and total liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations of the segment.

The Group's interest bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

2a Cost of Sales of Retail Products

Cost of sales represents the direct costs associated with the sale of retail products (boxes, packaging etc.), the ancillary sales of insurance cover for customer goods and the provision of van hire services, all of which fall within the Group's ordinary activities.

	2011 £	2010 £
Retail	**132,936**	144,337
Insurance	**21,639**	21,190
Van Hire	**55,980**	59,522
	210,555	225,049
Serviced archive consumables	**16,914**	–
	227,469	225,049

2b Other Costs

	2011 £	2010 £
Property and premises costs	**3,434,558**	3,467,011
Staff costs	**2,885,424**	2,702,965
General overheads	**1,017,030**	1,090,818
	7,337,012	7,260,794

The presentation of these costs in the Consolidated Statement of Comprehensive Income has been amended. These costs were previously grouped in a single line called 'administrative expenses'. The Directors consider the amended presentation to provide more useful information and to be more appropriate to the business.

2c Costs of Acquisition of Saracen Datastore Limited

	2011 £	2010 £
Legal and professional fees	**129,208**	–
	129,208	–

3 Finance Income

	2011 £	2010 £
Bank interest	**24,063**	15,456
Other interest	**–**	3,523
	24,063	18,979

All interest receivable arises on cash and cash equivalents (see note 16).

4 Finance Costs

	2011 £	2010 £
Bank interest	**520,599**	508,687
Other interest	**1,914**	–
	522,513	508,687

All interest payable arises on bank loans classified as financial liabilities measured at amortised cost (see note 17).

5 Profit Before Taxation

	2011 £	2010 £
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
– owned assets	**1,615,868**	1,832,477
Operating lease rentals:		
– land and buildings	**1,397,032**	1,427,264
Amounts payable to Baker Tilly UK Audit LLP and their associates for audit and non-audit services		
Audit services		
– UK statutory audit of the Company and consolidated accounts	**41,000**	45,000
Other services		
The auditing of accounts of associates of the Company pursuant to legislation		
– audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP or its associates	**16,000**	5,000
Other services supplied pursuant to such legislation		
– interim review	**7,000**	7,000
Tax services		
– compliance services	**16,290**	16,000
– advisory services	**33,383**	55,290
Other services		
– work in respect of Company Share Incentive Plan (SIP)/CSOP	**1,000**	5,093
– acquisition and due diligence services	**40,750**	–
	155,423	133,383
Comprising		
Audit services	**57,000**	50,000
Non-audit services: Company and UK subsidiaries	**98,423**	83,383
	155,423	133,383

6 Employees

	2011 No.	2010 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**87**	83
Administration	**21**	19
	108	102

6 Employees continued

	2011 £	2010 £
Costs for the above persons:		
Wages and salaries	2,260,115	2,160,026
Social security costs	207,881	200,439
Pension costs	36,891	25,563
	2,504,887	2,386,028
Share-based remuneration (options)	99,639	181,436
	2,604,526	2,567,464

Share-based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £105,066 (2010: £104,259) have been capitalised as additions to property, plant and equipment as they are directly attributable to the acquisition of these assets. All other employee costs are included in administrative expenses in the statement of comprehensive income.

In relation to pension contributions, there was £3,408 (2010: £4,167) outstanding at the year-end.

Directors' Remuneration

2011	Emoluments £	Bonuses £	Benefits £	Sub total £	Gains on share options £	Total £
Executive						
A Jacobs	200,000	14,000	2,562	216,562	–	216,562
SG Thomas	50,000	3,500	2,674	56,174	–	56,174
RA Davies	96,750	10,000	1,732	108,482	–	108,482
CM Jacobs	54,500	4,500	2,182	61,182	–	61,182
Non-Executive						
RJ Holmes	20,000	–	–	20,000	–	20,000
ETD Luker	25,000	–	–	25,000	–	25,000
CP Peal	20,000	–	–	20,000	–	20,000
I Wright	–	–	–	–	–	–
	466,250	32,000	9,150	507,400	–	507,400

2010	Emoluments £	Bonuses £	Benefits £	Sub total £	Gains on share options £	Total £
Executive						
A Jacobs	190,000	8,000	2,157	200,157	–	200,157
SG Thomas	47,500	2,000	2,321	51,821	–	51,821
RA Davies	96,750	4,000	1,499	102,249	–	102,249
CM Jacobs	51,775	2,000	1,917	55,692	–	55,692
Non-Executive						
RJ Holmes	19,000	–	–	19,000	–	19,000
RW Jackson	7,500	–	–	7,500	–	7,500
ETD Luker	23,750	–	–	23,750	–	23,750
C P Peal	19,000	–	–	19,000	–	19,000
	455,275	16,000	7,894	479,169	–	479,169

During the year services totalling £302,896 (2010: £276,920) were provided by Value Added Services Limited ('VAS'), 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 but not included in the total employee costs above. There were performance bonuses earned and payable to VAS for the year of £17,500 (2010: £10,000). See note 31 on 'Related Party Transactions' for further information.

Pension contributions of £14,663 (2010: £8,944) were paid by the Group 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.

The number of Directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying service is one (2010: one).

7 Taxation

	2011 £	2010 £
Current tax:		
UK corporation tax at 27% (2010: 28%)	(13,054)	–
Deferred tax:		
Origination and reversal of temporary differences	451,412	310,269
Impact of change in tax rate on closing balance	(230,580)	(102,742)
Adjustments in respect of prior periods	(155,802)	1,873
Total deferred tax	65,031	209,400
Income tax expense for the year	51,977	209,400

The charge for the year can be reconciled to the profit for the year as follows:

	2011 £	2010 £
Profit before tax	938,280	430,524
Tax on ordinary activities at the standard rate of corporation tax in the UK of 27% (2010: 28%)	253,336	120,547
Expenses not deductible for tax purposes	3,263	7,823
Depreciation of non-qualifying assets	87,736	94,367
Share-based payment charges in excess of corresponding tax deduction	26,903	50,802
Impact of change in tax rate	(230,580)	(102,742)
Amounts not recognised in deferred tax	44,104	36,730
Utilisation of loss against pre-acquisition profits	27,653	–
Adjustments in respect of prior periods – deferred tax	(155,802)	1,873
Other	(4,636)	–
Income tax expense for the year	51,977	209,400
Effective tax rate	6%	49%

Non-deductible expenses consist mainly of depreciation charges on the Group's properties which do not qualify for tax allowances.

In addition to the amount charged to profit or loss for the year, deferred tax relating to the revaluation of the Group's properties amounting to £1,216,374 (2010: £388,426 debit) has been recognised as a credit directly in other comprehensive income (see note 18 on deferred tax).

8 Dividends

	2011 £	2010 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2009 (1 pence per share)	–	249,937
Interim dividend for the six months to 31 January 2010 (0.33 pence per share)	–	82,479
Final dividend for the year ended 31 July 2010 (0.67 pence per share)	167,457	–
Interim dividend for the six months to 31 January 2011 (0.33 pence per share)	82,479	–
	249,936	332,416

In respect of the current year, the Directors propose that a final dividend of 2.67 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £667,331 based on the number of shares currently in issue as adjusted for shares held in the Employee Benefits Trust and for shares held on treasury. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The ex-dividend date will be 16 November 2011; the record date 18 November 2011; with an intended payment date of 16 December 2011.

9 Earnings per Share

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

	2011 £	2010 £
Profit for the financial year attributable to owners of the Parent	892,514	221,124

	2011 No. of shares	2010 No. of shares
Weighted average number of shares		
For basic earnings per share	24,993,653	24,993,653
Dilutive effect of share options	201,741	49,502
For diluted earnings per share	25,195,394	25,043,155

623,212 (2010: 623,212) shares held in the Employee Benefit Trust and 1,142,000 (2010: 1,142,000) treasury shares are excluded from the above.

	2011	2010
Earnings/(loss) per share		
Basic	3.57p	0.88p
Diluted	3.54p	0.88p

10 Acquisition of Subsidiary

On 30 June 2011, Lok'nStore Limited acquired 90.6% of the issued share capital of Saracen Datastore Limited ('Saracen'), a company incorporated in England & Wales. Saracen provides serviced archive and records management solutions. The cash consideration was £3.7 million. Leo Kane, the incumbent Managing Director of Saracen who has been with the business since 1995, retains a 9.4% stake in Saracen and will continue in his current role. Andrew Jacobs and Ray Davies have joined the Saracen Board to provide the majority of the directors of the board of Saracen Datastore Limited which, together with Lok'nStore's majority shareholding, gives it control.

Saracen, which is headquartered in Leatherhead, was established in 1991 and has four sites across the South East of England providing over 100,000 sq ft of offsite records storage and document and tape archiving space. For the year ended 31 December 2010, Saracen achieved turnover of £1.6 million and adjusted EBITDA of £0.4 million. The acquisition broadens the offering to clients and the acquisition of Saracen is seen as an excellent entry point to a wide market segment complimenting Lok'nStore's existing self-storage activities. This acquisition extends our existing self-serve archive service which we provide to around 500 customers. The acquisition will add over 300 customers and the Directors believe that this will enhance the Group's focus on increasing cash generation from the business and value to shareholders.

The transaction has been accounted for using the acquisition method of accounting. The goodwill is attributable to the synergies that are expected to arise in the post-acquisition period and the skilled labour force of the acquired business. The Contractual customer relationships have been separately valued and included an assessment of the value of the skilled labour force.

None of the goodwill is expected to be deductible for income tax purposes. The following table summarises the consideration paid for Saracen and the amounts of assets and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Saracen.

10 Acquisition of Subsidiary continued

Net assets acquired

	Book Value £	Fair Value Adjustments £	31 July 2011 £
Assets			
Property, plant and equipment	401,377	–	401,377
Intangible assets – customer relationships	–	3,308,839	3,308,839
Inventories	8,956	–	8,956
Trade and other receivables	596,000	–	596,000
Cash and cash equivalents	87,156	–	87,156
Total assets	**1,093,489**	**3,308,839**	**4,402,328**
Liabilities			
Trade and other payables	(528,833)	–	(528,833)
Other payables	(20,682)	–	(20,682)
Current tax liabilities	(69,485)	–	(69,485)
Deferred tax liabilities (note 18)	(33,111)	–	(33,111)
Deferred tax liabilities arising on initial recognition of intangible assets (note 18)	–	(827,210)	(827,210)
Bank loan	(39,458)	–	(39,458)
Finance leases	(82,864)	–	(82,864)
Total liabilities	**(774,433)**	**(827,210)**	**(1,601,643)**
Fair value of identifiable assets and liabilities	**319,056**	**2,481,629**	**2,800,685**
Non-controlling interest	**(29,991)**	**(230,163)**	**(260,154)**
Goodwill	**–**	**1,109,879**	**1,109,879**
Total consideration	**289,065**	**3,361,345**	**3,650,410**

All of the gross contractual trade receivables at the acquisition date are expected to be collected.

Saracen Datastore Limited contributed £144,231 of revenue and £66,075 net loss for the period between the date of acquisition and the reporting date. Had the Saracen acquisition occurred on 1 August 2010 the Group's consolidated statement of comprehensive income would show revenue of £12.5 million and the Group's profit before tax would be £1.2 million.

11a Intangible Assets

Group	Goodwill £	Contractual customer relationships £	Total £
Net book value at 1 August 2009 and 1 August 2010	–	–	–
Acquisition of subsidiary – Saracen Datastore Limited (see Note 10)	1,109,879	3,308,839	4,418,718
Amortisation charge[1]	–	–	–
Net book value at 31 July 2011	**1,109,879**	**3,308,839**	**4,418,718**

All goodwill is allocated to the serviced archive cash-generating units (CGUs) identified as a separate business segment.

1 Due to the proximity of the acquisition to the reporting date, no amortisation was provided for in these financial statements. Amortisation for financial year 2012 will be charged based on a 20 year amortisation profile on cost less any impairment.

The fair value of the contractual customer relationships was estimated by using an income based approach and applying principles set down by the International Valuation Standards Council in Guidance Note 4 (Valuation of Intangible Assets).

The fair value estimates are based on:
– an assumed discount rate of 11%
– estimated useful lives of customer relationships of 20 years based on a substantially inert and contractually committed customer base. Customer relationship assets are/shall be subject to impairment if specific relationships with individual customers cease.
– long term sustainable growth rates of 2.75%
– an application of contributory asset charges ('CAC') recognising the contributions to cash flow from tangible assets, working capital and the workforce.
– a corporation tax rate of 26%

11b Property, Plant and Equipment

Group	Development property assets at cost £	Land and buildings at valuation £	Short leasehold improvements at cost £	Fixtures, fittings and equipment at cost £	Motor vehicles at cost £	Total £
Cost or valuation						
1 August 2009	**7,953,749**	**51,946,049**	**2,492,338**	**15,331,550**	**161,974**	**77,885,660**
Additions	36,114	161,297	47,231	275,329	550	520,521
Reclassification	(55,700)	55,700	–	–	–	–
Disposals	–	–	–	–	(5,000)	(5,000)
Revaluations	–	1,967,897	–	–	–	1,967,897
31 July 2010	**7,934,163**	**54,130,943**	**2,539,569**	**15,606,879**	**157,524**	**80,369,078**
Depreciation						
1 August 2009	–	–	1,156,558	5,647,369	40,904	6,844,831
Depreciation	–	486,683	193,475	1,125,870	26,449	1,832,477
Revaluations	–	(486,683)	–	–	–	(486,683)
Disposals	–	–	–	–	(1,646)	(1,646)
31 July 2010	**–**	**–**	**1,350,033**	**6,773,239**	**65,707**	**8,188,979**
Net book value at 31 July 2010	**7,934,163**	**54,130,943**	**1,189,536**	**8,833,640**	**91,817**	**72,180,099**
Cost or valuation						
1 August 2010	**7,934,163**	**54,130,943**	**2,539,569**	**15,606,879**	**157,524**	**80,369,078**
Additions	261,329	278,101	57,018	77,365	29,543	703,356
Assets acquired on acquisition of subsidiary	–	–	–	343,739	57,639	401,378
Reclassification	391,987	(391,987)	–	–	–	–
Disposals	–	–	–	–	–	–
Revaluations	–	(2,986,700)	–	–	–	(2,986,700)
31 July 2011	**8,587,479**	**51,030,357**	**2,596,587**	**16,027,983**	**244,706**	**78,487,112**
Depreciation						
1 August 2010	–	–	1,350,033	6,773,239	65,707	8,188,979
Depreciation	–	492,284	116,671	984,088	22,826	1,615,869
Revaluations	–	(492,284)	–	–	–	(492,284)
Disposals	–	–	–	–	–	–
31 July 2011	**–**	**–**	**1,466,704**	**7,757,327**	**88,533**	**9,312,564**
Net book value at 31 July 2011	**8,587,479**	**51,030,357**	**1,129,883**	**8,270,656**	**156,173**	**69,174,548**

If all property, plant and equipment was stated at historic cost the carrying value would be £44.8 million (2010: £45.2 million).

Additions of £0.3 million to development property assets includes professional costs incurred in maximising the potential of existing planning permissions on the Portsmouth North Harbour and Reading sites and additions of £0.3 million to land and buildings includes the costs of roof renovation with new solar power to the Poole store.

Property, plant and equipment (non-current assets) with a carrying value of £69.2 million (2010: £72.2 million) is pledged as security for bank loans (see note 17). The Maidenhead property (see note 11c) is also pledged as security for the bank loans.

The Swindon East and Swindon West units are leasehold stores, under common management, and are held at a combined carrying cost of £132,983 (2010: £206,861).The Swindon East/West stores remain under-performing relative to its peer group of stores over 250 weeks and all goodwill attaching to these stores was fully written off in 2008. Management has made an assessment of the current carrying value of its leasehold assets based on the likely cash flows generated by the stores over the next 20 years (the recoverable amount of a leasehold cash-generating unit based on a typical occupational lease term) as recorded in the Group's budgets and forecasts and based on a discount rate of 12% and an annual growth rate of 3%. Revenue and cost inflation was ignored. Accordingly it was determined that the carrying value of the Swindons' property plant and equipment is not impaired. Management will continue to keep this matter under review.

The net book value of assets held under finance leases at 31 July 2011 was £136,674 (2010: £nil) and the depreciation charge includes £2,908 in relation to these assets.

11b Property, Plant and Equipment continued

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2011, a professional valuation was prepared by external valuers Cushman & Wakefield LLP ('C&W') in respect of 11 freehold and seven leasehold properties. All of the leasehold properties are classified as operating leases and not revalued in the financial statements. The valuation was prepared in accordance with the RICS Valuation Standards, Global and UK 7th 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. The valuation was 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 been the signatories since January 2004.
- C&W have prepared seven 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 valuation for all properties valued of £68.0 million (2010: £70.2 million) of which £55.7 million (2010: £59.4 million) relates to freehold properties, and £12.3 million (2010: £10.8 million) relates to properties held under operating leases.

Freehold land and buildings are carried at valuation in the statement of financial position. Short leasehold improvements at properties held under operating leases are carried at cost rather than valuation in accordance with IFRS.

For the trading properties, the valuation methodology explained in more detail below is based on market value as fully equipped operational entities, having regard to trading potential. The total valuation of trading properties has therefore been allocated by the Directors between freehold properties and the fixtures, fittings and equipment in the valued properties which are held at cost. Of the £55.7 million valuation of the freehold properties £4.7 million relates to the net book value of fixtures, fittings and equipment, and the remaining £51.0 million relates to freehold properties.

The 2011 valuation includes and reflects movements in value which have resulted from the operational performance of the stores and movements in the investment environment. In relation to the existing store at Reading, although it currently has residential development potential following the grant of planning permission for 112 apartments with associated car parking and landscaping it remains an operating self-storage facility and has been valued as such. 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 stated at cost and any additional uplift based on the assumption that a substantial number of the existing store's customers will transfer to the new store when built has been ignored. A reclassification has been made in the PPE note to include the cost of the Reading development site in development assets. The valuations do not account for any further investment in existing stores since July 2011.

Valuation Methodology

Background

The USA has around 50,000 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 individually 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, student accommodation, licensed properties, marinas and petrol stations.

The UK self-storage sector differs from the USA in that the larger multiples control in the region of 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 was evidence of an increased number of transactions in 2007, albeit as corporate transactions rather than individual property sales. However, there have been very few transactions in 2008 and 2009 although there has been a renewal in activity in 2010.

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 Property

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.

11b Property, Plant and Equipment continued

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 subject to a cap and a collar. 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 17 trading stores (both freeholds and leaseholds) averages 70.16% (2010: 72.14%). 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, yields for other trading property types such as hotels and student housing, bank base rates, 10-year money rates, inflation and the available evidence of transactions in the sector. On average for the 17 stores the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 5.49% (2010: 5.68%). This rises to 11.72% (2010: 11.81%) 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 12.18% (2010: 12.20%).
e. Purchaser's costs of 5.80% have been assumed initially and sale plus purchaser's costs totalling 7.80% are assumed on the notional sales in the 10th year in relation to the freehold stores.

Leasehold Property

The same methodology has been used as for freehold property, 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 15 years and two months as at 31 July 2011 (13 years and two months as at 31 July 2010). Valuations for stores held under operating leases are not reflected in the statement of financial position and the assets in relation to these stores are carried at cost less accumulated depreciation.

Special Assumption – Lease Extension

One of the Group' leases has been renegotiated during the year and includes a 10 year option to renew the lease from March 2025 to March 2035. The option to extend is only operable in the event that all four of the leases are extended and is personal to Lok'nStore or another 'major self-storage operator', to be approved by the landlord (approval not to be unreasonably withheld). The valuation on the Special Assumption that the option to extend the lease for 10 years is reflected.

Market Uncertainty

C&W's valuation report comments on valuation uncertainty resulting from the recent global banking crisis coupled with the economic downturn which have caused a low number of transactions in the wider property market and in particular in the market for self-storage property.

Although there were a number of self-storage transactions in 2007, C&W have noted that the only significant transactions since 2007 are:
1. The sale of a 51% share in Shurgard Europe which was announced in January 2008 and completed on 31 March 2008;
2. The sale of the former Keepsafe portfolio by Macquarie to Alligator Self-Storage which was completed in January 2010; and
3. The purchase by Shurgard Europe of 80% interests held by its joint venture partner (Arcapita) in its two European joint venture vehicles, First Shurgard and Second Shurgard. The price paid was €172 million and the transaction was announced in March 2011. The two joint ventures owned 72 self-storage properties;

Due to the lack of comparable market information in the self-storage sector, C&W have therefore had to exercise more than the usual degree of judgement in arriving at their opinion of value.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgement must therefore be applied.

Prudent Lotting

C&W have assessed the value of each property individually. However, with regard to those stores with negative or low initial cash flow C&W have prepared their valuation on the assumption that were these properties to be brought to the market then they would be lotted or grouped for sale with other more mature assets of a similar type owned by the Company in such a manner as would most likely be adopted in the case of an actual sale of the interests valued. This lotting assumption has been made in order to alleviate the issue of negative or low short-term cash flow. C&W have not assumed that the entire portfolio of properties owned by the Group would be sold as a single lot and the value for the whole portfolio in the context of a sale as a single lot may differ significantly from the aggregate of the individual values for each property in the portfolio, reflecting prudent lotting as described above.

11c Property Lease Premiums

£2.9 million of costs relating to the long lease at Maidenhead is classified as a non-current asset in the statement of financial position (2010: £2.9 million). This represents a lease premium paid on entering the lease and other related costs. The lease runs until 31 March 2076. A peppercorn rent is payable until 2027 and a market rent thereafter.

Property lease premiums	31 July 2011 £	31 July 2010 £
Balance 1 August	**2,860,781**	2,826,199
Additions during the year	**83,322**	34,582
Balance 31 July	**2,944,103**	2,860,781

12 Investments

Investment in subsidiary undertakings	£
1 August 2009	**1,309,046**
Capital contributions arising from share-based payments	181,436
31 July 2010	**1,490,482**
Capital contributions arising from share-based payments	99,639
31 July 2011	**1,590,121**

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

		% of shares and voting rights held		
	Class of shareholding	Directly	Indirectly	Nature of business
Lok'nStore Limited	Ordinary	100	–	Self-storage
Lok'nStore Trustee Limited[1]	Ordinary	–	100	Trustee
Southern Engineering and Machinery Company Limited	Ordinary	100	–	Land
Semco Machine Tools Limited[2]	Ordinary	–	100	Dormant
Semco Engineering Limited[2]	Ordinary	–	100	Dormant
Saracen Datastore Limited[3]	Ordinary	–	90.6	Records Management & Serviced Archive Services

1 This company is a subsidiary of Lok'nStore Limited.
2 These companies are subsidiaries of Southern Engineering and Machinery Company Limited and did not trade during the year.
3 This company is a subsidiary of Lok'nStore Limited.

The fair value of these investments has not been disclosed because it cannot be measured reliably as there is no active market for these equity instruments. The Company currently has no plans to dispose of these investments.

13 Inventories

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Consumables and goods for resale	**110,414**	70,085	**–**	–

The amount of inventories recognised as an expense during the year was £149,843 (2010: £144,337).

14 Trade and Other Receivables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade receivables	**1,164,497**	794,131	**–**	–
Other receivables	**166,734**	47,483	**–**	–
Prepayments and accrued income	**489,771**	349,142	**–**	–
	1,821,002	1,190,756	**–**	–

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Trade Receivables

In respect of its self-storage business, the Group does not typically offer credit terms to its customers and hence the Group is not exposed to significant credit risk. All customers are required to pay in advance of the storage period. A late charge of 10% is applied to a customer's account if they are greater than 10 days overdue in their payment. The Group provides for receivables as a general provision based upon sales levels. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame, we have the right to sell the items they store to recoup the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

For individual self-storage customers, the Group does not perform credit checks, however this is mitigated by the fact that all customers are required to pay in advance, and also to pay a deposit of four weeks' storage income. Before accepting a new business customer who wishes to use a number of the Group's stores, the Group uses an external credit rating to assess the potential customer's credit quality and defines credit limits by customer. There are no customers who represent more than 5% of the total balance of trade receivables.

In respect of its serviced archive and records management business, customers are invoiced typically monthly in advance for the archive storage of their boxes, tape and files and the provision of additional services, such as document box or tape collection and retrieval from archive, customers are invoiced typically monthly in arrears. The serviced archive segment with over 300 customers has a greater customer concentration with its 10 largest corporate customers accounting for 40% of revenue.

Included in the Group's trade receivables balance are receivables with a carrying amount of £249,239 (2010: £54,568) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds a right of lien over the customers' goods if these debts are not paid. The average age of these receivables is 40 days past due (2010: 52 days past due).

Ageing of past due but not impaired receivables

	Group 2011 £	Group 2010 £
0–30 days	**114,326**	13,826
30–60 days	**93,044**	3,784
60+ days	**41,869**	36,958
Total	**249,239**	54,568

Movement in the allowance for doubtful debts

	Group 2011 £	Group 2010 £
Balance at the beginning of the year	**81,040**	91,846
Impairment losses recognised	**42,860**	12,758
Amounts written off as uncollectible	**(23,147)**	(23,564)
Balance at the end of the year	**100,753**	81,040

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further provision required in excess of the allowance for doubtful debts.

14 Trade and Other Receivables continued

Ageing of impaired trade receivables

	Group 2011 £	Group 2010 £
0–30 days	–	–
30–60 days	–	–
60+ days	100,753	81,040
Total	100,753	81,040

15 Trade and Other Payables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade payables	1,083,889	460,527	–	–
Taxation and social security costs	449,059	391,743	–	–
Other payables	912,805	957,352	–	–
Accruals and deferred income	2,210,043	1,864,816	–	–
	4,655,796	3,674,438	–	–

The Directors consider that the carrying amount of trade and other payables and accruals and deferred income approximates fair value.

16 Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity on page 30. The Group's banking facilities require that management give regular consideration to interest rate hedging strategy. The Group has complied with this during the year.

The Group's Board reviews the capital structure on an ongoing basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group seeks to have a conservative gearing ratio (the proportion of net debt to equity). The Board considers at each review the appropriateness of the current ratio in light of the above. The Board is currently satisfied with the Group's gearing ratio.

The gearing ratio at the year-end is as follows:

	Group 2011 £	Group 2010 £
Debt	(28,167,894)	(28,089,416)
Cash and cash equivalents	3,778,524	5,364,031
Net Debt	(24,389,370)	(22,725,385)
Statement of financial position equity	38,826,424	39,108,306
Net debt to equity ratio	62.8%	58.1%

The increase in the Group's gearing ratio arises through the combined effect of a decrease in net cash balances arising from the purchase of the Saracen Datastore business for cash of £3.65 million and partially offset by the cash generated from operations, and a decrease in the valuation of its freehold properties.

Exposure to credit and interest rate risk arises in the normal course of the Group's business. There are no foreign currency risks.

A Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it primarily to the financial risks of interest rates. Currently the Group does not undertake any hedging activities or use any derivative financial instruments although the Board keeps hedging policy in respect of interest rates actively under review in order to maintain a balance between flexibility and the hedging of interest rate risk.

B Debt Management

Debt is defined as non-current and current borrowings, as detailed in note 17. Equity includes all capital and reserves of the Group attributable to the owners of the parent. The Group is not subject to externally imposed capital requirements.

16 Financial Instruments continued

The Group borrows through a senior five year term revolving credit facility, arranged through The Royal Bank of Scotland plc secured on its existing store portfolio and other Group assets with a net book value of £82.2 million (2010: £81.7 million). Borrowings are arranged to ensure the Group fulfils its strategy of growth and development of its store portfolio and to maintain short-term liquidity. As at the reporting date the Group has a committed revolving credit facility of £40 million (2010: £40 million). This facility expires on 5 February 2012. Undrawn committed facilities at the year-end amounted to £11,910,584 (2010: £11,910,584). On 20 October 2011, the Group agreed a new senior five year term revolving credit facility with Lloyds TSB plc (see note 30, Events after the reporting date).

C Interest Rate Risk Management

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 18. 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 upward movement in the LIBOR rate.

The following interest rates applied during the financial year:

1 LIBOR plus a 1.25%–1.35% margin for the revolving advances amounting to £28.1 million.
2 0.25% for non-utilisation (i.e. that part of the facility which remains undrawn from time to time). From 30 June 2011, the non-utilisation charge increased from 0.25%–0.5%

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to 'one-day' or 'two-day' treasury deposits which attract interest at the prevailing money market rates. All amounts are denominated in Sterling. The balances at 31 July 2011 are as follows:

	Group 2011 £	Group 2010 £
Variable rate treasury deposits[1]	**3,537,605**	5,185,624
Bank deposits	**65,000**	–
Total deposits	**3,602,605**	5,185,624

1 Money market rates for the Group's variable rate treasury deposit track RBS base rate minus 0.05%. The rate attributable to the variable rate deposits at 31 July 2011 was 0.45%.

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 of the impact of movements in interest rates on gearing and interest cover.

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Hedging policy is kept under review to align with interest rate view and defined risk appetite. The Group has no interest rate derivatives in place.

D Interest Rate Sensitivity Analysis

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings, without jeopardising its flexibility. Over the longer term, permanent changes in interest rates may have an impact on consolidated earnings.

At 31 July 2011, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £276,266 (2010: £281,339) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £276,266 (2010: £281,339). There would have been no effect on amounts recognised directly in other comprehensive income. The sensitivity has been calculated by increasing by 1% the average variable interest rate applying to the variable rate borrowings in the year, namely 1.84% (2010: 1.81%).

E Cash Management and Liquidity

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note B above is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Short-term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

F Foreign Currency Management

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

16 Financial Instruments continued

G Credit Risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 14. The Group's self-storage business has no significant concentration of credit risk, with exposure spread across 6,700 customers in our stores and no individual customer accounts for more than 1% of revenue. The serviced archive business with over 300 customers has a greater concentration of credit risk with its 10 largest corporate customers accounting for 40% of revenue and its top 50 delivering 71.1% of revenue.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit-rating agencies, in line with the Group's policy which is to borrow from major institutional banks when arranging finance.

The Group's maximum exposure to credit risk at 31 July 2011 was £1,208,122 (2010: £833,185) on receivables and £3,778,524 (2010: £5,364,031) on cash and cash equivalents.

H Maturity Analysis of Financial Liabilities

The undiscounted contractual cash flow maturities are as follows:

2011 – Group

	Trade and other payables £	Borrowings £	Interest on borrowings £
From two to five years	–	–	–
From one to two years	–	26,342	6,093
Due after more than one year	–	26,342	6,093
Due within one year	2,817,741	28,141,552	282,001
Total contractual undiscounted cash flows	**2,817,741**	**28,167,894**	**288,094**

2010 – Group

	Trade and other payables £	Borrowings £	Interest on borrowings £
From two to five years	–	–	–
From one to two years	–	28,089,416	770,870
Due after more than one year	–	28,089,416	770,870
Due within one year	2,037,007	–	507,884
Total contractual undiscounted cash flows	**2,037,007**	**28,089,416**	**1,278,754**

The Group's only borrowings are through a senior five year term revolving credit facility of £40 million secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £82.2 million together with cross-company guarantees of Lok'nStore Limited.

I Fair Values of Financial Instruments

Categories of financial assets and financial liabilities	2011 £	2010 £
Financial assets		
Trade and other receivables	**1,208,122**	833,185
Cash and cash equivalents	**3,778,524**	5,364,031
Financial liabilities		
Trade and other payables	**(2,817,741)**	(2,037,007)
Bank loans	**(28,071,905)**	(28,036,885)
Finance leases	**(78,478)**	–

The fair values of the Group's cash and short-term deposits and those of other financial assets equate to their carrying amounts. The Group's receivables and cash and cash equivalents are all classified as loans and receivables and carried at amortised cost. Further details are set out in note 14. The amounts are presented net of provisions for doubtful receivables and allowances for impairment are made where appropriate. Trade and other payables and bank borrowings are all classified as financial liabilities measured at amortised cost.

16 Financial Instruments continued

J Company's Financial Instruments

The Company's only financial assets are amounts owed by subsidiary undertakings amounting to £5.6 million (2010: £6.02 million) which are classified as loans and receivables. These amounts are denominated in Sterling, are non-interest bearing, are unsecured and fall due for repayment within one year. No amounts are past due or impaired. The Company has no financial liabilities.

17 Borrowings

Non-current	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Bank loans repayable in more than two years but not more than five years				
Gross	–	28,089,416	–	–
Deferred financing costs	–	(52,531)	–	–
Bank loans repayable in more than two years but not more than five years				
Net borrowings	–	28,036,885	–	–
Finance lease liabilities	26,342	–	–	–
Non-current borrowings	26,342	28,036,885	–	–

Current	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Bank loans repayable in less than one year				
Gross	28,089,416	–	–	–
Deferred financing costs	(17,511)	–	–	–
Bank loans repayable in more than two years but not more than five years				
Net borrowings	28,071,905	–	–	–
Finance lease liabilities	52,136	–	–	–
Current borrowings	28,124,041	–	–	–

The bank loans are secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £82.2 million 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.

Refinancing of Banking Facilities

After the reporting date, the Group has negotiated a new five year £40 million revolving credit facility with Lloyds TSB plc. The revolving credit facility is for a five-year term and expires on 19 October 2016. The facility will be used to repay the existing RBS facility and provide working capital for the development of the business over the medium term. 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 2.35%–2.65% margin based on a loan to value covenant test while the interest cover and loan to value covenants are broadly in line with the previous facility.

Finance Lease Liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default and are as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Gross finance liabilities – minimum lease payments				
Within one year	66,323	–	–	–
Later than one year and no later than five years	32,434	–	–	–
Later than five years	–	–	–	–
	98,757	–	–	–
Future finance charges on finance leases	(20,279)	–	–	–
	78,478	–	–	–

17 Borrowings continued

The present value of finance lease liabilities is as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Gross finance liabilities – minimum lease payments				
Within one year	52,136	–	–	–
Later than one year and no later than five years	26,342	–	–	–
Later than five years	–	–	–	–
	78,478	–	–	–

18 Deferred Tax

Deferred tax liability	2011 £	2010 £
Liability at start of year	10,846,123	10,248,297
Charge to income for the year	65,031	209,400
Tax credited directly to other comprehensive income	(1,216,374)	388,426
Saracen acquisition – Initial recognition Intangibles	827,210	–
Saracen – other deferred tax recognised on acquisition	33,111	–
Liability at end of year	10,555,101	10,846,123

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the year:

	Accelerated capital allowances £	Tax losses £	Intangible Assets £	Other temporary differences £	Revaluation of properties £	Rolled over gain on disposal £	Total £
At 1 August 2009	1,461,400	(1,463,333)	–	18,825	7,683,637	2,547,768	10,248,297
Charge/(credit) to income for the year	18,271	370,607	–	(18,825)	(69,662)	(90,991)	209,400
Charge to other comprehensive income	–	–	–	–	388,426	–	388,426
At 31 July 2010	1,479,671	(1,092,726)	–	–	8,002,401	2,456,777	10,846,123
Charge/(credit) to income for the year	(206,073)	494,084	–	24,449	(65,445)	(181,984)	65,031
Charge to other comprehensive income	–	–	–	–	(1,216,374)	–	(1,216,374)
Saracen							
– Initial recognition Intangibles	–	–	827,210	–	–	–	827,210
– Recognised on acquisition	33,111	–	–	–	–	–	33,111
At 31 July 2011	1,306,709	(598,642)	827,210	24,449	6,720,582	2,274,793	10,555,101

At the reporting date, the Group has unused revenue tax losses of approximately £2.63 million (2010: £4.8 million) available to carry forward against future profits of the same trade. A deferred tax asset of £0.62 million (2010: £1.09 million) has been recognised in respect of such losses. This asset offsets against the deferred tax liability position in respect of accelerated capital allowances and other temporary differences. The losses can be carried forward indefinitely.

A potential deferred tax asset of £39,195 (2010: £8,000) arises in respect of the share options in existence at 31 July 2009 but has not been recognised in the accounts. No deferred tax asset arises in relation to the remainder of the share options as at 31 July 2011 as the share price at the year-end is below the exercise price of the options.

The UK's main rate of corporation tax is expected to reduce from 26% to 25% from 1 April 2012, thereafter tax rates are expected to reduce by 1% per year to 23% in 2014. Due to the difficulty of predicting the amount of capital expenditure over this period, it is not possible to accurately quantify the effect of the rate change on the deferred tax position over this period.

19 Share Capital

	2011 £	2010 £
Authorised:		
35,000,000 Ordinary Shares of 1 pence each (2010: 35,000,000)	**350,000**	350,000

	£	£
Allotted, issued and fully paid Ordinary Shares	**267,589**	267,589

Movement in issued share capital	Number	Called up, allotted and fully paid £
Number of shares at 31 July 2010 and 31 July 2011	**26,758,865**	267,589

The Company has one class of Ordinary Shares which carry no right to fixed income.

Following approval by shareholders of a special resolution at the AGM on 3 December 2010, the Company has authority to make market purchases of up to 5,845,299 shares. The authority expires at the conclusion of the next AGM, but is expected to be renewed at the next AGM.

20 Equity Settled Share-Based Payment Plans

The Group operates two equity-settled share-based payment plans, an approved and an unapproved share option scheme, the rules of which are similar in all material respects. The Enterprise Management Initiative Scheme ('EMI') is closed to new grants of options as the Company no longer meets the HMRC small company criteria.

The Company has the following share options:

Summary	As at 31 July 2010	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2011
Enterprise Management Initiative Scheme (refer note 22)	491,901	–	–	(142,735)	**349,166**
Approved Share Options Scheme (refer note 23)	–	–	–	–	**–**
Unapproved Share Options (refer note 24)	2,192,213	240,517	–	(268,344)	**2,164,386**
Approved CSOP Share Options (refer note 25)	179,019	62,983	–	(10,000)	**232,002**
Total	2,863,133	303,500	–	(421,079)	**2,745,554**
Options held by Directors	1,655,000	175,000	–	–	**1,830,000**
Options not held by Directors	1,208,133	128,500	–	(421,079)	**915,554**
Total	2,863,133	303,500	–	(421,079)	**2,745,554**

Summary	As at 31 July 2009	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2010
Enterprise Management Initiative Scheme (refer note 22)	491,901	–	–	–	491,901
Approved Share Options Scheme (refer note 23)	5,837	–	–	(5,837)	–
Unapproved Share Options (refer note 24)	2,086,906	126,981	–	(21,674)	2,192,213
Approved CSOP Share Options (refer note 25)	–	179,019	–	–	179,019
Total	2,584,644	306,000	–	(27,511)	2,863,133
Options held by Directors	1,490,000	175,000	–	(10,000)	1,655,000
Options not held by Directors	1,094,644	131,000	–	(17,511)	1,208,133
Total	2,584,644	306,000	–	(27,511)	2,863,133

20 Equity Settled Share-Based Payment Plans continued

The following table shows options held by Directors under all schemes.

2011	EMI Scheme Note 22	Approved Scheme Note 23	Unapproved Scheme Note 24	Approved CSOP share options Note 25	Total
Executive Directors					
A Jacobs	–	–	450,000	–	450,000
SG Thomas	–	–	450,000	–	450,000
RA Davies	98,039	–	478,431	23,530	600,000
CM Jacobs	79,173	–	191,082	24,745	295,000
Non-Executive Directors					
RJ Holmes	–	–	10,000	–	10,000
ETD Luker	–	–	15,000	–	15,000
CP Peal	–	–	10,000	–	10,000
I Wright	–	–	–	–	–
	177,212	–	1,604,513	48,275	1,830,000

2010	EMI Scheme Note 22	Approved Scheme Note 23	Unapproved Scheme Note 24	Approved CSOP share options Note 25	Total
Executive Directors					
A Jacobs	–	–	400,000	–	400,000
SG Thomas	–	–	400,000	–	400,000
RA Davies	98,039	–	428,431	23,530	550,000
CM Jacobs	79,173	–	166,082	24,745	270,000
Non-Executive Directors					
RJ Holmes	–	–	10,000	–	10,000
ETD Luker	–	–	15,000	–	15,000
CP Peal	–	–	10,000	–	10,000
	177,212	–	1,429,513	48,275	1,655,000

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 the year (2010: nil).

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 a key non-market performance condition being the achievement of an annual revenue target of £10 million. 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 £99,639 (2010: £181,436), all of which relates to equity-settled share-based payment transactions. In total a 'Share-based payments reserve' at 31 July 2011 of £1,375,558 results (2010: £1,275,919).

The Group has taken advantage of the exemption available under IFRS2 to exclude options granted before 7 November 2002 from the share-based payment charge so not all of the Group's options are included in the share-based payment calculations detailed below.

The total fair value of the options granted in the year was £121,353 (2010: £90,652).

21 Enterprise Management Initiative Scheme

The Company operates a share option scheme under the Enterprise Management Initiative ('EMI').

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

Since the year ended 31 July 2007, revenue has exceeded £10 million and therefore the performance criteria has been met.

Movements in the year are shown in the table below.

	Options 2011 number	**Weighted[2] average exercise price 2011 pence**	Options 2010 number	Weighted[1] average exercise price pence
Outstanding at 1 August	**491,901**	**121.23**	491,901	129.91
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**(91,655)**	**102.81**	–	–
Exercised during the year	**–**	**–**	–	–
Expired during the year	**(51,080)**	**n/a[1]**	–	–
Outstanding at 31 July	**349,166**	**121.23**	491,901	129.31
Exercisable at 31 July	**349,166**	**121.23**	491,901	129.31

1 Options granted prior to November 2002.
2 Weighted average price excludes options that were granted prior to November 2002.

The share price at the year-end was 107.0 pence per share. The share price ranged from 83.0 pence per share to 144.0 pence per share during the year. The exercise prices for shares exercisable at 31 July ranged from 93.0 pence per share to 176.5 pence per share.

The options outstanding at 31 July 2011 had a weighted average contractual life of 2.7 years (2010: 4.5 years).The inputs into the Black-Scholes model used by our remuneration consultants, Hewitt New Bridge Street Consultants, are as follows:

Date of grant	Expected life (years)	Share price at date of grant (pence)	Exercise price (pence)	Expected volatility (%)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value charge per award
21 July 2003	6	66.50	93.00	26.82	0.00	4.05	14.90
27 November 2003	6	105.50	93.50	34.48	0.00	4.95	49.81
19 January 2004	6	100.00	102.00	33.82	0.00	4.60	41.05
20 January 2004	6	100.00	102.00	33.80	0.00	4.60	41.04
30 July 2004	6	113.00	113.00	32.31	0.00	5.11	47.20
29 July 2005	6	150.00	152.00	30.46	0.00	4.24	56.94
24 April 2006	6	176.50	176.50	29.53	0.00	4.62	68.21
31 July 2006	6	156.00	156.00	29.18	0.00	4.72	60.22

The following table shows options held by Directors under this scheme.

	As at 31 July 2010	Granted	Surrendered	**As at 31 July 2011**	Exercise price (pence)	Date from which exercisable	Expiry date
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

22 Approved Share Option Scheme

The Company issues approved share options.

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

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

Since year ended 31 July 2002, the Company's revenue has exceeded £5 million and therefore the performance criteria has been met. Movements in the year are shown in the table below.

	Options 2011 number	Weighted average exercise price 2011 pence	Options 2010 number	Weighted average exercise price 2010 pence
Outstanding at 1 August	–	–	5,837	175.00
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	(5,837)	175.00
Outstanding at 31 July	–	–	–	–
Exercisable at 31 July	–	–	–	–

There were no options outstanding at the end of the year and the scheme closed on 31 May 2010.

23 Unapproved Share Options

The Company issues unapproved share options.

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

Since year ended 31 July 2002, the Company's revenue has exceeded £5 million and therefore the performance criteria has been met.

All other options will only be exercisable upon achievement of one of the following performance criteria:

1 The revenue 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.

Since year ended 31 July 2007, the Company's revenue has exceeded £10 million and therefore the performance criteria has been met.

23 Unapproved Share Options continued

Movements in the year are shown below:

	Options 2011 number	Weighted average exercise price 2011 pence	Options 2010 number	Weighted[1] average exercise price 2010 pence
Outstanding at 1 August	**2,192,213[2]**	**136.18**	2,086,906	136.18
Granted during the year	**240,517**	**107.00**	126,981	85.00
Forfeited during the year	**(268,344)**	**182.84**	(10,000)	56.50
Exercised during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	(11,674)	71.00
Outstanding at 31 July	**2,164,386[2]**	**127.09**	2,192,213	136.18
Exercisable at 31 July	**1,458,888**	**149.69**	1,351,232	162.16

1 Weighted average price excludes options that were granted prior to November 2002.
2 Figures to do not include 15,000 options that were granted prior to November 2002.

The options outstanding at 31 July 2011 had a weighted average remaining contractual life of 6.2 years (2010: 6.8 years). The exercise prices for shares exercisable at 31 July 2010 ranged from 93.0 pence per share to 269.5 pence per share.

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

Date of grant	Expected life (years)	Share price at date of grant (pence)	Exercise price (pence)	Expected volatility (%)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value charge per award
20 January 2004	6	100.00	102.00	33.80	0.00	4.60	41.04
30 July 2004	6	113.00	113.00	32.31	0.00	5.11	47.20
16 May 2005	6	145.00	148.00	30.95	0.00	4.32	55.48
29 July 2005	6	150.00	152.00	30.46	0.00	4.24	56.94
24 April 2006	6	176.50	176.50	29.53	0.00	4.62	68.21
31 July 2006	6	156.00	156.00	29.18	0.00	4.72	60.22
28 November 2006	6	203.50	148.00	29.32	0.00	4.75	103.85
24 April 2007	6	272.00	269.50	29.47	0.37	5.29	105.52
31 July 2007	6	213.50	213.50	29.96	0.47	5.38	82.24
01 August 2007	6	211.00	178.15	29.97	0.47	5.36	94.44
01 August 2007	6	211.00	93.00	29.97	0.47	5.36	140.00
01 August 2007	6	211.00	113.00	29.97	0.47	5.36	127.77
01 August 2007	6	211.00	152.00	29.97	0.47	5.36	106.64
31 July 2008	6	130.50	130.50	30.60	0.77	4.77	47.40
31 July 2009	6	56.50	56.50	40.21	1.77	3.14	20.49
31 July 2010	6	85.00	85.00	39.22	1.56	2.29	29.62
31 July 2011	6	107.00	107.00	40.20	0.93	1.87	39.98

23 Unapproved Share Options continued

The following unapproved share options have been granted to Directors of the Company[1].

	As at 31 July 2010	Granted £	Exercised/ lapsed £	As at 31 July 2011	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
A Jacobs	50,000	–	–	**50,000**	130.5	31/07/11	31/07/18
A Jacobs	50,000	–	–	**50,000**	56.5	31/07/12	31/07/19
A Jacobs	50,000	–	–	**50,000**	85.0	30/07/13	30/07/20
A Jacobs	–	50,000	–	**50,000**	107.0	31/07/14	31/07/21
Total A Jacobs	400,000	50,000	–	**450,000**			
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
S Thomas	50,000	–	–	**50,000**	130.5	31/07/11	31/07/18
S Thomas	50,000	–	–	**50,000**	56.5	31/07/12	31/07/19
S Thomas	50,000	–	–	**50,000**	85.0	30/07/13	30/07/20
S Thomas	–	50,000	–	**50,000**	107.0	31/07/14	31/07/21
Total S Thomas	400,000	50,000	–	**450,000**			
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
R Davies	50,000	–	–	**50,000**	130.5	31/07/11	31/07/18
R Davies	50,000	–	–	**50,000**	56.5	31/07/12	31/07/19
R Davies	26,470	–	–	**26,470**	85.0	30/07/13	30/07/20
R Davies	–	50,000	–	**50,000**	107.0	31/07/14	31/07/21
Total R Davies	428,431	50,000	–	**478,431**			
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
C Jacobs	45,000	–	–	**45,000**	130.5	31/07/11	31/07/18
C Jacobs	25,000	–	–	**25,000**	56.5	31/07/12	31/07/19
C Jacobs	255	–	–	**255**	85.0	30/07/13	30/07/20
C Jacobs	–	25,000	–	**25,000**	107.0	31/07/14	31/07/21
Total C Jacobs	166,082	25,000	–	**191,082**			
E Luker	15,000	–	–	**15,000**	56.5	31/07/12	31/07/19
Total E Luker	15,000	–	–	**15,000**			
R Holmes	10,000	–	–	**10,000**	56.5	31/07/12	31/07/19
Total R Holmes	10,000	–	–	**10,000**			
C Peal	10,000	–	–	**10,000**	56.5	31/07/12	31/07/19
Total C Peal	10,000	–	–	**10,000**			

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

24 CSOP Approved Share Options

On 2 June 2010 the Group adopted a Company Share Option Plan ('CSOP'). The CSOP subsequently achieved HMRC approval on 28 June 2010. There are no performance conditions attached to share options issued under CSOP.

Movements in the year are shown below:

	Options 2011 number	Weighted average exercise price 2011 pence	Options 2010 number	Weighted average exercise price 2010 pence
Outstanding at 1 August	179,019	85.00	–	–
Granted during the year	62,983	107.00	179,019	85.00
Forfeited during the year	(10,000)	85.00	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at 31 July	232,002	90.97	179,019	85.00
Exercisable at 31 July	–	–	–	–

The options outstanding at 31 July 2011 had a weighted average remaining contractual life of 9.3 years (2010: 10 year). There were no options exercisable at 31 July 2011.

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

Date of grant	Expected life (years)	Share price at date of grant (pence)	Exercise price (pence)	Expected volatility (%)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value charge per award
30 July 2010	6	85.00	85.00	39.22	1.56	2.29	29.62
31 July 2011	6	107.00	107.00	40.20	0.90	1.87	39.98

The following CSOP approved share options have been granted to Directors of the Company.

	As at 31 July 2010	Granted £	Exercised/ lapsed £	As at 31 July 2011	Exercise price (pence)	Date from which exercisable	Expiry date
R Davies	23,530	–	–	23,530	85.0	30/07/13	30/07/20
C Jacobs	24,745	–	–	24,745	85.0	30/07/13	30/07/20

25 Other Reserves

Group	Merger reserve £	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2009	6,295,295	5,735,556	34,205	1,094,483	13,159,539
Share-based remuneration (options)	–	–	–	181,436	181,436
Dividend paid	–	(332,416)	–	–	(332,416)
1 August 2010	6,295,295	5,403,140	34,205	1,275,919	13,008,559
Share-based remuneration (options)	–	–	–	99,639	99,639
Dividend paid	–	(249,936)	–	–	(249,936)
31 July 2011	6,295,295	5,153,204	34,205	1,375,558	12,858,262

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.

The other distributable reserve and the capital redemption reserve arose in the year ended 31 July 2004 from the purchase of the Company's own shares and a cancellation of share premium.

25 Other Reserves continued

Company	Other distributable reserve £	Capital redemption reserve £	Share-based payment reserve £	Total £
1 August 2009	**5,735,556**	**34,205**	**1,094,483**	**6,864,244**
Share-based remuneration (options)	–	–	181,436	181,436
Dividend paid	(332,416)	–	–	(332,416)
1 August 2010	**5,403,140**	**34,205**	**1,275,919**	**6,713,264**
Share-based remuneration (options)	–	–	99,639	99,639
Dividend paid	(249,936)	–	–	(249,936)
31 July 2011	**5,153,204**	**34,205**	**1,375,558**	**6,562,967**

26 Retained Earnings

Group	Retained earnings before deduction of own shares £	Own shares (note 27) £	Retained earnings Total £
1 August 2009	**5,681,334**	**(2,592,812)**	**3,088,522**
Profit for the financial year	221,124	–	221,124
Transfer from revaluation reserve	188,346	–	188,346
1 August 2010	**6,090,804**	**(2,592,812)**	**3,497,992**
Profit attributable to owners of Parent for the financial year	892,514	–	892,514
Transfer from revaluation reserve (additional dep'n on revalued assets net of deferred tax)	196,335	–	196,335
31 July 2011	**7,179,653**	**(2,592,812)**	**4,586,841**

The Own Shares Reserve represents the cost of shares in Lok'nStore Group plc purchased in the market and held in the Employee Benefit Trust to satisfy awards made under the Group's share incentive plan and shares purchased separately by Lok'nStore Limited for Treasury Account. These treasury shares have not been cancelled and were purchased at an average price considerably lower than the Group's adjusted net asset value. These shares may in due course be released back into the market to assist liquidity of the Company's stock and to provide availability of a reasonable line of stock to satisfy investor demand as and when required.

The Company has taken advantage of the exemption available under the Companies Act 2006 not to present the Company income statement. The Company loss for the year was £168,886 (2010: £168,652).

27 Own Shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2009	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**
Transfer out of scheme	–	–	–	–	–
31 July 2010	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**
Transfer out of scheme	–	–	–	–	–
31 July 2011	**623,212**	**499,910**	**1,142,000**	**2,092,902**	**2,592,812**

Lok'nStore Limited holds a total of 1,142,000 of Lok'nStore Group plc Ordinary Shares of 1 pence each for treasury with an aggregate nominal value of £11,420 purchased for an aggregate cost of £2,092,902 at an average price of £1.818 per share. These shares represent 4.27% of the Parent Company's called-up share capital. The maximum number of shares held by Lok'nStore Limited in the year was 1,142,000. No shares were disposed of or cancelled in the year.

Distributable reserves are reduced by £2,092,902 reflecting the purchase cost of these treasury shares (See note 26).

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.

27 Own Shares continued

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 2011, the Trust held 623,212 (2010: 623,212) Ordinary Shares of 1 pence each with a market value of £666,837 (2010: £529,730). No shares were transferred out of the scheme during the year (2010: nil).

No dividends were waived during the year. No options have been granted under the EBT.

28 Cash flows

(a) Reconciliation of profit before tax to cash generated from operations

	2011 £	2010 £
Profit before tax	938,280	430,524
Depreciation	1,615,868	1,832,477
Professional costs – Acquisition of Saracen	129,208	–
Equity settled share-based payments	99,639	181,436
Loss on sale of fixed assets	–	452
Interest receivable	(24,063)	(18,979)
Interest payable	522,513	508,687
Increase in inventories	(40,329)	(2,980)
Decrease in receivables	(630,246)	10,140
Increase in payables	988,689	524,537
Cash generated from operations	3,599,559	3,466,294

(b) Reconciliation of Net Cash Flow to Movement in Net Debt

Net debt is defined as debt on non-current and current borrowings, as detailed in note 18 less cash balances held in current accounts and surplus cash transferred daily to 'one-day' or 'two-day' treasury deposits.

	31 July 2011 £	31 July 2010 £
(Decrease)/increase in cash in the year	(1,585,507)	2,135,300
Change in net debt resulting from cash flows	(78,478)	–
Movement in net debt in year	(1,663,985)	2,135,300
Net debt brought forward	(22,725,385)	(24,860,685)
Net debt carried forward	(24,389,370)	(22,725,385)

29 Commitments Under Operating Leases

At 31 July 2011 the total future minimum lease payments under non-cancellable operating leases were as follows:

The Group as a Lessee:

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Land and buildings				
Amounts due:				
Within one year	1,578,307	1,287,352	–	–
Between two and five years	5,919,772	4,709,408	–	–
After five years	8,404,878	7,018,703	–	–
	15,902,957	13,015,463	–	–

Operating lease payments represent rentals payable by the Group for certain of its properties.

Leases are negotiated for a typical term of 20 years and rentals are fixed for an average of five years.

29 Commitments Under Operating Leases continued

The Group as Lessor:

Property rental income earned during the year was £92,450 (2010: £98,763). This income is considered as ancillary and relatively short-term to the Group's trading activities as these properties are sites held for their development potential as self-storage centres and the rental income ceases when the buildings are demolished. These tenancies are therefore of a short-term nature since tenants are served notice to vacate pending redevelopment of the site or if very short the leases run off to the end of their term.

At the reporting date, the Group had contracted with tenants, under non-cancellable leases, for the following future minimum lease payments:

	Group 2011 £	Group 2010 £	**Company 2011 £**	Company 2010 £
Within one year	**76,945**	57,413	**–**	–

30 Events After the Reporting Date

a) Refinancing of Banking Facilities – Lloyds Banking Group

The Group has negotiated a new five year £40 million revolving credit facility with Lloyds TSB plc. The revolving credit facility is for a five-year term is effective from 20 October 2011 and expires on 19 October 2016. The facility will be used to refinance the existing RBS facility and provide working capital for the development of the business over the medium term. 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 2.35%–2.65% margin based on a loan to value covenant test while the interest cover and loan to value covenants are broadly in line with the previous facility.

b) Renewal of Planning Permission at Reading

On 4 October 2011, the planning permission originally granted for demolition of existing building and erection of 112 flats with associated car parking and landscaping at 5-9 Berkeley Avenue, Reading in accordance with the terms of the application Ref 10/01567/EXT, dated 7 September 2010 was renewed on appeal. There were no substantive additional conditions imposed by the Inspector which materially impact on the existing Permission.

31 Related Party Transactions

The following balances existed between the Company and its subsidiaries at 31 July:

	2011 £	2010 £
Net amount due from Lok'nStore Limited	**5,600,941**	6,019,763

The amount due from Lok'nStore Limited is interest free. The balance is repayable on demand, however the Company has no present intention to demand repayment within one year and so the amount has been presented as a non-current asset as at 31 July 2011.

The Company provides share options for the employees of Lok'nStore Limited. The capital contributions arising from these share-based payments are separately disclosed under investments in note 12.

The aggregate remuneration of the Directors, who are the key management personnel of the Group, is set out below. Further information on the remuneration of individual Directors is found in note 6 of the Notes to the Financial Statements.

	2011 £	2010 £
Short-term employee benefits	**507,400**	479,169
Post-employment benefits	**14,663**	8,944
Share-based payments	**66,182**	99,318
Total	**588,245**	587,431

31 Related Party Transactions continued
The Group 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 (2010: £nil). The maximum balance outstanding at any time during the year was £24,252 (ex VAT) (2010: £24,252).

The Group 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 £6,000 (2010: £6,000). The balance outstanding to Trucost plc at year-end was £nil (2010: £nil).

The Group has an agreement with Keith Jacobs, a brother of Andrew Jacobs and Colin Jacobs, for the provision of marketing services and support on a consultancy basis. The fees payable to Keith Jacobs during the year under this arrangement were £20,741 (2010: £21,434). There was £3,427 outstanding due to Keith Jacobs at the year-end (2010: £1,791). The maximum balance outstanding at any time during the year is £3,427 (ex VAT) (2010: £1,791).

32a Capital Commitments and Guarantees
The Group has capital expenditure contracted but not provided for in the financial statements of £343,327 (2010: £84,984) relating to minor works.

32b Bank Borrowings
The Company has guaranteed the bank borrowings of Lok'nStore Limited. As at the year-end, that company had gross bank borrowings of £28.1 million (2010: £28.1 million).

32c Contingent Liability – Value Added Tax
As an ancillary activity, Lok'nStore acts as an intermediary in relation to supplies of exempt insurance to customers for which it receives a commission. In November 2007, Lok'nStore originally approached HMRC, on a purely voluntary and unprompted basis, to request the implementation of a Partial Exemption Special Method ('PESM'). Lok'nStore, advised by Baker Tilly Tax & Accounting Limited, maintained that the standard partial exemption method, i.e. one based on the values of the various different income streams, resulted in a wholly distortive restriction of input tax. Lok'nStore remains of the view that revenue is a poor proxy for the 'use' of the majority of the input tax incurred by Lok'nStore and, as a consequence, the standard method does not provide a fair result.

Current Dealings with HMRC
On 25 February 2008, HMRC determined that it was appropriate to raise an assessment in the amount of £140,902.95 in respect of Lok'nStore's partial exemption calculations, under the Standard Partial Exemption Method ('standard method') for the VAT periods April 2005 through April 2007. Lok'nStore rejected the basis of this assessment and has advanced a number of other proposals and arguments in a bid to resolve this now long-running dispute. Again, these have been rejected. Following the formal rejection of the various proposals which were submitted for a PESM, a local review of the decision was requested which upheld the rejection of a PESM. This decision was appealed by Lok'nStore to the Tax Tribunal in September 2009. Counsel also confirmed that Lok'nStore should carry out a Standard Method Override Calculation ('SMO') and that this should be calculated on the same basis as the proposed mixed floor space and values based method.

Position at Year End
There are two appeals lodged at the Tax Tribunal; one in respect of the proposed PESM going forward and the other in respect of the SMO calculations for the past VAT periods. It has been agreed with the Tribunal and HMRC that the second appeal (i.e. the SMO appeal) will be stood over pending the outcome of the first appeal in respect of the proposed PESM. It is expected that a Tribunal Hearing will take place in January 2012 to determine the matter.

On a range of outcomes, on a worst case scenario, the overall liability in relation to input tax claimed up to the end of July 2011 which may become repayable to HMRC totals £369,193 (2010: £327,765) based on the standard method restriction. Of this £203,386 (2010: £192,830) relates to capital expenditure inputs and £165,807 (2010: £134,935) relates to income statement items. Alternatively, If a special method is agreed, this may give a restriction of around 1%, in which case the total amount of VAT (plus interest) to be assessed by HMRC would on the figures above give a special method restriction of £83,910 (2010: £77,005). On a pro rata basis this potential liability between restricted inputs gives a liability of £55,217 (2010: £51,472) relating to capital expenditure inputs and £28,693 (2010: £25,533) relating to income statement items. Interest would be added to both totals.

It is not impossible that there should be no restriction of input tax incurred as calculations indicate that the proposed PESM, using a mixed floor space and values based method, gives a minimal restriction. As a result, no restriction of input tax will be required under this method on the basis that the de minimis limits are not breached.

While this remains an ongoing dispute with HMRC and while the outcome at present remains uncertain it is not considered that any material provision is necessary.

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