Annual Report and Accounts

for the year ended 31 July 2013

www.loknstore.com

Stock code: LOK

Welcome to
Lok’nStore Group Plc

Lok’nStore Group Plc is one of the leading companies in the fast growing UK self-storage market. We opened our first self-storage centre in Horsham, Sussex in February 1995 and have grown consistently over the last 18 years, currently operating 23 self-storage centres and two serviced document stores in southern England. Another 2 stores will open in the coming year.

We have been listed on the Alternative Investment market (AIM) since June 2000.

We offer self-storage and serviced document storage and management services. Self-storage is available to both household and business customers at our highly branded Lok’nStore centres. Each centre is prominently located mainly in the affluent South-East of England in large towns and cities.

Our Saracen Document Storage service offers businesses anything from secure storage of one media tape to full management of their business documentation with 24 hour retrieval. We excel in offering the best customer service at competitive prices for both our Lok’nStore and Saracen customers.

www.loknstore.com

Our Business Strengths

- The specific property requirements of self-storage coupled with challenging local planning regimes create significant barriers to entry, especially in Southern England where Lok'nStore operates
- Strong and increasing property asset base
- The self-storage business is highly cash generative with high profit margins on established stores and all customers paying on a rolling 28 day basis
- Lok'nStore has a track record of strong and growing cash generation driving a progressive dividend policy
- Major new store opening in Maidenhead end of this calendar year
- Significant growth in third party asset management in Aldershot, Ashford and Crawley
- Experienced Board and Executive management team with clear strategic direction and proven business model

> Lok'nStore is a robust business with a record of consistent profit growth and cash generation and has built a firm base for the coming years.

Simon G Thomas, Chairman

In this report

Highlights

Financial Highlights

- Net Asset Value per share up 8.8% to £2.48 (2012: £2.28)
- Annual dividend 6 pence per share up 20% (2012: 5 pence per share)
- Revenue £12.97 million up 1.6% (2012: £12.77 million)
- Group adjusted EBITDA[1] £4.14 million up 4.1% (2012: £3.97 million)
- Operating profit and profit before interest £2.57 million up 32.4% (2012: £1.94 million)
- Net debt reduced 12.4% to £22.5 million (2012: £25.7 million)
- 1.32 million shares acquired for Treasury at £1.23 per share (average price)

Operational Highlights

Self storage

- Revenue £11.14 million up 3.4% (2012: £10.77 million)
- Year-end unit occupancy up 10.4%
- Pricing broadly flat at -0.5%
- Occupancy of self-storage units increased to 64.5% of current lettable area (2012: 58.3%)
- Store adjusted EBITDA £5.38 million up 7.6% (2012: £5.0 million)
- Store adjusted EBITDA profit margins up 2.2 percentage points to 48.7% (2012: 46.5%)

Document storage (Saracen)

- Adjusted EBITDA profit £0.31 million (2012: £0.47 million)

Property Highlights

- New managed store in Crawley commenced trading in November 2012
- Sale and manage back of Ashford store
- Construction well advanced at new Maidenhead store scheduled to open end of 2013
- Lease extension and rent reduction on another leased store
- Properties valued up 4.2%

Key Metrics

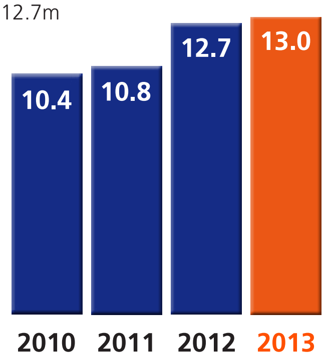
- Loan to value ratio of 28.5%[2] (2012: 32.3%)
- Funds from operations (FFO)[3] £3.4 million equivalent to 14.1 pence per share up 8.5% (2012: £3.2 million: 13.0 pence per share)

1. Adjusted EBITDA is defined as profits before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs and non-recurring professional costs, finance income, finance costs and taxation
2. Calculation based on net debt of £22.5 million (2012: £25.7 million) and total property value of £79.2 million (2012: £79.7 million)
3. Funds from Operations (FFO) calculated as EBITDA minus Net Finance Cost on operating assets

Revenue

£13.0m

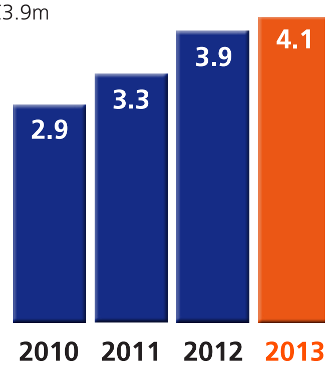
2012: £12.7m



Group adjusted EBITDA*

£4.1m

2012: £3.9m

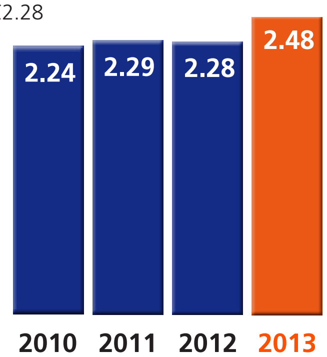


* Adjusted EBITDA is defined as profits before all depreciation and amortisation charges, share-based payments and non-recurring costs, finance income, finance costs and taxation

Adjusted Net Asset Value per share*

£2.48

2012: £2.28

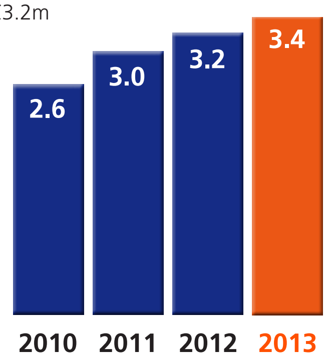


* Based on Cushman & Wakefield LLP valuation, before deferred taxation

Funds from Operations

£3.4m

2012: £3.2m



Chairman's Review

> Lok'nStore's efficient operating business, strong cash flow, and secure asset base ensures it is well placed to grow and prosper over the coming years.

Simon G Thomas, Chairman

Strong Performance

We are pleased to report another set of strong results for Lok'nStore Group for the year ended 31 July 2013. Net asset value per share before deferred tax provision is up 8.8% to £2.48 and Funds From Operations (FFO) per share are up 8.5%. We have reduced net debt by 12.4% and this has helped us reduce our loan-to-value ratio (LTV) to 28.5%. With 89% of our net debt at a fixed rate of 3.525% we have a firm foundation to build our business.

Like for like self-storage unit occupancy is up 10.4%. Group EBITDA is up 4.1% on last year which increases to 6.1%, on a like for like basis. With tight control over capital expenditure and operating costs, the Group's margins, operating profits and cash flow have all increased to record levels.

During the year we sold our Ashford store on a sale-and-manage-back basis to recycle our capital. The new managed store in Crawley opened in November 2012 and the development of the new Maidenhead store is almost complete with its opening scheduled later in 2013. With the new managed Aldershot store opening in 2014 we have secured good momentum for our sales and earnings from a low-geared and secure balance sheet.

Dividend

It is intended that the Company's future dividend payments will reflect the growth in the underlying cash generated by the business. The interim dividend will represent approximately one-third of the total for the year and final dividend two-thirds. This year to reflect the strength of the business we are recommending a full year dividend of 6 pence per share up from 5 pence for the full year last year, an increase of 20%.

Appointment of Director

On 19 December 2012 Lok'nStore announced the appointment of Douglas Hampson as a Non-Executive Director of the Company. Douglas joined the Board following his investment in the Company. He has spent over 30 years in the self-storage industry, having set up the first self-storage facility in Europe in 1980. Douglas has founded and sold a number of self-storage businesses and his extensive knowledge of the self-storage sector businesses has been a valuable addition to our Board.

During the year Ian Wright stood down from the Board following the sale of Laxey Partners' entire holding in the Group.

Properties and Net Asset Value

The year-end property valuation equates to a total value of properties held of £79.2 million (2012: £79.7 million) a 4.2% increase in value after taking account of the disposal of our Ashford store. (Note that these values are not fully reflected in the statement of financial position which value the leasehold stores using a different method.)

Your Board continues to examine Lok'nStore's property portfolio for asset management opportunities as demonstrated by its recent agreement to extend the term on another of the Group's leasehold stores, the fourth such transaction over the last two years. Our property team remains alert to the opportunities that can appear in the current unsettled property market and an update of the current property opportunities is set out in the Property Review.

The new store in Crawley opened this year and the new store in Maidenhead will commence trading late in 2013. The new venture in Aldershot will open in 2014. These will increase the number of stores we manage to 25 and will capitalise on our efficient operating systems and growing internet marketing presence. These projects also demonstrate Lok'nStore's ability to attract investment partners and create innovative ownership structures to drive the growth of the operating business without stretching the balance sheet.

The UK self-storage market

There remains significant opportunity in the UK self-storage market where there are an estimated 830 self-storage facilities. This equates to approximately 30.1 million square feet of storage space. With a population of 62 million people in the UK, this equates to 0.5 square feet per person, compared to 7.5 square feet per person in the USA (2012 US Self-Storage Almanac).

The sector remains in good health. The Drivers Jonas Deloitte 2013 report for the Self-Storage Association says "the total annual turnover for the UK self-storage industry in 2012 was £380 million from approximately 400 different operators, and they employed in excess of 2,000 staff (full time equivalent) in their self-storage facilities. The self-storage sector has seen increased levels of corporate activity, with several transactions across Europe"

Outlook

Lok'nStore is a robust business with a record of consistent profit growth and cash generation and has built a firm base for the coming years. We continue to grow revenue against tightly controlled costs, and this together with the strong occupancy growth provides continued momentum for the business. With Group adjusted EBITDA up 4.1% and occupancy up over 10% on the previous year, the strength of the Group's business model has been securely established.

Our innovative approach to financing new stores will enable us to grow our operating footprint to 25 stores by next year with limited capital expenditure, and the sale of our Ashford store close to its valuation underlines the strength of the asset base.

Our target is to continue to increase EBITDA per share over the coming years. We believe there is significant opportunity for further growth and we will focus our efforts on five key areas:

1. Filling existing stores and improving pricing
2. Developing new stores on a self-funded basis
3. Opportunistic site acquisitions
4. Increasing the number of stores we manage for third parties
5. Developing our document storage offering through organic growth

We have significant operating experience to execute these opportunities effectively and we can fund these from our existing cash flow and the headroom within our current bank facilities.

Lok'nStore's efficient operating business, strong cash flow, and secure asset base ensures it is well placed to grow and prosper over the coming years. We have a dedicated and dynamic executive management team which remains committed to delivering growth and working for the interest of all shareholders.

Increasing the annual dividend by 20% and maintaining a progressive dividend policy demonstrates the Board's continuing confidence.

Simon G Thomas
Chairman
11 October 2013

"Lok'nStore is trading well with increased occupancy driving cash flow per share and growth in net asset value."

Andrew Jacobs, Chief Executive Officer

Chief Executive's Operating Review

> The opening of the new Crawley, Maidenhead and Aldershot stores will take us to 25 trading stores.

Andrew Jacobs, Chief Executive Officer

Sales, Earnings and Occupancy Up

Revenue for the year was £12.97 million, up 1.6% year on year (2012: £12.77 million). This was a 2.8% increase after adjusting for the sale and manage-back of our Ashford store in March 2013. Our self-storage occupancy rose particularly strongly during the year increasing by 10% over last year with pricing broadly stable (down 0.5% year on year).

With costs firmly under control this turnover growth translates into strong profit growth. Total store EBITDA in the self-storage business, a key performance indicator of profitability and cash flow, increased 7.6% to £5.38 million (2012: £5.0 million). Group operating profit for the year is up 32.4% to £2.57 million (2012: £1.94 million).

Self-storage revenue for the year was £11.14 million, up 3.4% (2012: £10.77 million). This was a 4.9% increase after adjusting for the sale of our Ashford store. During the year occupancy of the self-storage units increased 10.4% to 64.5% (2012: 58.3%) of current lettable area.

Performance of Self-Storage Centres

We have again managed to increase the overall adjusted EBITDA margin across all stores by 2.2 percentage points from 46.5% to 48.7%. The adjusted EBITDA margins of the freehold stores were 61.2% (2012: 59.1%) and the leasehold stores achieved margins of 30.8% (2012: 30.8%).

At the end of July 2013 36.6% of Lok'nStore's revenue was from business customers (2012: 38.1%) and 63.4% was from household customers (2012: 61.9%). By number of customers 20.8% of our customers were business customers (2012: 22.4%) and 79.2% household customers (2012: 77.6%).

Store Performance Analysis

Weeks old at 31 July 2013	Over 250	100–250	Pipeline	Owned Stores Total	Stores under Management contracts	Total Stores
Year ended 31 July 2013						
Revenue* (£'000)	10,423	619	–	11,042		
Store EBITDA (£'000)	5,041	334	–	5,375		
EBITDA margin (%)	48.4	54.0	–	48.7		
As at 31 July 2013						
Maximum Area ('000 sq. ft.)	974	69	121	1,164		
Freehold and long leasehold ('000 sq. ft.)	555	69	121	745		
Short leasehold ('000 sq. ft.)	419	–	–	419		
Number of stores						
Freehold and long leasehold	10	1	2	13	4	17
Short leasehold	9	–	–	9	–	9
Total stores	19	1	2	22	4†	26

* 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.

† Four stores are managed by Lok'nStore under a Management Services Agreement for third party owners, three are trading and one store is under development.

Chief Executive's Operating Review

Ancillary Sales

Ancillary sales which consist of boxes and packaging materials, insurance and other sales increased 5.2% over the year accounting for 10.7% of self-storage revenues (2012: 10.4%).

We continue to promote our insurance to new customers with the result that 90% of our new customers purchased our insurance over the year and this has resulted in a 5.6% increase in the percentage of our customers who are insured through Lok'nStore to 75% (2012: 71%).

Marketing

During the year our marketing focused on the internet and this produces an increasing proportion of our enquiries; printed directories account for a decreasing proportion. For the year internet enquiries were up 41% on last year and total enquiries were up 34%. We will continue to manage our marketing budget with a strong focus on cost control and value for money.

Despite the inexorable rise of internet marketing, around 37% (2012: 39%) of our business still comes from passing traffic and signage, so the visibility of our stores is also very important to our marketing efforts. With their prominent positions, distinctive design and bright orange elevations, our stores raise 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 the marketing expenditure remains targeted and effective.

Website

As discussed above the internet has rapidly taken over as the main media channel for our advertising and Lok'nStore has adapted to accommodate this change. Our new website at www.loknstore.co.uk was launched in February 2012 and has been extremely successful.

The site has clear navigation making it easy for customers to find their way around. Customers visiting the site are encouraged to book online to take advantage of our online reservation system. We have a "state of the art" space estimator which is a key tool for customers booking online, enabling them to make an informed choice about the size of unit required.

This is a very dynamic area and we are committed to continued development. New features this year include online chat facility and 'click and collect' box shopping. We believe the internet particularly provides a strong competitive advantage for the major operators with many stores and large marketing budgets compared with those of the smaller operators.

Document storage business

Lok'nStore has completed the integration of the back office systems of Saracen, as well as the marketing and human resource functions during the year. There were further property cost savings achieved in August 2013 as the Saracen business consolidated its warehouse capacity from 3 to 2 stores. Following this consolidation we have the capacity to double the number of boxes stored. As part of this strategy additions of £0.4 million were made in the current year to fixtures, fittings and equipment.

In line with our overall Company values we have adopted a more customer friendly strategy by simplifying our billing and pre-agreeing annual price increases to give our customers more certainty. This investment has resulted in excellent customer feedback and puts us in a good position to win new business, but has resulted in a 7.7% dip in sales in the year. We believe this focus will create long term value for customers and shareholders as our customer base grows. Notwithstanding this in the year under review we have reduced the operating cost of Saracen by 1% to protect our margins.

Momentum to continue

Lok'nStore is trading well with increased occupancy driving cash flow per share and growth in net asset value. The Group has delivered record margins, operating profits and cash flow and we expect this momentum to follow.

Andrew Jacobs
Chief Executive Officer
11 October 2013

> The invoices from Saracen with this new style contract are an absolute joy! Why all storage providers don't bill this way is beyond me.

Risk Manager, Legal Services Client

Lok'nStore's South East Focus

Our Lok'nStore self storage centres and our Saracen document centres are strategically located across the South and South East of England.


LOK'nSTORE
Business & Household Self Storage
27 Standard Way Fareham
27
What do you want to store at Lok'nStore?
Store almost anything... for as long as you want
More Storage Space

Property Review

Our property team will continue to pursue further value creating asset management opportunities to secure our trading operations.

Andrew Jacobs, Chief Executive Officer

Strong Cash Flows and Asset Base Underpin Opportunities

Lok'nStore's secure asset base, strong cash flow and tactical approach to its property portfolio provides the Group with opportunities to improve the terms of its property usage in all stages of the economic cycle. Lok'nStore has both freehold and leasehold properties, and manages stores for third parties.

In the year under review we opened one managed store in Crawley and sold our existing Ashford store on a sale and manage back deal. We now have 4 stores under management.

Our property team will continue to pursue further value creating asset management opportunities to secure our trading operations, to improve cash flow and to reduce or limit our property costs.

Sale and manage-back of Ashford store

On 28 March 2013 Lok'nStore completed the sale of its store in Ashford, Kent for £2.9 million in cash, achieving a sale price equivalent to 99.3% of the carrying value at July 2012.

Lok'nStore is continuing to manage the store as a branded Lok'nStore operation on behalf of the investor, and receives a management fee, as well as an additional performance fee should the store beat certain targets or is ultimately sold. The structure of the deal allows us to recycle our capital and grow our operating footprint without stretching our balance sheet or diluting our equity.

The sale and manage-back contract of the Ashford store increases the number of Lok'nStore managed stores to four on behalf of three different clients.

Management Contracts

Aldershot: In June 2012 Lok'nStore signed an agreement to develop and manage a new self-storage centre in Aldershot, Hampshire. Lok'nStore will advance approximately £2.5 million of development funds of the estimated £4.5 million total cost of development of this new purpose-built store, and will manage the building and operation of the store. The other investors, including the original land owner, have invested the remaining £2 million. The property already has the benefit of a planning permission for a self-storage facility and we are currently working to improve and enhance the existing planning permission prior to commencement of construction works. An enhancement to the overall proposition is in progress and has been agreed in principle subject to finalisation of the S106 Agreement. Lok'nStore will generate a return by receiving a return on its capital and by charging a management fee for the construction, operation and branding of the store.

The store will be located in a prominent location on the main Aldershot roundabout above the A331 with significant levels of passing traffic, and is expected to commence trading in 2014.

Crawley: In July 2012, the Group signed an agreement to manage a new self-storage centre in Crawley, Sussex on behalf of an investor. The store opened in November 2012 and is located in a prominent location facing on to a busy roundabout on Gatwick Road in the centre of the Manor Royal business area. Lok'nStore is generating a return by charging a management fee with performance incentives. Completion of the transaction took place on 10 August 2012. This new larger site follows the same investor's already successful store in Woking, Surrey which has been managed by Lok'nStore since 2007.

Development Sites

Lok'nStore owns four development sites all with relevant planning permissions, two of which are for replacement stores at Reading and Southampton, and two are new locations in Maidenhead and Portsmouth North Harbour. All of these planning permissions are current. The Group has no immediate plans to progress development works at Portsmouth North Harbour and Southampton.

Maidenhead: This is a long leasehold site (the lease term runs until April 2076) of 1.6 acres for which we originally secured planning permission for a store of up to 83,000 sq. ft. of self-storage. Following discussions to improve the value of the property further we signed an agreement to share the site with a discount supermarket retailer and granted a lease to them for a consideration of £1.55 million.

We are now building this new self-storage centre which will have around 60,000 sq. ft. of self-storage space with the discount supermarket retailer sharing the ground floor space with Lok'nStore's operation. Lok'nStore will also occupy the entirety of the three floors above. The store will open in December 2013.

The site is close to Maidenhead town centre and railway station and is very prominent to the retail park on the main road joining the town centre with the M4 motorway. The store will be of similar style and appearance to other recently opened Lok'nStore sites, with Lok'nStore's strong branding adding to the visual attractiveness of the site. This collaboration will increase the visual prominence, brand recognition, passing traffic and footfall of the self-storage centre which are key criteria for success.

Property Review

Lok'nStore is committed to actively managing its portfolio and extracting further value from our prominently located development stores.

Andrew Jacobs, Chief Executive Officer

The innovative financing of the scheme agreed with the discount supermarket retailer, will require only a modest capital input from Lok'nStore and so allows us to continue to expand the Group's operating footprint without stretching the balance sheet. We believe Maidenhead is an excellent location for us, an affluent town right in the middle of our geographic coverage with little local competition. The town is also set to benefit from its position as the western terminal of Crossrail.

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. On 4 October 2011 this planning permission was renewed providing a further 3 years to execute on this project.

The Group also has planning permission for a new 53,500 sq. ft. self-storage centre on its site opposite the existing store, an increase in space of 29%. Building has now commenced on this project with the new store scheduled to open in the middle of 2014.

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 largely fund the development of the new store. The existing business will be transferred to the new store when it is complete. 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.

Portfolio

We currently own and operate 20 stores with capacity of around 1.04 million sq. ft. of storage space when fully fitted. Further sites at Woking and Crawley are run under management contacts and with the managed store in Aldershot and the sale of the Ashford store under a sale and management arrangement this takes the sites operated under management contacts up to four. With the owned store in Maidenhead opening in the coming financial year, the stores under Lok'nStore's management will increase to 25.

At the year end the average length of the seven leases which were valued at July 2013 increased by two months to 14 years and 8 months (2012: 14 years and 6 months). Eight out of nine of our leasehold stores are inside the Landlord and Tenant Act providing us with a strong security of tenure. The leasehold sites produced 32% of the store EBITDA in the year (2012: 30%)

We prefer to own freeholds if possible, and where opportunities arise we will seek to acquire the freehold of our leasehold stores. However 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 site's development.

Property Assets and Net Asset Value

Lok'nStore's freehold and operating leasehold properties have been independently valued by Cushman & Wakefield (C&W) at £67.7 million (NBV £30.6 million) as of 31 July 2013 (2012: £67.9 million: NBV £32.8 million). As we sold the Ashford store during the year this equates to an underlying increase of 4.2% in the value of the property assets. Property valuation is referred to further in the Financial Review and is detailed in note 10b of the notes to the financial statements.

Adding our stores under development at cost, our total property valuation is £79.2 million (historic cost value £42.6 million) (2012: £79.7 million; historic cost value £44.65 million). This translates into an adjusted net asset value of £2.48 per share up 8.8% on last year (2012: £2.28 per share).

Lok'nStore is committed to actively managing its portfolio and extracting further value from our prominently located development sites. The partnership with the discount supermarket retailer in Maidenhead and the Aldershot transaction demonstrate our tactical and committed approach to funding and developing new stores. Management contracts such as Aldershot and Crawley allow the Group to continue to expand the operating footprint of Lok'nStore while minimising capital outlay.

Andrew Jacobs
Chief Executive Officer
11 October 2013

Financial Review

The value of the Group's property assets continues to increase underpinning a flexible business model with relatively low credit risk and tightly controlled operating costs.

Ray Davies, Finance Director

Trading

Total revenue for the year grew to £12.97 million (2012: £12.77 million), an increase of 1.6% or 2.8% excluding the Ashford store which was sold in March 2013. Pre-tax profit for the year was £1.43 million (2012: £0.93 million) up 54%. Document storage revenue was £1.84 million (2012: £2.0 million). Document storage adjusted EBITDA, before inter-company management charges, was lower at £0.31 million (2012: £0.47 million).

Taxation

There is no current corporation tax liability to pay due to the availability of tax losses. Almost all of the Group's tax losses have now been utilised with tax losses available to carry forward for offset against future profits of £0.2 million. The Group will therefore pay tax on the majority of its earnings next year.

Earnings per share

Basic earnings per share were 5.75 pence (2012: 3.01 pence per share). Diluted earnings per share were 5.72 pence (2012: 2.99 pence per share).

Purchase of shares for Treasury

During the year the Group purchased 1.32 million shares into Treasury at an average price of £1.23 per share. Clearly with the Group's opening Net Asset Value per share (NAV) at £2.28 any such purchases are significantly NAV enhancing on a per share basis and this has contributed to the increase in NAV per share to £2.48. We are proposing to renew our on-going authority to buy back shares at this year's AGM. Full details are provided in note 25 — Own Shares.

Management of Interest Rate Risk

The Board regularly reviews the Group's interest rate hedging position and monitors prevailing LIBOR and swap rates.

Last year we fixed a significant proportion of our floating rate debt by entering into a £10 million interest rate swap with Lloyds TSB Bank plc effective from 31 May 2012 at fixed 1 month sterling LIBOR rate of 1.2%. The swap fixes the interest rate on £10 million at an effective rate of 3.55% based on current 235 basis points (bps) margin up to the expiration of the current banking facility in October 2016. On 30 May 2012 the Group also entered into a £10 million interest rate swap with Lloyds TSB Bank plc also effective from 31 May 2012 at fixed 1 month sterling LIBOR rate of 1.15%. Similarly this fixes a second tranche of £10 million at an effective rate of 3.5% up to the expiration of the current banking facility in October 2016. Given the very low interest rate and the relatively small premium over our variable rate available on these swaps, the Board considered that it was a good time to secure the current low interest rates. An effective fixed interest rate of 3.525% on this portion of our debt protects our cash flow and demonstrates the Group's ability to secure market leading rates as a result of our financial strength and robust cash flow.

Lok'nStore has £26.8 million currently drawn against its £40 million revolving credit facility of which £20 million is now at a fixed interest rate. This leaves a balance of £6.8 million floating at a current all-in average rate of around 2.85% and results in an overall weighted average rate of 3.36%. The £20 million fixed rate is treated as an effective cash flow hedge and its fair value stated as a liability. See note 16b.

Group Adjusted EBITDA

£4.1m

up 4.1%

Financial Review

Highly rigorous approach to costs ensures that the majority of the revenue growth contributes to growth in profits.

Ray Davies, Finance Director

Operating Costs

For the previous five years we have reduced our group operating costs and this year through disciplined management we have managed to limit the increase to 0.4%. Group operating costs amounted to £8.57 million for the period, a small increase from last year. This year we reduced operating costs at Saracen by 1% compared to last year. This highly rigorous approach to costs ensures that the majority of the revenue growth that we have achieved contributes to growth in profits.

Group	Increase/ (Decrease) in costs %	**2013 £'000**	2012 £'000
Property costs	(4.2)	**3,732**	3,895
Staff costs	3.1	**3,538**	3,432
Overheads	7.5	**1,127**	1,048
Distribution costs	5.0	**173**	165
Total	0.4	**8,570**	8,540

Lok'nStore Limited*	Increase/ (Decrease) in costs %	**2013 £'000**	2012 £'000
Property costs	(5.3)	**3,228**	3,409
Staff costs	6.2	**2,976**	2,801
Overheads	5.6	**952**	902
Distribution costs	–	**–**	–
Total	0.6	**7,156**	7,112

Saracen Datastore Limited	Increase/ (Decrease) in costs %	**2013 £'000**	2012 £'000
Property costs	3.9	**504**	486
Staff costs	(11.0)	**562**	631
Overheads	19.3	**175**	147
Distribution costs	5.0	**173**	165
Total	(1.0)	**1,414**	1,429

* Includes expenses relating to Southern Engineering and Machinery Company a wholly owned subsidiary which owns the Southampton development site.

Cash Flow, Interest and Financing

At 31 July 2013 the Group had cash balances of £4.2 million (2012: £4.0 million). Net debt, defined as gross debt before deferred financing costs less total cash and cash equivalents, has been reduced from £25.7 million to £22.5 million.

At 31 July 2013 we had £26.8 million of gross borrowings (2012: £29.7 million) representing gearing of 55.8% on net debt of £22.5 million (2012: 66.1%). After adjusting for the uplift in value of leaseholds which are stated at depreciated historic cost in the statement of financial position, gearing is 45.2% (2012: 54.9%). After adjusting for the deferred tax liability carried at year-end of £9.7 million gearing drops to 37.8% (2012: 45.2%).

Cash inflow from operating activities before investing and financing activities was £4.3 million (2012: £3.1 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 £13.2 million (2012: £10.3 million).

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 £386,538 higher for the year (2012: £275,859) on the assumption that the £11.5 million is fully funded by borrowings.

By excluding the £386,538 of interest costs of carrying the development sites from the total net interest charge of £1,142,203 the interest on the operating portfolio would be £755,665 for the year. Funds from operations (FFO) represented by £4,136,512 EBITDA minus interest on the operating portfolio is therefore £3,380,847 equating to 14.1 pence per share, up 8.5% on last year (2012: 13 pence per share).

The Group has grown through a combination of new site acquisition, existing store improvements and relocations, and has concentrated on extracting value from its existing assets and developing through collaborative projects and management contracts. Consequently, capital expenditure ("capex") during the year totalled only £0.6 million. This included some limited capex at existing stores, planning and other professional costs incurred in maximising the potential of the existing planning permissions. We also invested £0.4 million in further racking fit-out and fire vault capacity at the Saracen Olney warehouse. Additionally, the construction of our new Maidenhead store commenced and building costs at the balance sheet date amounted to £1.17 million. The Company has no further capital commitments beyond the completion of its Maidenhead store, its £2.5 million development commitment at Aldershot and some minor works to existing properties. Refer to note 30a: Capital Commitments.

Statement of Financial Position

Net assets at the year-end were £40.4 million (2012: £39.0 million). Freehold property values at 31 July 2013 were £54.5 million compared to £56.1 million at 31 July 2012 following the sale of our Ashford store.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

Our eleven freehold properties are held in the statement of financial position at fair value, and have been valued externally by Cushman and Wakefield LLP (C&W). Refer to note 10b, 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.

Financial Review

On 31 July 2013 professional valuations were prepared by valuers C&W in respect of eleven freehold and seven operating leasehold properties. The valuation was prepared in accordance with the RICS Valuation - Professional Standards, published by The Royal Institute of Chartered Surveyors ("the Red Book"). 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 5.8% initially and sale plus purchaser's costs totalling 7.8% are assumed on the notional sales in the tenth year in relation to the freehold stores. In practice we believe that it is unlikely that the bulk of Lok'nStore's properties would be acquired other than in a corporate structure, in which case transaction costs would likely be lower see note 10b in the notes to the financial statements for a more detailed description of the valuation methodology).

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 2007. It is not envisaged that any tax will become payable in the foreseeable future on these disposals due to the availability of rollover relief. 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, although individual disposals may be considered where it is clear that added value can be created by recycling the capital into other opportunities.

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

Under IFRS the valuations of our freehold property assets are 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 £13.2 million (2012: £11.8 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/ sites	31 July 2013 Valuation £'000	No. of stores/ sites	31 July 2012 Valuation £'000
Freehold valued by C&W	11†	**54,460**	12‡	56,050
Leasehold valued by C&W	7	**13,200**	7	11,830
Subtotal	18	**67,660**	19	67,880
Sites in development at cost	4	**11,517**	4	11,850
Total	22	**79,177**	23*	79,730

* Two Leasehold stores were not valued (2012: two) as their remaining unexpired terms were insufficient to yield a value under the Cushman & Wakefield valuation methodology.

† Ashford store sold during the year for £2.9 million.

‡ 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.

CGI Maidenhead Store

Adjusted Net Asset Value per Share

Adjusted net assets per share is the net assets of the Group business adjusted for the valuation of leasehold stores and deferred tax 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.

At July 2013 the adjusted net asset value per share increased to £2.48 from £2.28 last year, up 8.8%. This increase is a result of higher property values, cash generated from operations and the share buy-back reducing the number of shares.

Analysis of net asset value (NAV)	2013 £'000	2012 £'000
Total non-current assets		
Adjustment to include leasehold stores at valuation	**74,774**	76,903
Add: C&W leasehold valuation*	**13,200**	11,830
Deduct: leasehold properties and their fixtures and fittings at NBV	**(3,696)**	(3,910)
	84,278	84,823
Add: current assets	**6,799**	5,956
Less: current liabilities	**(4,803)**	(4,106)
Less: non-current liabilities (excluding deferred tax provision)	**(26,422)**	(29,223)
Less: derivative financial instruments	**(271)**	(496)
	(24,697)	(27,869)
Adjusted net assets before deferred tax provision	**59,581**	56,954
Deferred tax	**(9,705)**	(10,073)
Deferred tax arising on revaluation of leasehold properties†	**(2,186)**	(1,822)
Adjusted net assets	**47,690**	45,059

* 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 14 years and 8 months at the date of the 2013 valuation (2012 valuation: 14 years and 6 months).

† 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 tax treatment between freehold and leasehold properties.

Shares in issue	Number	Number
Opening shares	**26,759**	26,759
Shares issued for the exercise of options	**382**	–
Closing shares in issue	**27,141**	26,759
Shares held in treasury	**(2,467)**	(1,142)
Shares held in EBT	**(623)**	(623)
Closing shares for NAV purposes	**24,051**	24,994
Adjusted net asset value per share after deferred tax provision	**£1.98**	£1.80
Adjusted net asset value per share before deferred tax provision	**£2.48**	£2.28

Summary

Lok'nStore is a robust business which generates increasing cash flow from its strong asset base. With a low LTV of 28.5% and our interest rate risks substantially hedged through to 2016 we have a firm base for growth. The value of the Group's property assets continue to increase underpinning a flexible business model with relatively low credit risk and tightly controlled operating costs.

Ray Davies
Finance Director
11 October 2013

Board of Directors and Advisers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Directors and Advisers

Directors

SG Thomas	Chairman
A Jacobs	Chief Executive Officer
RA Davies	Finance Director
CM Jacobs	Director
ETD Luker	Senior Non-Executive Director
RJ Holmes	Non-Executive Director
CP Peal	Non-Executive Director
I Wright	Non-Executive Director (retired 19 October 2012)
D Hampson	Non-Executive Director (appointed 19 December 2012)

Secretary and Registered Office

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

Nominated Adviser and Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Solicitors

Maclay Murray Spens LLP
One London Wall
London EC2Y 5AB

Registrars

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

Principal Bankers

Lloyds TSB plc
Lloyds Bank Corporate Markets
3rd Floor, 2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Executive Directors

1. Andrew Jacobs (54)

Chief Executive Officer

Andrew established Lok'nStore in February 1995 after eight years' experience as a stockbroker at Nomura International in London. He has an MPhil in Economics from Cambridge University and 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 (53)

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 (56)

Finance Director

Ray, a chartered accountant, joined Lok'nStore in 2004 and 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 (49)

Director

Colin has been a Director since founding Lok'nStore in 1995. 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 (64)

Senior Non-Executive Director. Joined Lok'nStore in 2007.

Edward is a well-known figure in the UK property industry, having worked for CB Richard Ellis for 33 years, where he has been a Director and Partner for 20 years. In 1997/8 Edward was Chairman of the Investment Property Forum, the industry body, and has acted for a number of pensions in the creation of property investment funds. Edward is a Fellow of the Royal Institute of Chartered Surveyors and is currently Consultant and Chairman of the Investment Advisory Committee of CBRE Real Estate Finance Limited.

Edward sits on the Audit Committee and chairs the Remuneration Committee.

6. Richard Holmes (53)

Non-Executive Director. Joined Lok'nStore in 2000.

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 sits on the Remuneration Committee.

7. Charles Peal (58)

Non-Executive Director. Joined Lok'nStore in 2007.

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 chairs the Audit Committee.

8. Doug Hampson (67)

Non-Executive Director. Appointed 19 December 2012.

Douglas joined the Board following his investment in the Company. He has spent over 30 years in the self-storage industry, having set up the first self-storage facility in Europe in 1980. Over the last 30 years Douglas has founded and sold a number of self-storage businesses including Abbey Self-Storage, British Self-Storage and Keepsafe and currently owns Lockaway Self-Storage in London and Adams Self-Storage in the north of England, and is a director of Public Storage Services Ltd.

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 2013.

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, Operating Review, Property Review and Financial Review.

The key performance indicators are included within the Highlights on page 2 and the Financial Review.

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 15 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.

Cash deposits are placed with Lloyds TSB plc on a no-notice treasury deposit account which tracks base rate and currently yields 0.5% p.a. on all deposited balances. 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 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. Historically, no trading in financial instruments had been undertaken but during 2012 the Group entered into two separate swap arrangements. Full details are set out in the Financial Review. Further information on our treasury arrangements is set out in note 15.

Risk Management

Risk management has been a fundamental part of the development of Lok'nStore. 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 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 criteria for site selection 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 23 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 self-storage customers are a broad mix of both domestic and business, generating around 63%:37% respectively of our revenue (2012: 62%:38%).

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 process of gaining planning permissions remains challenging. Lok'nStore may take on the risk of obtaining planning permission when acquiring sites in the face of competitive bids. In these cases we are obliged to undertake the planning, environmental and other property due diligence under tight timescales which creates greater risk in the process.

Nevertheless 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. The building of each store is handled through a design and build contract with established contractors. We employ an external team of professionals to monitor the progress of each development. The fitting of mezzanine floors and steel units is generally project managed in-house using an established external professional team of sub-contractors who understand Lok'nStore's particular specifications.

Credit Risk

Lok'nStore's self-storage credit 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 be sold to cover their unpaid bills. Credit control remains tight with £60,709 (2012: 58,410) of bad debts recognised during the year representing around 0.47% of revenue (2012: 0.46%). There was £9,097 of additional costs associated with recovery (2012: £6,170). Given the tight credit conditions in the wider economy our own credit control indicators are resilient, showing no appreciable signs of weakening during the year with the number of late letters issued declining year-on-year and bad debts remaining at 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 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 Corporate Responsibility Report.

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 quarterly staff newsletters.

Dividend
In respect of the current year, the Directors propose that a final dividend of 4.33 pence per share will be paid to the shareholders on 16 December 2013 to shareholders on the register on 15 November 2013. The total estimated dividend to be paid is £1,043,305 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 28.

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

SG Thomas	ETD Luker
A Jacobs	RJ Holmes
RA Davies	CP Peal
CM Jacobs	D Hampson
I Wright (retired 19 October 2012)	(Appointed 19 December 2012)

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, Ray Davies and Charles Peal retire by rotation and each being eligible offer themselves for re-election at the next Annual General Meeting (AGM). Richard Holmes who has over ten year's tenure as a non-executive is now required under the Companies Act 2006 to offer himself for re-election at every AGM and accordingly offers himself for election at the next AGM.

Doug Hampson, a board appointee during the year, offers himself for election at the next AGM.

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

	Ordinary Shares of 1 pence each	
	31 July 2013	31 July 2012
SG Thomas	**2,106,385**	2,106,385
A Jacobs	**5,314,000**	5,314,000
RA Davies	**42,753**	41,099
CM Jacobs	**5,000**	–
RJ Holmes	**268,500**	159,000
ETD Luker	**13,800**	13,800
CP Peal	**255,000**	185,000
D Hampson	**4,033,909**	–
Total	**12,039,347**	7,819,284
Total shares in issue (excluding treasury shares)	**24,674,324**	25,616,865
Percentage held by Directors	**48.8%**	30.5%

Directors' Report

Andrew Jacobs is a beneficiary of "The Jacobs Family Directors Pension Scheme" that holds 310,350 (2012: 310,350) Ordinary Shares and Simon Thomas is a beneficiary of a pension fund "The Thomas Family Directors Pension Scheme" that holds 261,190 (2012: 231,190) Ordinary Shares. The figures set out in the table above do not include the Ordinary Shares held in these pension funds.

The Aylestone Pension Fund has a holding of 20,000 (2012: 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.

Douglas Hampson holds 4,033,909 Ordinary Shares, representing 15.75% of the issued share capital of the Company through Montecito Storage Investors LLC.

Directors' Share Purchases

Date	No. of shares purchased	Purchase price	D Hampson	RJ Holmes	CP Peal	RA Davies	C Jacobs
30 October 2012	12,000	119.5p		12,000			
13 November 2012	27,500	108.5p		27,500			
30 November 2012	4,033,909	*	4,033,909				
10 January 2013	1,148	117.0p				1,148	
24 April 2013	7,500	124.5p		7,500			
24 April 2013	7,500	124.5p			7,500		
25 April 2013	5,000	124.5p		5,000			
25 April 2013	5,000	124.5p			5,000		
29 April 2013	57,500	125.0p		57,500			
29 April 2013	57,500	125.0p			57,500		
24 July 2013	5,000	102.0p					5,000
Total	**4,219,557**		**4,033,909**	**109,500**	**70,000**	**1,148**	**5,000**

* Purchased by Mr Hampson before he was appointed a director.

Details of Directors' share options are disclosed in notes 19 to 22.

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 2 October 2013:

	Current rank	% at 2 Oct 2013	Number of shares	Total shares in issue (excluding treasury shares)	% at 12 Sept 2012	Total shares in issue (excluding treasury shares)	Total shares in issue (excluding treasury shares)
Andrew Jacobs	1	21.50	5,314,000		20.74	5,314,000	
Doug Hampson	2	16.32	4,033,909		–	–	
Simon Thomas	3	8.52	2,106,385		8.22	2,106,385	
Cavendish Asset Management	4	8.50	2,102,200		–	–	
Miton Capital Partners	5	5.51	1,361,530		–	–	
Charles Stanley Stockbrokers	6	5.14	1,270,111		3.54	905,992	
Goldman Sachs	–	–	–		3.50	896,071	
Laxey Partners	–	–	–		29.04	7,437,959	
Artemis Investment Management	–	–	–		4.43	1,135,000	
				24,718,026†			**25,616,865**

† Represents total shares in issue (excluding treasury shares) at 2 October 2013.

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 2013 are shown in note 10b to the Financial Statements. Further commentary on the property portfolio is contained in the Property Review and in the Financial Review.

Share Buy-back Authority

Authority will be sought at the Company's AGM on 29 November 2013 from shareholders to approve a share buyback 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.

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 29 November 2013 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
11 October 2013

Corporate Social Responsibility Report

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 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. A full assessment is set out below in our Environmental Policy.

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 a substantial amount 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.

Employees

At 31 July 2013 we had 131 employees (2012: 133).

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 review. Regular training courses at our Farnborough Head Office support these objectives. 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 their training. This in turn contributes to attracting and retaining the right people which is key to the success of Lok'nStore.

All employees are eligible to participate in our share ownership plans. Lok'nStore operates a Share Incentive Plan with 89 members, a total of 68% of employees participating in the Scheme (2012: 71%). 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.

Our Corporate Social Responsibility Report sets out our environmental policy and how we manage our impact on the environment, our policies and principles in relation to our responsibilities to stakeholders including suppliers, customers and employees.

Policy on Payment of Suppliers

The Group 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 70 days (2012: 69 days).

Health and Safety

The Board recognises the prime importance of maintaining high standards of Health & 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. The meetings are chaired by the Finance Director.

The Health and Safety policy is reviewed by the Committee 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 (2012: 623,212), the costs of which are shown as a deduction from shareholders' funds. The Company is holding in treasury a total of 2,466,869 of its own Ordinary Shares of 1 pence each with an aggregate nominal value of £2,467 for an aggregate cost of £3,741,036. At 31 July 2013 these treasury shares represent 9.09% of the Company's issued share capital (2012: 4.27%). The total number of Ordinary Shares in issue is 27,141,193 (2012: 26,758,865).

Environmental Policy

Our Environmental Policy is to effectively manage our waste, control our polluting emissions and to encourage our suppliers to minimise their impact on the environment. Trucost, the environmental reporting company has reviewed Lok'nStore Group plc's reporting of environmental matters in its Annual Report for the year ended 31 July 2013.

From October 2013, all UK quoted companies are required to report on their greenhouse gas emissions as part of the annual directors' report under the Companies Act 2006. Lok'nStore welcomes this new regulation and will continue to report in line with established guidelines.

The Group's environmental report is fully in accordance with Government Guidelines, Environmental Key Performance Indicators: Reporting Guidelines for UK Business (2006).

Environmental Management and Performance

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

Highlights year ending 31 July 2013:

- Overall total GHG emissions reduced by 71% from 1223 tonnes in 2005 to 353 tonnes in 2013. When normalised to turnover, there has been 83% reduction, from 157t/£m to 27t/£m.
- Indirect (electricity) GHG emissions intensity has decreased by 97% since 2005. That reduction is a consequence of the decision reported last year by Lok'nStore to purchase 100% renewable source electricity.
- Following the effective elimination of indirect emissions from electricity within Lok'nStore, the Group's direct emissions, which result from natural gas and vehicle fuel consumption, now account for 83% of overall GHG emissions. As this is now the largest source of GHG emissions, Lok'nStore will concentrate on reducing this impact in future periods. This year direct GHG emissions rose to 292 tonnes (2012: 267 tonnes) a rise of 9% when normalised to turnover.
- Total waste sent to landfill reduced for the ninth successive year to 188 tonnes (2012: 229 tonnes), an 18% reduction on a normalised basis.
- Total water use was reduced to 2213 m^3 (2012: 2506 m^3), a 12% reduction on a normalised basis.

Environmental Performance

Figure 1: Overall GHG emissions

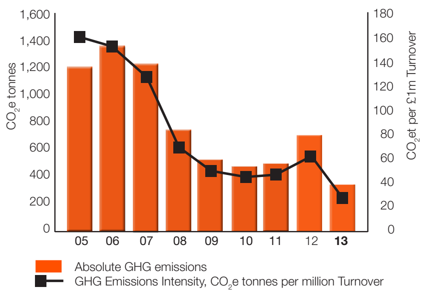


Figure 2: GHG emissions from electricity consumption

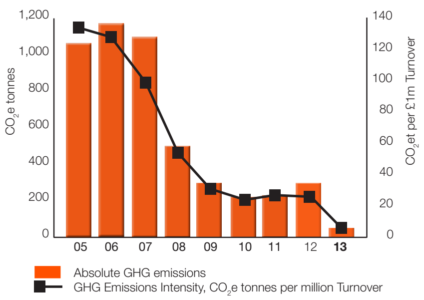
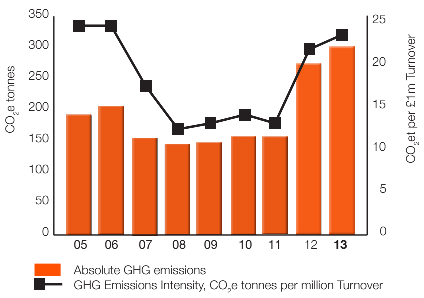


Figure 3: GHG emissions from natural gas and vehicles



Overall GHG emissions

The total of GHG emissions (direct and indirect) has been reduced to 353 tonnes (2012: 646 tonnes). Since the start of reporting in 2005, when emissions were 1223 tonnes in the year, the current level represents a 71% reduction. When normalised to turnover, there has been an 83% reduction over that time.

Figure 1 shows the level of overall GHG emissions since the start of reporting. The figures include direct emissions from vehicles and gas boilers, indirect emissions from electricity and indirect emissions from customer use of hire vehicles.

In previous years, indirect GHG emissions from electricity consumption have been higher than direct emissions. However, due to using 100% renewable energy at its Lok'nStore facilities, direct GHG emissions in 2013 are higher than indirect GHG emissions. Lok'nStore will continue identifying opportunities to reduce its GHG emissions with a particular focus on natural gas consumption and fuel use.

Indirect GHG emissions (electricity)

For the fifth year running all of Lok'nStore's electricity was supplied by Green Energy plc. It has been confirmed by Green Energy that 100% of the electricity supplied to Lok'nStore by Green Energy has been from renewable sources. While last year emissions were calculated using the fuel mix of the supplier overall for continuity of reporting purposes, this year, an emission factor of zero was applied to Lok'nStore's electricity consumption to account for its usage of renewables. This change effectively eliminates Lok'nStore's indirect emissions from electricity consumption and explains the large decrease in indirect GHG emissions, which now only reflect Saracen's electricity consumption.

Absolute indirect GHG emissions decreased from 328 to 36 CO_2e tonnes. When normalised to turnover, the impact reduced from 26 to 3 CO_2e tonnes per £m turnover.

As reported last year, Lok'nStore Poole has been fitted with an array of solar panels. During the reporting period, the system generated 48MWh of electricity (2012: 37MWh). Of this the bulk was used on site, providing 33% of the store's annual electricity needs, with a balance of 7MWh exported back to the grid (2012: 5MWh). Where it is appropriate, future new stores will also be equipped with solar panel installations, and will be reported when they come into generation.

Figure 2 shows absolute and normalised GHG emissions from electricity consumption over the last nine years.

Direct GHG emissions

In 2011, Lok'nStore acquired the Saracen records management subsidiary. Saracen's business is serviced storage including a document delivery and collection service. The company is responsible for the transportation impacts of that service. Overall emissions from vans and cars operated by the company have increased from 202 to 216 tonnes CO_2e due to increased mileage driven in the period. Recognising the cost and environmental impact of that service, the Group from July 2013 has introduced a new, more efficient leased van fleet. This new fleet is fitted with Euro V compliant diesel engines which greatly improve fuel efficiency, offering cost efficiencies as well as reducing the Group's environmental impact.

Lok'nStore will monitor and analyse the increased efficiency of the new van fleet arrangements and will report the results in next year's annual report.

Emissions from gas boilers rose in absolute terms from 65 to 76 CO_2e tonnes, and normalised to turnover from 5 to 6 CO_2e tonnes per £1 million turnover. The natural gas consumption includes the gas consumed by office space tenants. Lok'nStore is currently exploring options to improve the tenants' consumption and to monitor their consumption separately.

Overall, the Group's direct carbon footprint has risen from 267 to 292 CO_2e tonnes. Normalised to turnover, direct GHG emissions rose from 21 to 22 CO_2e tonnes per £1 million, which is a 7% increase.

Figure 3 shows absolute and normalised GHG emissions from natural gas consumption and vehicle fuel consumption over the last nine years.

Waste generation and recycling

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

For the ninth successive year Lok'nStore reduced the quantity of waste produced. Waste sent to landfill fell to 188 tonnes in 2013, from 229 tonnes in the previous period, an 18% reduction. Total waste sent to landfill and recycled fell from 452 tonnes to 416 tonnes, a reduction in the total waste generated of 10%. The proportion of waste recycled has increased from 49% to 52%.

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

Figure 4 shows absolute and normalised landfill waste produced over the last nine years.

With the acquisition of Saracen, the Group has also begun to monitor its contracted waste produced (i.e. consumer waste sent to Saracen for disposal). In 2013, Saracen recycled 246 tonnes of shredded paper on behalf of its customers, compared to 122 tonnes in 2012. It also disposed of small quantities of microfiche, and media and exhibition items, but these amounts are negligible.

Water consumption

In 2013 we consumed 2,213 m^3 of water, which is 293 m^3 less than in the previous year and amounts to a 12% decrease. We achieved this reduction through performance monitoring and rectification works where required. The Group will continue to look for opportunities to reduce water losses and wastage.

Figure 5 shows absolute and normalised water use over the last nine years.

Figure 4: Landfill waste

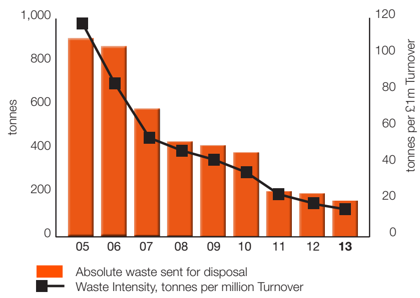
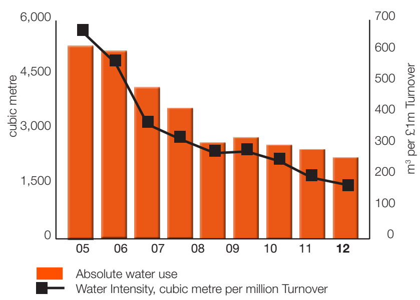


Figure 5: Water use



Environmental Performance

Direct Impacts (Operational)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity: Absolute Tonnes CO_2e 2012	Quantity: Absolute Tonnes CO_2e 2013	Quantity: Normalised* Tonnes CO_2e Per £1m Turnover 2012	Quantity: Normalised* Tonnes CO_2e Per £1m Turnover 2013	% change in normalised quantity
Gas	Emissions from utility boilers.	Yearly consumption in kWh collected from fuel bills, converted according to Defra Guidelines	65	**76**	5	**6**	17%
Vehicle Fuel	Diesel, petrol and LPG used in company vans and by employees on company business.	Fuel invoices, recorded mileage or satellite tracking, and expenses claims, converted according to Defra Guidelines.	202	**216**	16	**17**	5%
Total Greenhouse Gases	Includes Carbon Dioxide (CO_2), Methane (CH_4) and Nitrous Oxide (N_2O).	Calculated according to Defra Guidelines	267	**292**	21	**22**	7%

Waste	Definition	Data Source and Calculation Methods	Quantity: Absolute Tonnes 2012	Quantity: Absolute Tonnes 2013	Quantity: Normalised* Tonnes Per £1m Turnover 2012	Quantity: Normalised* Tonnes Per £1m Turnover 2013	% change in normalised quantity
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.	230	**188**	18	**14**	–20%
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.	223	**228**	17	**18**	<1%

Indirect Impacts (Supply Chain)

Greenhouse Gases	Definition	Data Source and Calculation Methods	Quantity: Absolute Tonnes CO_2e 2012	Quantity: Absolute Tonnes CO_2e 2013	Quantity: Normalised* Tonnes CO_2e Per £1m Turnover 2012	Quantity: Normalised* Tonnes CO_2e Per £1m Turnover 2013	% change in normalised quantity
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.	328	**36**	26	**3**	–89%

			Quantity				
			Absolute m^3		Normalised* m^3 Per £1m Turnover		
Water	Definition	Data Source and Calculation Methods	2012	**2013**	2012	**2013**	% change in normalised quantity
Supplied water	Consumption of piped water. No water directly abstracted by the Group.	Yearly consumption of purchased water.	2506	**2,213**	196	**170**	–13%

Indirect Impacts — Downstream

			Quantity				
			Absolute Tonnes CO_2e		Normalised* Tonnes CO_2e Per £1m Turnover		
Greenhouse Gases	Definition	Data Source and Calculation Methods	2012	**2013**	2012	**2013**	% change in normalised quantity
Vehicle Fuel	Petrol and diesel used by customers in van hire fleet.	Recorded mileage, converted according to Defra Guidelines.	51	**25**	4	**2**	–51%

Figures are rounded up.

* Normalised based on annual turnover for the respective years.

Source: UK Government Environmental Key Performance Indicators: Reporting Guidelines for UK Business (2006).

Baseline Re-calculation Policy

For this year's calculations of Lok'nStore's GHG emissions, Defra's 2013 conversion factors were applied. In line with Lok'nStore's recalculation policy, the impact of an update in conversion factors was considered. Lok'nStore recalculated the overall direct and indirect GHG emissions of the baseline year 2005 using 2013 factors, and emissions for 2005 would rise by 3%. As the emissions changed by less than 5%, the threshold determined as appropriate by Lok'nStore, historic data has been left unchanged in the reporting at this time.

Corporate Governance

Introduction

The UK Corporate Governance Code is intended to promote the principles of openness, integrity and accountability. The Group and Board fully support these principles. 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 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 three Non-Executive Directors. The Board considers all of the Non-Executive Directors to be independent of the Group save for Richard Holmes who by virtue of over nine years tenure as a non-executive is not considered to be independent. 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 at least 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. Richard Holmes who has over nine year's 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.

Directors' Remuneration

The Remuneration Committee consists of Edward Luker (Chairman of the Committee) and Richard Holmes. 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 financial statements.

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

Shareholders' Relations

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. At the AGM the Board give a presentation of events and progress during the year and Directors are individually introduced to shareholders at the Meeting. Attendee shareholders are encouraged to mix and engage with the Directors after the formal business of the AGM has concluded.

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, internal 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 Group cash balances of £4.2 million (2012: £4.0 million) undrawn committed facilities at 31 July 2013 of £13.2 million (2012: £10.3 million) and cash generated from operations in the year to 31 July 2013 of £4.3 million (2012: £3.1 million). The Group continues to operate its five year £40 million revolving credit facility with Lloyds TSB plc in full compliance of its covenants and undertakings underlining the strength of the cash flow and the assets of the business. The facility has been in place since 20 October 2011 and runs until 19 October 2016. The Group is not obliged to make any repayments prior to expiration. 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 Charles Peal (Chairman of the Committee) and Edward Luker. 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 to consider the Auditors' Findings Report and consider any corresponding recommendations, and would convene at other times should it be necessary.

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 Committee 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 UK Corporate Governance Code as well as the Group'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
11 October 2013

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 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 34 to 69. 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 32, 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 http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx.

Opinion on 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 2013 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 matters 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:

1. 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
2. the parent company financial statements are not in agreement with the accounting records and returns; or
3. certain disclosures of directors' remuneration specified by law are not made; or
4. we have not received all the information and explanations we require for our audit.

David Clark
(Senior Statutory Auditor)

For and on behalf of
BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
EC4A 4AB
11 October 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2013

	Notes	2013 £'000	2012 £'000
Revenue	1a	12,974	12,765
Total property, staff, distribution and general costs	2a	(8,838)	(8,791)
Adjusted EBITDA*		4,136	3,974
Amortisation of intangible assets		(165)	(165)
Depreciation based on historic cost		(954)	(1,304)
Additional depreciation based on revalued assets		(250)	(273)
Loss on sale of motor vehicle		(18)	(4)
Equity settled share based payments		(94)	(92)
Professional and related costs – management contract set-up	2c	–	(196)
Loss on sale of property	2c	(86)	–
		(1,567)	(2,034)
Operating profit*		2,569	1,940
Finance income	3	33	15
Finance cost	4	(1,175)	(1,029)
Profit before taxation	5	1,427	926
Income tax credit/(expense)	7	2	(155)
Profit for the year		1,429	771
Profit attributable to:			
Owners of the parent	24	1,421	753
Non-controlling interest		8	18
		1,429	771
Other Comprehensive Income			
Increase in property valuation		2,025	48
Deferred tax relating to change in property valuation		426	523
Increase/(decrease) in fair value of cash flow hedges		225	(496)
Deferred tax relating to cash flow hedges		(60)	114
Other comprehensive income		2,616	189
Total comprehensive income for the year		4,045	960
Attributable to:			
Owners of the parent		4,037	942
Non-controlling interest		8	18
		4,045	960
Earnings per share			
Basic	9	5.75p	3.01p
Diluted	9	5.72p	2.99p

* Adjusted EBITDA and operating profit are defined in the accounting policies section of the notes to the financial statements.

Our Financials

Consolidated Statement of Changes in Equity

For the year ended 31 July 2013

	Share capital £'000	Share premium £'000	Other reserves £'000	Revaluation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non controlling interest £'000	Total equity £'000
1 August 2011	**268**	**698**	**12,858**	**20,161**	**4,587**	**38,572**	**254**	**38,826**
Profit for the year	–	–	–	–	753	753	18	771
Other comprehensive income:								
Increase in property valuation	–	–	–	48	–	48	–	48
Deferred tax relating to increase in property valuation	–	–	–	523	–	523	–	523
Decrease in fair value of cash flow hedges	–	–	(496	–	–	(496)	–	(496)
Deferred tax relating to cash flow hedges	–	–	114	–	–	114	–	114
Total comprehensive income for the year	–	–	(382)	571	753	942	18	960
Transactions with owners:								
Dividend paid	–	–	(917)	–	–	(917)	–	(917)
Total transactions with owners	–	–	(917)	–	–	(917)	–	(917)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(205)	205	–	–	–
Equity settled share based payments	–	–	92	–	–	92	–	92
31 July 2012	**268**	**698**	**11,651**	**20,527**	**5,545**	**38,689**	**272**	**38,961**
Profit for the year	–	–	–	–	1,421	1,421	8	1,429
Other comprehensive income:								
Increase in property valuation	–	–	–	2,025	–	2,025	–	2,025
Deferred tax relating to increase in property valuation	–	–	–	426	–	426	–	426
Increase in fair value of cash flow hedges	–	–	225	–	–	225	–	225
Deferred tax relating to cash flow hedges	–	–	(60)	–	–	(60)	–	(60)
Total comprehensive income for the year	–	–	165	2,451	1,421	4,037	8	4,045
Transactions with owners:								
Purchase of own shares into treasury	–	–	–	–	(1,648)	(1,648)	–	(1,648)
Asset disposal net of deferred tax	–	–	–	(1,120)	1,120	–	–	–
Dividend paid	–	–	(1,399)	–	–	(1,399)	–	(1,399)
Total transactions with owners	–	–	(1,399)	(1,120)	(528)	(3,047)	–	(3,047)
Transfer additional dep'n on revaluation net of deferred tax	–	–	–	(193)	193	–	–	–
Equity settled share based payments	–	–	94	–	–	94	–	94
Exercise of share options	4	315	–	–	–	319	–	319
31 July 2013	**272**	**1,013**	**10,511**	**21,665**	**6,631**	**40,092**	**280**	**40,372**

Company Statement of Changes in Equity

For the year ended 31 July 2013

	Share capital £'000	Share premium £'000	Retained deficit £'000	Other reserves £'000	Total £'000
1 August 2011	**268**	**698**	**(338)**	**6,563**	**7,191**
Loss for the year	**–**	**–**	**(194)**	**–**	**(194)**
Dividend paid	–	–	–	(917)	(917)
Equity settled share based payments	–	–	–	92	92
31 July 2012	**268**	**698**	**(532)**	**5,738**	**6,172**
Loss for the year	**–**	**–**	**(203)**	**–**	**(203)**
Dividend paid	–	–	–	(1,399)	(1,399)
Equity settled share based payments	–	–	–	94	94
Exercise of share options	4	315	–	–	319
31 July 2013	**272**	**1,013**	**(735)**	**4,433**	**4,983**

Statements of Financial Position

31 July 2013

Company Registration No: 04007169

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Assets					
Non-current assets					
Intangible assets	10a	**4,088**	4,253	**–**	–
Property, plant and equipment	10b	**67,886**	69,470	**–**	–
Property lease premiums	10c	**2,800**	3,180	**–**	–
Investments	11	**–**	–	**1,776**	1,682
Amounts due from subsidiary undertakings	29	**–**	–	**3,207**	4,490
		74,774	76,903	**4,983**	6,172
Current assets					
Inventories	12	**138**	140	**–**	–
Trade and other receivables	13	**2,417**	1,855	**–**	–
Cash and cash equivalents	15	**4,244**	3,961	**–**	–
		6,799	5,956	**–**	–
Total assets		**81,573**	82,859	**4,983**	6,172
Liabilities					
Current liabilities					
Trade and other payables	14	**(4,798)**	(4,084)	**–**	–
Borrowings	16a	**(5)**	(22)	**–**	–
		(4,803)	(4,106)	**–**	–
Non-current liabilities					
Borrowings	16a	**(26,422)**	(29,223)	**–**	–
Derivative financial instruments	16b	**(271)**	(496)	**–**	–
Deferred tax	17	**(9,705)**	(10,073)	**–**	–
		(36,398)	(39,792)	**–**	–
Total liabilities		**(41,201)**	(43,898)	**–**	–
Net assets		**40,372**	38,961	**4,983**	6,172
Equity					
Equity attributable to owners of the parent					
Called up share capital	18	**272**	268	**272**	268
Share premium		**1,013**	698	**1,013**	698
Other reserves	23	**10,511**	11,651	**4,433**	5,738
Retained earnings/(deficit)	24	**6,631**	5,545	**(735)**	(532)
Revaluation reserve		**21,665**	20,527	**–**	–
Total equity attributable to owners of the parent		**40,092**	38,689	**4,983**	6,172
Non-controlling interests		**280**	272	**–**	–
Total equity		**40,372**	38,961	**4,983**	6,172

Approved by the Board of Directors and authorised for issue on 11 October 2013 and signed on its behalf by:

Andrew Jacobs
Chief Executive Officer

Ray Davies
Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 July 2013

	Notes	2013 £'000	2012 £,000
Operating activities			
Cash generated from operations	26a	4,286	3,143
Net cash from operating activities		**4,286**	3,143
Investing activities			
Purchase of property, plant and equipment		(603)	(1,839)
Purchase additions to property lease premiums		(1,171)	(235)
Proceeds from disposal of property, plant and equipment		4,459	10
Interest received		33	15
Net cash used in investing activities		**2,718**	(2,049)
Financing activities			
Purchase of shares for treasury		(1,648)	–
Proceeds from new borrowings		–	29,681
Repayment of borrowings		(2,922)	(28,195)
Arrangement fees – refinancing of group revolving credit facility		–	(555)
Finance costs paid		(1,071)	(926)
Equity dividends paid		(1,399)	(917)
Proceeds from issuance of ordinary shares (net)		319	–
Net cash used in financing activities		**(6,721)**	(912)
Net increase in cash and cash equivalents in the year		**283**	182
Cash and cash equivalents at beginning of the year		**3,961**	3,779
Cash and cash equivalents at end of the year		**4,244**	3,961

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 Group 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.co.uk.

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 2012.

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

Adoption of new and revised standards
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:

IAS 19	Employee benefits – Amendments; Effective for accounting periods commencing on or after 1 January 2013.
IAS 27†	Separate Financial Statements (amended 2011). Effective for accounting periods commencing on or after 1 January 2013.
IAS 28†	Investments in associates and Joint ventures (amended 2011). Effective for accounting periods commencing on or after 1 January 2013.
IFRS 1*	First-time adoption of IFRS – Amendments; Effective for accounting periods commencing on or after 1 January 2013.
IFRS 7*	Financial Instruments: Disclosures – Amendment; Offsetting Financial Assets and Financial Liabilities; Effective for accounting periods commencing on or after 1 July 2011. Effective for accounting periods commencing on or after 1 January 2013.
IFRS 9*	Financial Instruments. Effective for accounting periods commencing on or after 1 January 2015.
IFRS 10†	Consolidated Financial Statements. Effective accounting periods commencing on or after 1 January 2013.
IFRS 11†	Joint Arrangements. Effective accounting periods commencing on or after 1 January 2013.
IFRS 12†	Disclosure of Interests in Other Entities. Effective accounting periods commencing on or after 1 January 2013.
IFRS 13*	Fair Value Measurement. Effective accounting periods commencing on or after 1 January 2013.
IAS 32	Financial Instruments – Presentation – Amendment; Offsetting Financial assets and Financial Liabilities. Effective for accounting periods commencing on or after 1 January 2014.

* Not yet endorsed by the EU.

† Effective in the EU for financial years starting on or after 1 Jan 2014.

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
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 a non-current 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 subsequent periods.

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.

Accounting Policies

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

Non-controlling interests are measured at the proportionate share of the non-controlling interest's identifiable net assets in the relevant subsidiary.

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 Group cash balances and cash equivalents of £4.2 million (2012: £4.0 million), undrawn committed bank facilities at 31 July 2013 of £13.2 million (2012: £10.3 million), and cash generated from operations in the year to 31 July 2013 of £4.3 million (2012: £3.1 million). The Group continues to operate its five year £40 million revolving credit facility with Lloyds TSB plc. The facility has been in place since 20 October 2011 and runs until 19 October 2016. The Group is fully compliant with all bank covenants and undertakings and is not obliged to make any repayments prior to expiration. 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 the block policy and other costs. 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, tapes 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.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA), is defined as profits from operations before all depreciation and amortisation charges, share-based payments and other non-recurring costs, finance income, finance costs and taxation.

Store adjusted EBITDA

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

Operating profit

Operating profit is defined as profit after all costs except 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 can be 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.

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.

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.

Short leasehold improvements, fixtures, fittings and equipment, and motor vehicles are carried at cost less accumulated depreciation.

Assets in the course of construction and land held for development of new stores ('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	5% 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.

Accounting Policies

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 (other than goodwill)

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).

Impairment of property, plant and equipment and intangible assets (other than goodwill)

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent, 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 in the Parent Company's statement of financial position. 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.

Bank borrowings and finance costs

Interest-bearing bank loans are recorded at the proceeds received net of direct issue costs. Issue costs are amortised against the carrying value amount of the loan over the period of the loan with the cost recognised in profit and loss as part of finance costs.

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.

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.

Derivative financial instruments and hedge accounting

The Group's activities expose it to interest rate risk. The Group uses interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative or for any other purposes.

The use of financial derivatives is governed by the Group's policies as approved by the board of directors. The Group documents its risk management objectives and strategy for undertaking hedging transactions within the Group's Risk Register. The Group also documents its assessment both at hedge inception and on an on-going basis to assess whether the derivatives that are used are effective in offsetting changes in fair value or cash flows of the hedged items.

Derivative financial instruments are measured at fair value and the fair values of the hedged derivative instruments are disclosed in note 16b. Movements on the hedging reserve in other comprehensive income are shown in note 23a. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item has more than 12 months to run, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Instruments quoted in an active market are measured at their current bid price. For instruments that are not quoted in an active market, the fair value is estimated using a valuation technique. Techniques that are used by the Group include comparisons to recent market transactions or reference to other instruments which are substantially the same, discounted cash flow analysis and option pricing models. Inputs to such techniques rely on market inputs where such information is readily available. Where such information is not available entity-specific inputs are used.

Cash flow hedges

Hedges of exposures to variable cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss are accounted for as cash flow hedges when the hedging criteria has been achieved. The Group designates certain derivative instruments as hedges of the variable rate borrowings. The effective portion of changes in the fair value is recognised in other comprehensive income whilst the gain or loss on the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss. However when a forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred into other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset.

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.

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.

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.

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.

Accounting Policies

Critical accounting estimates and judgements

The preparation of consolidated financial statements under EU-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 current and projected 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 10b. The carrying value of land and buildings held at valuation at the reporting date was £50.8 million (2012: £51.9 million) as shown in note 10b.

In their report to us, our valuers Cushman & Wakefield LLP (C&W) have drawn attention to valuation uncertainty resulting from a lack of transactions in the self storage investment market. Please see note 10b for more details.

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 recoverable amount of the development property. 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, it is valued as a trading store.

The Group holds planning permissions on its entire pipeline of sites as a result of the work undertaken to complete the pre-planning and planning phases required. During this year it has been engaged with the four sites to examine whether 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 (2012: £11.9 million) of which £2.8 million (2012: £3.18 million) relating to the long lease at Maidenhead is classified as a property lease premium and is shown separately in the statement of financial position.

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 2013 intangible assets, excluding goodwill, amounted to £2.98 million (2012: £3.14 million).

The valuation method used and key assumptions are described in note 10a.

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 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 relatively 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.

Notes to the Financial Statements

For the year ended 31 July 2013

1a Revenue

Analysis of the Group's revenue is shown below:

Stores trading	2013 £'000	2012 £'000
Self-storage revenue	9,776	9,550
Other storage related revenue	1,168	1,111
Ancillary store rental revenue	4	5
Management fees	94	20
Sub-total	11,042	10,686
Stores under development		
Non-storage income	94	88
Sub-total	11,137	10,774
Serviced archive and records management revenue	1,837	1,991
Total revenue per statement of comprehensive income	12,974	12,765

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.

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 and other non-recurring set-up 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 expose 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 2013 is as follows:

2013	Self-storage 2013 £'000	Serviced archive & records management 2013 £'000	Total 2013 £'000
Revenue from external customers	11,137	1,837	12,974
Adjusted EBITDA	3,822	314	4,136
Management charges	100	(100)	–
Segment adjusted EBITDA	3,922	214	4,136
Depreciation	(1,093)	(111)	(1,204)
Amortisation of intangible assets	–	(165)	(165)
Loss on disposal — motor vehicles	(9)	(9)	(18)
Equity settled share based payments	(94)	–	(94)
Loss on sale of property	(86)	–	(86)
Segment profit	2,640	(71)	2,569
Central costs not allocated to segments:			
Finance income			33
Finance costs			(1,175)
Profit before taxation			1,427
Income tax credit			2
Consolidated profit for the financial year			1,429

Notes to the Financial Statements

For the year ended 31 July 2013

1b Segmental information continued

2012	Self-storage 2012 £'000	Serviced archive & records management 2012 £'000	Total 2012 £'000
Revenue from external customers	10,774	1,991	12,765
Adjusted EBITDA	3,500	474	3,974
Management charges	185	(185)	–
Segment adjusted EBITDA	3,685	289	3,974
Depreciation	(1,498)	(79)	(1,577)
Amortisation of intangible assets	–	(165)	(165)
Loss on disposal — motor vehicles	(4)	–	(4)
Equity share based payments	(92)	–	(92)
Segment profit	2,091	45	2,136
Central costs not allocated to segments:			
Professional fees — management contract set-up			(196)
Finance income			15
Finance costs			(1,029)
Profit before taxation			926
Income tax expense			(155)
Consolidated profit for the financial year			771

Corporate transactions and the treasury function are managed centrally and therefore are not allocated to segments. Sales between segments are carried out at arm's length. The serviced archive segment with over 315 customers has a greater customer concentration with its ten largest corporate customers accounting for 32.5% (2012: 39%) of revenue its top 50 accounting for 62.4% (2012: 68.8%) and its top 100 accounting for 77.6% (2012: 84.0%) of revenue. The self-storage segment with over 6,750 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.

2013	**Self-storage 2013 £'000**	**Serviced archive & records management 2013 £'000**	**Total 2013 £'000**
Segment and total assets	**75,930**	**5,643**	**81,573**
Segment liabilities	**(13,578)**	**(925)**	**(14,503)**
Borrowings			**(26,427)**
Derivative financial instruments			**(271)**
Total liabilities			**(41,201)**
Capital expenditure*	**1,412**	**362**	**1,774**

* Capital expenditure includes fixed asset additions. Refer note 10b and additions to property lease premiums note 10c.

1b Segmental information continued

2012	Self-storage 2012 £'000	Serviced archive & records management 2012 £'000	Total 2012 £'000
Segment and total assets	77,065	5,794	82,859
Segment liabilities	(13,089)	(1,068)	(14,157)
Borrowings			(29,245)
Derivative financial instruments			(496)
Total liabilities			(43,898)
Capital expenditure	1,700	374	2,074

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. Borrowings are managed centrally on a Group basis and are therefore not allocated to segments.

2a Property, staff, distribution and general costs

	2013 £'000	2012 £'000
Property and premises costs	**3,733**	3,895
Staff costs	**3,538**	3,432
General overheads	**1,128**	1,048
Distribution costs	**173**	165
Retail products cost of sales (see note 2b)	**266**	251
	8,838	8,791

2b 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.

	2013 £'000	2012 £'000
Retail	**104**	103
Insurance	**27**	21
Van hire	**22**	35
Other	**5**	3
	158	162
Serviced archive consumables and direct costs	**108**	89
	266	251

2c Other costs

	2013 £'000	2012 £,000
Legal fees and associated costs — management contract set-up costs	**–**	196
Loss on sale of Ashford store (see note 10b)	**86**	–
	86	196

3 Finance income

	2013 £'000	2012 £'000
Bank interest	**33**	15

All interest receivable arises on cash and cash equivalents (see note 15).

Notes to the Financial Statements
For the year ended 31 July 2013

4 Finance costs

	2013 £'000	2012 £'000
Bank interest	**962**	814
Non-utilisation fees and amortisation of bank loan arrangement fees	**207**	201
Other interest	**6**	14
	1,175	1,029

5 Profit before taxation

	2013 £'000	2012 £'000
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
— owned assets	**1,198**	1,556
— assets held under finance leases and hire purchase	**6**	21
Amortisation of intangible assets	**166**	166
Operating lease rentals — land and buildings	**1,619**	1,729

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	**46**	41
Other services		
— the auditing of accounts of associates of the Company pursuant to legislation	**12**	16
Other services supplied pursuant to such legislation		
— interim review	**9**	7
Tax services		
— compliance services	**36**	27
— advisory services	**24**	56
Other services	**2**	11
	129	158
Comprising:		
Audit services	**58**	57
Non-audit services:	**71**	101
	129	158

6 Employees

	2013 No.	2012 No.
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Store management	**104**	102
Administration	**27**	31
	131	133

	2013 £'000	2012 £'000
Costs for the above persons:		
Wages and salaries	**2,804**	2,717
Social security costs	**267**	256
Pension costs	**50**	34
	3,121	3,007
Share based remuneration (options)	**94**	92
	3,215	3,099

Share based remuneration is separately disclosed in the statement of comprehensive income. Wages and salaries of £110,262 (2012: £106,213) 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 staff costs in the statement of comprehensive income.

In relation to pension contributions, there was £3,839 (2012: £2,948) outstanding at the year-end.

Directors' remuneration

2013	**Emoluments £**	**Bonuses £**	**Benefits £**	**Subtotal £**	**Gains on share options £**	**Total £**
Executive:						
A Jacobs	**196,564**	**20,010**	**3,154**	**219,728**	**33,937**	**253,665**
SG Thomas	**49,141**	**4,378**	**3,036**	**56,555**	**33,937**	**90,492**
RA Davies	**100,000**	**6,000**	**2,380**	**108,380**	**54,685**	**163,065**
CM Jacobs	**56,700**	**3,000**	**2,563**	**62,263**	**6,643**	**68,906**
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**
D Hampson	**12,205**	**–**	**–**	**12,205**	**–**	**12,205**
	479,610	**33,388**	**11,133**	**524,131**	**129,202**	**653,333**

2012	Emoluments £	Bonuses £	Benefits £	Subtotal £	Gains on share options £	Total £
Executive:						
A Jacobs	200,000	10,000	3,150	213,150	–	213,150
SG Thomas	50,000	2,500	3,267	55,767	–	55,767
RA Davies	99,653	8,000	1,916	109,569	–	109,569
CM Jacobs	55,590	2,500	2,586	60,676	–	60,676
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	–	–	–	–	–	–
	470,243	23,000	10,919	504,162	–	504,162

During the year services, including re-imbursement of expenses, totalling £321,773 (2012: £309,578) were provided by Value Added Services LLP (VAS), a limited liability partnership 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 £15,000 (2012: £12,500). See note 29 on 'Related party transactions' for further information.

Notes to the Financial Statements

For the year ended 31 July 2013

6 Employees continued

Pension contributions of £30,047 (2012: £15,062) were paid by the Group on behalf of RA Davies and are not included in the Directors' emoluments table above. 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 (2012: one).

7 Taxation

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax at 24% (2012: 25%)	–	–
Deferred tax:		
Origination and reversal of temporary differences	402	376
Impact of change in tax rate on closing balance	(525)	(351)
Adjustments in respect of prior periods	121	130
Total deferred tax (credit)/charge	(2)	155
Income tax (credit)/expense for the year	(2)	155

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

	2013 £'000	2012 £'000
Profit before tax	1,426	926
Tax on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012: 25%)	342	232
Expenses not deductible for tax purposes	4	18
Depreciation of non-qualifying assets	35	103
Share based payment charges in excess of corresponding tax deduction	22	22
Impact of change in tax rate	(525)	(351)
Adjustments in respect of prior periods — deferred tax	121	130
Other	(1)	1
Income tax (credit)/expense for the year	(2)	155
Effective tax rate	–%	17%

The UK's main rate of corporation tax is expected to reduce to 21% from 1 April 2014. The applicable rate for this period is 24%.

In addition to the amount charged to profit or loss for the year, deferred tax relating to the revaluation of the Group's properties of £426,019 (2012: £522,585) and the movement in the fair value of cash flow hedges of £59,827 (2012: £114,057) has been recognised as a debit directly in other comprehensive income. Refer note 17 on deferred tax.

8 Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2011 (2.67 pence per share)	–	667
Interim dividend for the six months to 31 January 2012 (1.00 pence per share)	–	250
Final dividend for the year ended 31 July 2012 (4.0 pence per share)	1,000	–
Interim dividend for the six months to 31 January 2013 (1.67 pence per share)	399	–
	1,399	917

In respect of the current year the Directors propose that a final dividend of 4.33 pence per share will be paid to the shareholders. The total estimated dividend to be paid is £1,043,305 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 13 November 2013; the record date 15 November 2013; with an intended payment date of 16 December 2013.

9 Earnings per share

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

	2013 £'000	2012 £'000
Profit for the financial year attributable to owners of the parent	1,421	753

	2013 No. of shares	2012 No. of shares
Weighted average number of shares		
For basic earnings per share	24,700,318	24,993,653
Dilutive effect of share options*	147,825	186,893
For diluted earnings per share	24,848,143	25,180,546

* Further options that could potentially dilute EPS in the future are excluded from the above because they are not dilutive in the period presented. Full details of share options are included in notes 19 to 22.

623,212 (2012: 623,212) shares held in the Employee Benefit Trust and 2,466,869 (2012: 1,142,000) Treasury shares are excluded from the above, see note 25.

	2013	2012
Earnings per share		
Basic	5.75p	3.01p
Diluted	5.72p	2.99p

10a Intangible assets

Group	Goodwill £'000	Contractual customer relationships £'000	Total £'000
Cost and net book value at 1 August 2011	1,110	3,309	4,419
Amortisation charge	–	(166)	(166)
Net book value at 31 July 2012	1,110	3,143	4,253
Amortisation charge	–	(165)	(165)
Net book value at 31 July 2013	1,110	2,978	4,088

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

The values for impairment purposes are based on estimated future cash flows and the following key assumptions:

- a discount rate of 11%
- estimated useful lives of customer relationships.
- long term sustainable growth rates of 2.75%
- a forward corporation tax rate of 23%
- sensitivity: the Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in projected sales by around 7.25% would result in the carrying value of goodwill being reduced to its recoverable amount.

Notes to the Financial Statements

For the year ended 31 July 2013

10b Property, plant and equipment

Group	Development property assets at cost £'000	Land and buildings at valuation £'000	Short leasehold improvements at cost £'000	Fixtures, fittings and equipment at cost £'000	Motor vehicles at cost £'000	Total £'000
Cost or valuation						
1 August 2011	**8,587**	**51,030**	**2,597**	**16,028**	**245**	**78,487**
Additions	83	1,294	31	420	10	1,838
Reclassification	–	184	(114)	(69)	–	–
Disposals	–	–	–	–	(38)	(38)
Revaluations	–	(640)	–	–	–	(640)
31 July 2012	**8,670**	**51,868**	**2,514**	**16,379**	**217**	**79,648**
Depreciation						
1 August 2011	**–**	**–**	**1,467**	**7,757**	**89**	**9,313**
Depreciation	–	505	126	912	34	1,577
Transfers	–	182	(182)	–	–	–
Reclassification	–	–	9	(9)	–	–
Disposals	–	–	–	–	(24)	(24)
Revaluations		(687)	–	–	–	(687)
31 July 2012	**–**	**–**	**1,420**	**8,659**	**99**	**10,178**
Net book value at 31 July 2012	**8,670**	**51,868**	**1,094**	**7,719**	**118**	**69,470**
Cost or valuation						
1 August 2012	**8,670**	**51,868**	**2,514**	**16,379**	**217**	**79,648**
Additions	46	67	30	450	10	603
Disposals	–	(2,700)	–	(681)	(82)	(3,463)
Revaluations	–	1,539	–	–	–	1,539
31 July 2013	**8,716**	**50,774**	**2,544**	**16,148**	**145**	**78,327**
Depreciation						
1 August 2012	–	–	1,420	8,659	99	10,178
Depreciation	–	486	89	611	18	1,204
Disposals	–	–	–	(415)	(40)	(455)
Revaluations		(486)	–	–	–	(486)
31 July 2013	**–**	**–**	**1,509**	**8,855**	**77**	**10,441**
Net book value at 31 July 2013	**8,716**	**50,774**	**1,035**	**7,293**	**68**	**67,886**

If all property, plant and equipment were stated at historic cost the carrying value would be £42.6 million (2012: £44.65 million).

Capital expenditure ("capex") during the year totalled £0.60 million (2012: £1.8 million). This included small limited expenditures at existing stores and further racking at the Saracen Olney store. It also included planning and other professional costs incurred in maximising the potential of our existing planning permissions.

Property, plant and equipment (non-current assets) with a carrying value of £67.9 million (2012: £69.5 million) are pledged as security for bank loans, refer note 16a. The Maidenhead property with a carrying value of £2.8 million (2012: £3.2 million), refer note 10c, is also pledged as security for the bank loans.

The net book value of assets held under finance leases at 31 July 2013 was £14,059 (2012: £116,080) and the depreciation charge includes £5,712 (2012: £20,593) in relation to these assets.

Market Valuation of Freehold and Operating Leasehold Land and Buildings

On 31 July 2013, a professional valuation was prepared by valuers Cushman & Wakefield LLP (C&W) in respect of twelve freehold and seven leasehold properties. The valuation was prepared in accordance with the RICS Valuation - Professional Standards, published by the Royal Institute of Chartered Surveyors ("the Red Book"). The valuations were prepared on the basis of Fair Value or Fair 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 nine 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.

10b Property, plant and equipment continued

- 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 £67.7 million (2012: £67.9 million) of which £54.5 million (2012: £56.1 million) relates to freehold properties, and £13.2 million (2012: £11.8 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 Fair 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 £54.5 million valuation of the freehold properties £3.7 million (2012: £4.3 million) relates to the net book value of fixtures, fittings and equipment, and the remaining £50.8 million (2012: £51.9 million) relates to freehold properties.

The 2013 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 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 in the financial statements. The valuations do not account for any further investment in existing stores since July 2013.

Valuation 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.

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 18 trading stores (both freeholds and leaseholds) averages 67.72% (2012: 68.26%). 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 flows 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 18 stores the yield (net of purchaser's costs) arising from the first year of the projected cash flow is 7.17% (2012: 6.31%). This rises to 11.10% (2012: 11.38%) 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 12.02% (2012: 12.05%).

e. Purchaser's costs of 5.8% have been assumed initially and sale plus purchaser's costs totalling 7.8% 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 14 years and 8 months as at 31 July 2013 (14 years and 6 months: 31 July 2012). 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.

In 2011, one of the Group store's leases was renegotiated and includes a ten year option to renew the lease from March 2026 to March 2036. The option to extend is only operable in the event that all four of the leases applicable to this store are extended and this option is personal to Lok'nStore or another "major self-storage operator", to be approved by the landlord (approval not to be unreasonably withheld). The C&W valuation on this store is based on this special assumption that the option to extend the lease for 10 years is exercised. This is consistent with the approach taken in 2011 and 2012.

Notes to the Financial Statements

For the year ended 31 July 2013

10b Property, plant and equipment continued

Immature stores

C&W have assessed the value of each property individually. The degree of uncertainty relating to immature stores is greater than in relation to the balance of the properties due to there being even less market evidence that might be available for more mature properties and portfolios.

C&W state that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W have not adjusted their opinion of Fair Value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, they highlight the matter to alert the Group to the manner in which the properties might be grouped in order to maximise their attractiveness to the market place.

C&W have not assumed that the entire portfolio of properties owned by the entity 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 (either higher or lower) from the aggregate of the individual values for each property in the portfolio.

10c Property lease premiums

£2.8 million of costs relating to the long lease at Maidenhead is classified as a non-current asset in the statement of financial position (2012: £3.2 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 ground rent thereafter. During the year under a site sharing agreement with a discount supermarket, the discount supermarket retailer, the group disposed of a part interest in its site for £1,550,000 in cash.

Group	2013 £'000	2012 £'000
Balance 1 August	3,179	2,944
Additions during the year	1,171	236
Disposal during the year	(1,550)	–
Balance 31 July	2,800	3,180

11 Investments

Company Investments in subsidiary undertakings	£'000
31 July 2011	1,590
Capital contributions arising from share-based payments	92
31 July 2012	1,682
Capital contributions arising from share-based payments	94
31 July 2013	1,776

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

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

* These companies are subsidiaries of Lok'nStore Limited.

† These companies are subsidiaries of Southern Engineering and Machinery Company Limited and did not trade during the year.

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.

12 Inventories

	Group 2013 £'000	Group 2012 £'000
Consumables and goods for resale	**138**	140

The amount of inventories recognised as an expense during the year was £179,833 (2012: £135,673).

13 Trade and other receivables

	Group 2013 £'000	Group 2012 £'000
Trade receivables	**1,249**	1,225
Other receivables	**733**	163
Prepayments and accrued income	**435**	467
	2,417	1,855

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. Late charges are applied to a customer's account if they are more than 10 days overdue in their payment. The Group provides for receivables based upon sales levels and estimated recoverability. There is a right of lien over the customers' goods, so if they have not paid within a certain time frame, the Company has the right to sell the items they store to cover the debt owed by the customer. Trade receivables that are overdue are provided for based on estimated irrecoverable amounts, 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, tapes and files. The provision of additional services, such as document box or tape collection and retrieval from archive, typically are invoiced monthly in arrears. The serviced archive segment with over 330 customers has a greater customer concentration than the self-storage segment, with its ten largest corporate customers accounting for 40% of revenue.

Included in the Group's trade receivables balance are receivables with a carrying amount of £375,458 (2012: £382,270) 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 its self-storage customers' goods if these debts are not paid. The average age of these receivables is 41 days past due (2012: 41 days past due).

Ageing of past due but not impaired receivables

	Group 2013 £'000	Group 2012 £'000
0–30 days	**136**	137
30–60 days	**204**	204
60+ days	**35**	41
Total	**375**	382

Movement in the allowance for bad debts

	Group 2013 £'000	Group 2012 £'000
Balance at the beginning of the year	**138**	101
Impairment losses recognised	**61**	58
Amounts written off as uncollectible	**(50)**	(22)
Balance at the end of the year	**149**	137

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.

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13 Trade and other receivables continued

Ageing of impaired trade receivables

	Group 2013 £'000	Group 2012 £'000
0–30 days	–	–
30–60 days	–	–
60+ days	149	137
Total	149	137

14 Trade and other payables

	Group 2013 £'000	Group 2012 £'000
Trade payables	1,256	767
Taxation and social security costs	434	294
Other payables	912	911
Accruals and deferred income	2,196	2,112
	4,798	4,084

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

15 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 16a, 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. 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 on-going 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:

Capital Management	Group 2013 £'000	Group 2012 £'000
Debt	(26,786)	(29,708)
Cash and cash equivalents	4,244	3,961
Net debt	(22,542)	(25,747)
Statement of financial position equity	40,372	38,961
Net debt to equity ratio	55.8%	66.1%

The decrease in the Group's gearing ratio arises through the combined effect of a decrease in debt arising from the application of the sale proceeds of the Ashford store to the bank loan, an increase in the C&W valuation of its freehold properties and a decrease in the liability arising on the market to market 'fair value' of the two interest rate swaps executed last year. Cash generated from operations also contributed to the overall effect.

Exposure to credit and interest rate risk arises in the normal course of the Group's business.

A Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of interest rates. Last year the Group executed two separate interest rate swaps with Lloyds TSB plc. These have been maintained and are reported fully in the Financial Review.

15 Financial instruments continued

B Debt management

Debt is defined as non-current and current borrowings, as detailed in note 16a. Equity includes all capital and reserves of the Group. The Group is not subject to externally imposed capital requirements.

The Group borrows through a senior five year term revolving credit facility, arranged through Lloyds TSB Group plc secured on its existing store portfolio and other Group assets with a net book value of £81.6 million (2012: £82.9 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 (2012: £40 million). This facility expires on 19 October 2016. Undrawn committed facilities at the year-end amounted to £13.2 million (2012: £10.3 million).

C Interest rate risk management

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis. All borrowings are denominated in Sterling and are detailed in note 16a. 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 Group continues its two cash flow hedging interest rate swap arrangements in order to reduce the risk of such upward movements in LIBOR rate. These instruments and the movement in their fair values are detailed in note 16b.

The following interest rates applied during the financial year:

1. London Inter-Bank Offer Rate (LIBOR) plus 2.35%–2.65% Lloyds TSB plc margin based on a loan to value covenant test for the revolving advances amounting to £26.8 million.
2. 40% of the applicable margin in 1 above for non-utilisation (i.e. that part of the facility which remains undrawn from time to time). As at 31 July 2012 the prevailing non-utilisation charge is calculated at a rate of 0.94%.
3. Rates prevailing on the Group's Interest rate swaps. See note 16b.

Cash balances held in current accounts attract no interest but surplus cash is transferred daily to a treasury deposit account which earns interest at the prevailing money market rates.* All amounts are denominated in Sterling. The balances at 31 July 2013 are as follows:

	Group 2013 £'000	Group 2012 £'000
Variable rate treasury deposits*	**4,171**	3,612
SIP trustee deposits	**51**	39
(Overdraft)/cash in operating current accounts	**(74)**	256
Other cash and cash equivalents	**96**	54
Total cash and cash equivalents	**4,244**	3,961

* Money market rates for the Group's variable rate treasury deposit track Lloyds TSB plc base rate. The rate attributable to the variable rate deposits at 31 July 2013 was 0.5%.

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.

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 2013, it is estimated that an increase of one percentage point in interest rates would have reduced the Group's annual profit before tax by £67,816 (2012: £96,815) and conversely a decrease of one percentage point in interest rates would have increased the Group's annual profit before tax by £67,816 (2012: £96,815). 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 2.86% applying to the variable rate borrowings of £6.8 million in the year (2012: £9.8 million/2.33%).

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.

Notes to the Financial Statements

For the year ended 31 July 2013

15 Financial instruments continued

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.

G Credit risk

The credit risk management policies of the Group with respect to trade receivables are discussed in note 13. 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 330 customers has a greater concentration of credit risk with its ten largest corporate customers accounting for 39% of revenue and its top 50 delivering 68.8% of revenue and its top 100 delivering 84.0% 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 2013 was £1,430,879 (2012: £1,265,638) on receivables and £4,243,522 (2012: £3,960,772) on cash and cash equivalents.

H Maturity analysis of financial liabilities

The undiscounted contractual cash flow maturities are as follows:

2013 – Group

	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
From two to five years	–	26,781	1,997
From one to two years	–	–	898
Due after more than one year	–	–	2,895
Due within one year	3,038	5	900
Total contractual undiscounted cash flows	3,038	26,786	3,795

2012 – Group

	Trade and other payables £'000	Borrowings £'000	Interest on borrowings £'000
From two to five years	–	29,681	1,535
From one to two years	–	5	692
Due after more than one year	–	29,686	2,227
Due within one year	2,327	22	696
Total contractual undiscounted cash flows	2,327	29,708	2,923

I Fair values of financial instruments

	2013 £'000	2012 £'000
Categories of financial assets and financial liabilities		
Financial assets		
Trade and other receivables	1,431	1,266
Cash and cash equivalents	4,244	3,961
Financial liabilities		
Trade and other payables	(3,038)	(2,327
Bank loans	(26,422)	(29,219)
Finance lease payables	(5)	(26)

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. 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.

15 Financial instruments continued

J Company's financial instruments

The Company's only financial assets are amounts owed by subsidiary undertakings amounting to £3.2 million (2012: £4.5 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.

16a Borrowings

	Group 2013 £'000	Group 2012 £'000
Non-current		
Bank loans repayable in more than two years but not more than five years		
Gross	26,781	29,682
Deferred financing costs	(359)	(463)
Net bank borrowings	26,422	29,219
Finance lease liabilities	–	4
Non-current borrowings	26,422	29,223
Current		
Finance lease liabilities	5	22
Current borrowings	5	22
Total borrowings	26,427	29,245

The £40 million revolving credit facility with Lloyds TSB plc is secured by legal charges and debentures over the freehold and leasehold properties and other assets of the business with a net book value of £83.1 million together with cross-company guarantees from Group companies. The revolving credit facility is for a five-year term and expires on 19 October 2016. 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% Lloyds TSB plc 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 2013 £'000	Group 2012 £'000
Gross finance liabilities — minimum lease payments		
Within one year	6	27
Later than one year and no later than five years	–	6
Later than five years	–	–
	6	33
Future finance charges on finance leases	(1)	(7)
	5	26

The present value of finance lease liabilities is as follows:

	Group 2013 £'000	Group 2012 £'000
Gross finance liabilities — minimum lease payments		
Within one year	5	21
Later than one year and no later than five years	–	5
	5	26

Notes to the Financial Statements

For the year ended 31 July 2013

16b Derivative financial instruments

The Group continues to operate two separate £10 million interest rate swaps as a cash flow hedge with Lloyds TSB Bank plc both effective from 31 May 2012, the first at a fixed 1 month sterling LIBOR rate of 1.2% and the second at a fixed one-month sterling LIBOR rate of 1.15%. Both swaps run up to the expiration of the current banking facility in October 2016. The balance of the drawn facility of £6.8 million (2012: £9.7 million) remains at a floating rate.

	Currency	Principal £'000	Maturity date	Fair value 2013 £'000	Fair value 2012 £'000
3032816LS Interest rate swap	GBP	10,000	20/10/2016	(143)	(258)
3047549LS Interest rate swap	GBP	10,000	20/10/2016	(128)	(238)
		20,000		(271)	(496)

The movement in fair value of the interest rate swaps of £225,000 (2012: £496,000) has been recognised in other comprehensive income in the year.

17 Deferred tax

Deferred tax liability	Group 2013 £'000	Group 2012 £'000
Liability at start of year	10,073	10,555
(Credit)/charge to income for the year	(2)	154
Tax credited directly to other comprehensive income	(366)	(636)
Liability at end of year	9,705	10,073

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

	Accelerated Capital Allowances £'000	Tax losses £'000	Intangible assets £'000	Other temporary differences £'000	Revaluation of properties £'000	Rolled over gain on disposal £'000	Total £'000
At 1 August 2011	1,307	(599)	827	24	6,721	2,275	10,555
Charge/(credit) to income for the year	127	367	(104)	(2)	(51)	(182)	155
Charge/(credit) to other comprehensive income	–	–	–	(114)	(523)	–	(637)
At 31 July 2012	1,434	(232)	723	(92)	6,147	2,093	10,073
Charge/(credit) to income for the year	(359)	226	(127)	(3)	521	(260)	(2)
Charge/(credit) to other comprehensive income	–	–	–	60	(426)	–	(366)
At 31 July 2013	1,075	(6)	596	(35)	6,242	1,833	9,705

There is no current corporation tax liability to pay due to the availability of tax losses. Almost all of the Group's tax losses have now been utilised with tax losses available to carry forward for offset against future profits amount to £0.2 million (2012: £1.15 million). The Group will therefore pay tax on the majority of its earnings next year.

A deferred tax asset of £6,000 (2012: £232,000) 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 £75,000 (2012: £55,000) arises in respect of the share options in existence at 31 July 2013 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 2013 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 to 21% from 1 April 2014 with a further reduction to 20% from 1 April 2015. 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.

18 Share capital

	2013 £'000	2012 £'000
Authorised:		
35,000,000 ordinary shares of 1 pence each (2012: 35,000,000)	**350**	350
	£'000	£'000
Allotted, issued and fully paid ordinary shares		
Balance 1 August	**268**	268
Options exercised (382,328 shares)	**4**	–
Balance 31 July	**272**	268

	Called up, allotted and fully paid Number	Called up, allotted and fully paid Number
Number of shares at 31 July	**27,141,193**	26,758,865

The Company has one class of ordinary shares which carry no right to fixed income.

19 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:

2013 Summary	As At 31 July 2012 No. of options	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2013 No. of options
Enterprise Management Initiative Scheme	**349,166**	**–**	**(185,798)**	**–**	**163,368**
Unapproved Share Options	**2,442,175**	**408**	**(135,000)**	**(151,000)**	**2,156,583**
Approved CSOP Share Options	**283,713**	**23,592**	**(61,530)**	**(12,000)**	**233,775**
Total	**3,075,054**	**24,000**	**(382,328)**	**(163,000)**	**2,553,726**

2012 Summary	As at 31 July 2011	Granted	Exercised	Lapsed/ surrendered	As at 31 July 2012
Enterprise Management Initiative Scheme	349,166	–	–	–	349,166
Unapproved Share Options	2,164,386	277,789	–	–	2,442,175
Approved CSOP Share Options	232,002	52,211	–	(500)	283,713
Total	2,745,554	330,000	–	(500)	3,075,054

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19 Equity settled share-based payment plans continued

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

	As at 31 July 2012	Options granted	Options exercised	At 31 July 2013 EMI Scheme	Unapproved Scheme	Approved CSOP share options	Total at 31 July 2013
2013							
Executive Directors							
A Jacobs — Unapproved	500,000	–	(50,000)	–	450,000	–	450,000
SG Thomas — Unapproved	500,000	–	(50,000)	–	450,000	–	450,000
RA Davies — EMI	98,039	–	(98,039)	–	–	–	–
RA Davies — Unapproved	528,431	–	(15,000)	–	513,431	–	513,431
RA Davies — CSOP	23,530		(23,530)	–	–	–	–
RA Davies total	650,000	–	(136,569)	–	513,431	–	513,431
CM Jacobs — EMI	79,173	–	(47,759)	31,414	–	–	31,414
CM Jacobs — Unapproved	216,082	–	–	–	216,082	–	216,082
CM Jacobs — CSOP	24,745	–	–	–	–	24,745	24,745
CM Jacobs total	320,000	–	(47,759)	31,414	216,082	24,745	272,241
Non-Executive Directors							
RJ Holmes — Unapproved	10,000	–	–	–	10,000	–	10,000
ETD Luker — Unapproved	15,000	–	–	–	15,000	–	15,000
C P Peal — Unapproved	10,000	–	–	–	10,000	–	10,000
Non-Executive total	35,000	–	–	–	35,000	–	35,000
All Directors total	2,005,000	–	(284,328)	31,414	1,664,513	24,745	1,720,672

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 (2012: 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 £94,256 (2012: £91,821), all of which relates to equity-settled share-based payment transactions.

20 Enterprise Management Initiative Scheme

The Company operates a share option scheme under the Enterprise Management Initiative ('EMI'), the vesting conditions of which have been met.

Movements in the year are shown in the table below.

	Options 2013 number	Weighted average exercise price 2013 pence	Options 2012 number	Weighted average exercise price 2012 pence
Outstanding at 1 August	**349,166**	**121.23**	349,166	121.23
Exercised during the year	**(185,798)**	**102.00**	–	–
Outstanding at 31 July	**163,368**	**144.00**	349,166	121.23
Exercisable at 31 July	**163,368**	**144.00**	349,166	121.23

The share price at the year-end was 136.00 pence per share. The share price ranged from 102.49 pence per share to 137.00 pence per share during the year. The exercise prices for shares exercisable at 31 July ranged from 113.00 pence per share to 156.00 pence per share. The options outstanding at 31 July 2013 had a weighted average contractual life of 2 years (2012: 1.7 years).

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

	As at 31 July 2012	Granted	Surrendered	Exercised	As at 31 July 2013	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
	177,212	–	–	(145,798)	**31,414**			

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21 Unapproved Share Options

The Company issues unapproved share options, the vesting conditions of which have been met.

Movements in the year are shown below:

	Options 2013 number	**Weighted average exercise price 2013 pence**	Options 2012 number	Weighted average exercise price 2012 pence
Outstanding at 1 August	**2,442,175**	**124.19**	2,164,386	127.09
Granted during the year	**408**	**136.00**	277,789	108.50
Forfeited during the year	**(151,000)**	**73.00**	–	–
Exercised during the year	**(135,000)**	**58.00**	–	–
Outstanding at 31 July	**2,156,583**	**133.00**	2,442,175	124.19
Exercisable at 31 July	**1,637,869**	**140.00**	1,796,888	131.70

The options outstanding at 31 July 2013 had a weighted average remaining contractual life of 4.7 years (2012: 5.7 years). The exercise prices for shares exercisable at 31 July 2013 ranged from 56.50 pence per share to 269.50 pence per share.

The inputs into the Black–Scholes model used to value the options issued during the year 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 (pence)
31 July 2013	6	136.00	136.00	39.71	4.17	1.36	34.05

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

	As at 31 July 2012	Granted £	Exercised/ lapsed £	**As at 31 July 2013**	Exercise price (pence)	Date from which exercisable	Expiry date
A Jacobs	500,000	–	(50,000)	**450,000**	0.565–213.5	21/01/07–31/07/15	21/01/14–31/07/22
S Thomas	500,000	–	(50,000)	**450,000**	0.565–213.5	21/01/07–31/07/15	21/01/14–31/07/22
R Davies	528,431	–	(15,000)	**513,431**	0.565–213.5	21/01/07–31/07/15	21/01/14–31/07/22
C Jacobs	216,082	–	–	**216,082**	0.565–213.5	21/01/07–31/07/15	21/01/14–31/07/22
ETD Luker	15,000	–	–	**15,000**	56.5	31/07/12	31/07/19
R Holmes	10,000	–	–	**10,000**	56.5	31/07/12	31/07/19
C Peal	10,000	–	–	**10,000**	56.5	31/07/12	31/07/19
Total	1,779,513		(115,000)	**1,664,513**			

22 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 2013 number	**Weighted average exercise price 2013 pence**	Options 2012 number	Weighted average exercise price 2012 pence
Outstanding at 1 August	**283,713**	**94.17**	232,002	90.97
Granted during the year	**23,592**	**136.00**	52,211	108.50
Forfeited during the year	**(12,000)**	**108.00**	(500)	107.86
Exercised during the year	**(61,530)**	**85.00**	–	–
Outstanding at 31 July	**233,775**	**107.00**	283,713	94.17
Exercisable at 31 July	**107,489**	**85.00**	–	–

The options outstanding at 31 July 2013 had a weighted average remaining contractual life of 7.9 years (2012: 8.6 years). There were no options exercisable at 31 July 2013.

The inputs into the Black–Scholes model used to value the options issue during the year 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 (pence)
31 July 2013	6	136.00	136.00	39.70	4.2	1.36	34.05

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

	As at 31 July 2012	Granted £	Exercised /lapsed £	**As at 31 July 2013**	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
	48,275	–	(23,530)	**24,745**			

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23a Other reserves

Group	Cash flow hedge reserve £'000	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2011	**–**	**6,295**	**5,153**	**34**	**1,376**	**12,858**
Share based remuneration (options)	–	–	–	–	92	92
Cash flow hedge reserve net of tax	(382)	–	–	–	–	(382)
Dividend paid	–	–	(917)	–	–	(917)
31 July 2012	**(382)**	**6,295**	**4,236**	**34**	**1,468**	**11,651**
Share based remuneration (options)	–	–	–	–	94	94
Cash flow hedge reserve net of tax	165	–	–	–	–	165
Dividend paid	–	–	(1,399)	–	–	(1,399)
31 July 2013	**(217)**	**6,295**	**2,837**	**34**	**1,562**	**10,511**

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.

23b Other reserves

Company	Other reserve £'000	Share-based payment reserve £'000	Total £'000
1 August 2011	**4,973**	**1,590**	**6,563**
Share based remuneration (options)	–	92	92
Dividend paid	(917)	–	(917)
31 July 2012	**4,056**	**1,682**	**5,738**
Share based remuneration (options)	–	94	94
Dividend paid	(1,399)	–	(1,399)
31 July 2013	**2,657**	**1,776**	**4,433**

24 Retained earnings

Group	Retained earnings before deduction of own shares £'000	Own shares (note 25) £'000	Retained earnings Total £'000
1 August 2011	**7,180**	**(2,593)**	**4,587**
Profit attributable to owners of Parent for the financial year	753	–	753
Transfer from revaluation reserve	205	–	205
1 August 2012	**8,138**	**(2,593)**	**5,545**
Purchase of shares into treasury	–	(1,648)	(1,648)
Profit attributable to owners of Parent for the financial year	1,421	–	1,421
Transfer from revaluation reserve (Additional depreciation on revaluation)	193	–	193
Transfer from revaluation reserve Realised gain on disposal of property (net of deferred tax)	1,120	–	1,120
31 July 2013	**10,872**	**(4,241)**	**6,631**

The transfer from revaluation reserve represents the additional depreciation charged on revalued assets net of deferred tax.

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.

24 Retained earnings continued

The Company has taken advantage of the exemption available under the Companies Act 2006 not to present the Company income statement of Lok'nStore Group plc. The Company loss for the year was £203,637 (2012: £193,995).

25 Own shares

	ESOP shares Number	ESOP shares £	Treasury shares Number	Treasury shares £	Own shares total £
1 August 2011 and 31 July 2012	623,212	499,910	1,142,000	2,092,902	2,592,812
Purchase of shares in the year	–	–	1,324,869	1,648,134	1,648,134
31 July 2013	**623,212**	**499,910**	**2,466,869**	**3,741,036**	**4,240,946**

During the year the Group purchased 1,324,869 shares for Treasury at an average price of £1.23. Lok'nStore Limited holds a total of 2,466,869 of Lok'nStore Group plc ordinary shares of 1p each for treasury with an aggregate nominal value of £24,669 purchased for an aggregate cost of £3,741,036 at an average price of £1.503 per share. These shares represent 9.09% of the Parent Company's called-up share capital. The maximum number of shares held by Lok'nStore Limited in the year was 2,466,869. No shares were disposed of or cancelled in the year.

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

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

As at 31 July 2013, the Trust held 623,212 (2012: 623,212) ordinary shares of 1 pence each with a market value of £847,568 (2012: £676,185). No shares were transferred out of the scheme during the year (2012: nil).

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

26 Cash flows

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

	2013 £'000	2012 £'000
Profit before tax	**1,426**	926
Depreciation	**1,204**	1,577
Amortisation of intangible assets	**165**	165
Loss on disposal of freehold Property	**86**	–
Equity settled share based payments	**94**	92
Loss on sale of motor vehicles	**18**	4
Interest receivable	**(33)**	(15)
Interest payable	**1,175**	1,029
Increase/(decrease) in inventories	**2**	(30)
Increase in receivables	**(562)**	(34)
Increase/(decrease) in payables	**711**	(571)
Cash generated from operations	**4,286**	3,143

(b) Reconciliation of net cash flow to movement in net debt

Net debt is defined as non-current and current borrowings, as detailed in note 16a less cash and cash equivalents.

	2013 £'000	2012 £'000
Increase in cash in the year	**283**	182
Change in net debt resulting from cash flows	**2,922**	(1,540)
Movement in net debt in year	**3,205**	(1,358)
Net debt brought forward	**(25,747)**	(24,389)
Net debt carried forward	**(22,542)**	(25,747)

Notes to the Financial Statements

For the year ended 31 July 2013

27 Commitments under operating leases

At 31 July 2013 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 2013 £'000	Group 2012 £'000
Land and buildings		
Amounts due:		
Within one year	**1,515**	1,618
Between two and five years	**5,592**	6,090
After five years	**10,023**	6,087
	17,130	13,795

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.

The Group as lessor:

Property rental income earned during the year was £95,285 (2012: £88,213). 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 2013 £'000	Group 2012 £'000
Within one year	**92**	89

28 Events after the reporting date

VAT Tribunal decision: Following a longstanding dispute with HMRC on a VAT partial exemption issue, the matter was referred to a Tax Tribunal. The Tribunal Hearing took place in July 2012 to consider the matter and judgement was received in September 2012 in favour of Lok'nStore. HMRC were allowed leave to appeal to the Upper Tribunal in respect of the First Tier Tribunal Judgement (FTT). This appeal is likely to be heard in December 2013. Full details on this matter are provided under note 30c below.

29 Related party transactions

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

	2013 £'000	2012 £'000
Net amount due from Lok'nStore Limited	**3,207**	4,490

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 2013.

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 11.

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.

	2013 £'000	2012 £'000
Short term employee benefits	**653**	504
Post-employment benefits	**30**	15
Share-based payments	**38**	59
Total	**721**	578

29 Related party transactions continued

The Group has a service agreement for strategic services with Value Added Services LLP, a limited liability partnership in which Andrew Jacobs and Simon Thomas have a beneficial interest. The total fees payable to Value Added Services LLP are as shown in note 6. Fees are usually settled monthly and there were no outstanding amounts due to Value Added Services LLP at the year-end (2012: £nil). The maximum balance outstanding at any time during the year was £91,001 (ex VAT) (2012: £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 (2012: £6,000). The balance outstanding to Trucost plc at year-end was £nil (2012: £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 £26,519 (2012: £21,310). There were no amounts outstanding due to Keith Jacobs at the year-end (2011: £nil). The maximum balance outstanding at any time during the year is £3,153 (ex VAT) (2012: £1,956).

30a Capital commitments and guarantees

The Group has capital expenditure contracted but not provided for in the financial statements of £3.98 million (2012: £2.56 million) relating to the £2.5 million development commitment at Aldershot, remaining commitments on the build-out at Maidenhead, £0.34 million at Saracen relating to increasing warehouse racking and fire vault capacity, and various other minor works.

30b 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 £26.8 million (2012: £29.7 million).

30c 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 approached HMRC to request the implementation of a Partial Exemption Special Method (PESM). Lok'nStore has 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 £140,903 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 dispute. 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 were 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 was agreed with the Tribunal and HMRC that the second appeal (i.e. the SMO appeal) would be stood over pending the outcome of the first appeal in respect of the proposed PESM. The Tribunal Hearing took place in July 2012 to consider the matter and judgement was received in September 2012 in favour of Lok'nStore. The Judge found that while there was some link between overhead costs and the cost of insurance there was not a significant link and concluded that the standard method was not a fair proxy for use and went to find that our proposed method gave a more accurate proxy for use and should be accepted.

HMRC were allowed leave to appeal to the Upper Tribunal in respect of the First Tier Tribunal Judgement (FTT). This appeal is likely to be heard in December 2013.

Accordingly, in light of the potential for HMRC to overturn the judgement, it is appropriate, as in previous years, to update on the range of outcomes. On a worst case scenario, the overall liability in relation to input tax claimed up to the end of July 2013 which may become repayable to HMRC totals £520,957 (2012: £438,504) based on the standard method restriction. Of this £219,205 (2012: £227,926) relates to capital expenditure inputs and £301,752 (2012: £210,578) relates to income statement items. Interest would be added to both totals. Alternatively, if our floor-based special method is unchallenged by HMRC, this will give a restriction of less that 0.1%, in which case the total amount of VAT (plus interest) to be assessed by HMRC would on the figures above give a de minimus result.

It remains the Group's position to continue to report the position as a contingent liability until such time as the result of HMRC's appeal is determined. However while that outcome at present remains uncertain it is not considered that any material provision is necessary.

Glossary

Abbreviation

Adjusted EBITDA	Earnings before all depreciation and amortisation charges, losses or profits on disposal, share-based payments, acquisition costs, and non-recurring professional costs, finance income, finance costs and taxation
AGM	Annual General Meeting
APD	Auditing Practices Board
Bps	Basis Points
C&W	Cushman & Wakefield
CAC	Contributory asset charges
Capex	Capital Expenditure
CGU	Cash generating units
CO_2e	Carbon Dioxide Emissions
CSOP	Company Share Option Plan
EBT	Earnings Before Tax
EMI	Enterprise Management Incentive Scheme
EU	European Union
GHG	Indirect greenhouse gas
HMRC	Her Majesty's Revenue & Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LIBOR	London Interbank Offered Rate
LTV	Loan to Value Ratio
MWh	Megawatt Hour
Operating Profit	Earnings before interest and tax (EBIT)
PESM	Partial Exemption Special Method
RICS	Royal Institution of Chartered Surveyors
SMO	Standard Method Override Calculation
sq. ft.	Square Foot
Store adjusted EBITDA	Adjusted EBITDA (see above) but before central and head office costs.
VAT	Value Added Tax

Our Stores

Head office
Lok'nStore plc
112 Hawley Lane
Farnborough
Hampshire, GU14 8JE
Tel 01252 521010

www.loknstore.co.uk
www.loknstore.com

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

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

Crayford, Kent
Block B
Optima Park
Thames Road
Crayford
Kent, DA1 4QX
Tel 01322 525292
Fax 01322 521333
crayford@loknstore.co.uk

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

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

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

Harlow, Essex
Unit 1 Dukes Park
Edinburgh Way
Harlow
Essex, CM20 2GF
Tel 01279 454238
Fax 01279 443750
harlow@loknstore.co.uk

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

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

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

Northampton Central
16 Quorn Way
Grafton Street Industrial Estate
Northampton, NN1 2PN
Tel 01604 629928
Fax 01604 627531
nncentral@loknstore.co.uk

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

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

Portsmouth, Hampshire
Rudmore Square
Portsmouth, PO2 8RT
Tel 02392 876783
Fax 02392 821941
portsmouth@loknstore.co.uk

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

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

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

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

Swindon Kembrey Park, Wiltshire
Kembrey Street
Elgin Industrial Estate
Swindon
Wiltshire, SN2 8UY
Tel 01793 421234
Fax 01793 422888
swindoneast@loknstore.co.uk

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

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

Development locations

Southampton, Hampshire
Third Avenue
Millbrook
Southampton
SO15 0JX

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

Maidenhead, Berkshire
Stafferton Way
Maidenhead
Berkshire
SL6 1AY

Reading, Berkshire
A33 Reading Relief Road
Reading
Berkshire
RG1 6EL

Managed stores

Aldershot, Hampshire
(Opening 2014)
251, Ash Road
Aldershot
GU12 4DD
Tel 0845 4856415
aldershot@loknstore.co.uk

Ashford, Kent
(from 28 March 2013)
Wotton Road
Ashford
Kent, TN23 6LL
Tel 01233 645500
Fax 01233 646000
ashford@loknstore.co.uk

Crawley, West Sussex
Sussex Manor Business Park
Gatwick Road
Crawley
RH10 9NH
Tel 01293 738530
crawley@loknstore.co.uk

Woking
Marlborough Road
Woking
GU21 5JG
Tel 01483 378323
Fax 01483 722444
woking@loknstore.co.uk

Notes

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Jonesandpalmer
www.jonesandpalmer.co.uk
empowering
corporate
communications

Head Office
Lok'nStore Group Plc
112 Hawley Lane
Farnborough
Hampshire GU14 8JE
Tel: 01252 521010

www.loknstore.co.uk
www.loknstore.com